Form 26
[Rule 5.6]

CLERK OF THE COURT
FILED
Clerk's Stamp
MAY 03 2018
JUDICIAL CENTRE
OF CALGARY

COURT FILE NUMBER	1701-03460
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
PLAINTIFF	ALBERTA ENERGY REGULATOR
DEFENDANT	LEXIN RESOURCES LTD.
DOCUMENT	**AFFIDAVIT**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	MacDONALD HANLEY Barristers and Solicitors Attention: James G. Hanley 2050, 736 - 6 Avenue SW Calgary, AB, T2P 3T7 Tel: 403-668-5432 Fax: 403-233-2033 File No.: 53397.001JGH jhanley@macdonaldhanley.com

AFFIDAVIT OF NEEKY NOOR-ALI

Sworn on April 30, 2018

I, Neeky Noor-Ali, of the City of Calgary, in the Province of Alberta, make oath and say as follows:

1. I am the President of Midstream Canada Ltd. ("Midstream"), and as such have knowledge of the matters here and after deposed to, save or stated to be based on information or belief.
2. Midstream is a privately held junior oil and gas company operating in Alberta.
3. On December 21, 2017, Midstream entered into a Purchase & Sale Agreement with ExxonMobil Energy Canada ("the Exxon PSA") to acquire certain wells and facilities in the area in Alberta known as High River.
4. The Exxon PSA closed on February 1, 2018, as a result of which Midstream acquired Exxon's interest in 53 wells and a series of pipelines in the High River area. Attached as **Exhibit "A"** is a list of the wells and pipeline facilities acquired by Midstream from Exxon pursuant to the Exxon PSA.

5. Lexin Resources Ltd. ("Lexin") is the Operator, license-holder and working interest partner in 21 of the 53 wells acquired from Exxon by Midstream. Attached as **Exhibit "B"** is a list of those 21 wells ("the Lexin Wells"). **Exhibit "B"** also contains the percentage working interest of Lexin and Midstream in the Lexin Wells.

6. The Lexin Wells are governed by Operating Agreements. Each agreement relates to certain wells in specific areas in High River. Attached as **Exhibit "C"** is a Farmout, Participation and Area of Mutual Interest Agreement dated December 31, 1997 ("the Head Agreement"). This Head Agreement covers 75% to 80% of the Lexin Wells, which are the subject of this application. Midstream has assumed the Exxon obligations in this Head Agreement. This Head Agreement adopts the 1990 CAPL Operating Procedure. In addition, Pooling Agreements related to the remaining wells and area of mutual interest adopt the 1990 CAPL Operating Procedure. Attached as **Exhibit "D"** is the 1990 CAPL Operating Procedure.

7. I have reviewed and do positively swear that all agreements relating to the Lexin Wells adopt the 1990 CAPL Operating Procedure.

8. Midstream acquired interest in certain pipelines, gathering systems and related facilities under the Exxon PSA as follows:

    a. 25% interest in the Hooker Gas Gathering System;

    b. 25% to 50% interest based on Functional Unit in the Hooker East Compression and Gas Gathering System;

    c. 54.8822% interest in the South East Hooker Compression and Gas Gathering System; and

    d. 66.6667% interest in the Hooker North Gas Gathering System ("the Gathering Systems").

9. Each of the Gas Gathering Systems is governed by a specific agreement for Construction, Ownership and Operation of the relevant pipeline and system ("the CO&O Agreements"). Attached as **Exhibit "E"** is the CO&O Agreement for the Hooker Gas Gathering System. Attached as **Exhibit "F"** is the CO&O Agreement for the South East Hooker Gas Gathering System. Attached as **Exhibit "G"** is the CO&O Agreement for the Hooker East Compression and Gas Gathering System.

10. Midstream is the Operator of the Hooker North Gas Gathering System so that the Operatorship with respect to the remaining three (3) Hooker Gas, Hooker East Compression and Gas, and South East Hooker Compression and Gas are relevant to this Affidavit and Application.

11. The Operating Procedure for the Gas Gathering System and facilities is the same for each of the CO&O Agreements, and in each case contemplate that upon the insolvency of the Operator, the Operator shall cease to be Operator.

12. Midstream is the Operator of the Hooker North Gas Gathering System. Lexin is the Operator of the other three (3) systems. Attached as **Exhibit "H"** is a schematic map showing the pipeline systems and their locations.

13. All of the 53 wells and the Gas Gathering Systems referenced above have been shut-in pursuant to AER Closure Order C2017-01 dated February 15, 2017 and pursuant to the Receivership Order granted by this Court on March 20, 2017. No production has been generated by any of the wells, nor has production flowed through any of the pipelines or Gas Gathering System facilities.

14. Midstream purchased the assets from Exxon with a view to re-starting the wells, generating production and moving the production through the pipelines to sell to the market. In order to do that, the pipelines must be operational in advance of or concurrent with the wells coming on production. Additionally, the relevant facilities must be constructed and regulatory authority granted prior to production restarting. Midstream wishes to become Operator of the pipelines and the facilities to allow it, as Operator, to reopen these pipelines and facilities in due course after acquiring regulatory approvals.

15. Midstream also wishes to become the Operator of the Wells set out in **Exhibit "B"** so as to re-start production from these wells.

16. Leaving aside the Lexin Wells, there are 32 other wells Midstream purchased from Exxon ("the Exxon Wells"). These 32 wells are not subject to the AER Closure Order, however, shutting in of the Gas Gathering System results directly in Midstream's inability to re-start. The shutting-in of the Gas Gathering System results directly in Midstream's inability to re-start these wells or move any production from these wells to market. A major part of the rationale of Midstream of operating the Gas Gathering System is to allow Midstream to move its production on the 32 wells in which Lexin is not the operator/licensee, but certainly, Midstream wishes to recommence production of the Lexin Wells also. Change of Operatorship provides a path to re-start the wells in the High River area, both the Exxon and Lexin Wells, and wells held by Lexin as 100% interest holder, which I believe, would enhance the value of the Lexin estate.

17. In short, Midstream has an interest in 53 wells in the area serviced by the Gas Gathering Systems. Unless or until these systems are operating again, Midstream is unable to recommence production or move its production to market. For this reason, Midstream wishes to ultimately be named Operator of the Gas Gathering Systems in the area which Lexin currently operates.

18. The CO&O Agreements relating to the Gas Gathering System contains the following clause:

303. <u>Replacement of Operator</u>

Operator shall immediately cease to be Operator in the circumstances described in Subclauses (a) and (b) below and in all circumstances described in this Clause a replacement Operator be appointed pursuant to Clause 304, if:

(a) Operator becomes bankrupt or insolvent, commits or suffers any act of bankruptcy or insolvency, is placed in receivership or a receiver/manager or Person filling that role is appointed with respect to its property, seeks debtor relief protection under applicable legislation (including. without restricting the generality of the foregoing, the *Bankruptcy and Insolvency Act of Canada* and the *Companies' Creditor Arrangement Act of Canada*) or permits any judgment to be registered against its interest in the Facility or any portion thereof, and without restricting the generality of the foregoing, an Operator shall be deemed insolvent for the purposes of this Clause if its unable to pay its debts as they fall due in the usual course of business;

19. Lexin, by virtue of the appointment of a Receiver and Trustee in Bankruptcy, I believe falls within the meaning of this Clause and therefore "shall immediately cease to be Operator". Midstream wishes to take over Operatorship in accordance with the CO&O Agreement.

20. Midstream further wishes to be named as Operator of the 21 wells which Lexin currently operates. For each of those wells, Midstream is a working interest partner, holding a 50% working interest in 14 of the wells and working interest of between 6.9355% and 37.5% on seven (7) additional wells. This information is disclosed in **Exhibit "B"**.

21. The 1990 CAPL Operating Procedure also deals with the insolvency of the Operator. Clause 202 reads:

> 202. Replacement of Operator
>
> (a) The Operator shall be replaced immediately and another Operator appointed forthwith pursuant to Clause 206 upon notice to such effect being served by any party to the other parties if:
>
> (i) the Operator becomes bankrupt or insolvent, commits or suffers any act of bankruptcy or insolvency, is placed in receivership, seeks debtor relief protection under applicable legislation (including. without restricting the generality of the foregoing, the *Bankruptcy and Insolvency Act of Canada* and the *Companies' Creditor Arrangement Act of Canada*) or permits any judgment to be registered against its working interest, and without restricting the generality of the foregoing, an Operator shall be deemed insolvent for the purposes of this Clause if its unable to pay its debts as they fall due in the usual course of business or if it does not have sufficient assets to satisfy its cumulative liabilities in full;

22. The CO&O Agreements did not contemplate notice being required, but state that mandatorily that the Operator of the Gas Gathering Systems shall be replaced under the CO&O Agreement.

23. The 1990 CAPL contemplates that notice must be delivered to the Operator when the replacement is contemplated under the 202 Clause.

24. In February 2018, in-house counsel for Midstream notified counsel for the Receiver of their desire to assume Operatorship of the Hooker CO&O Gas Gathering System. In response, counsel for the Receiver on February 8 that as a result of the Receivership Order granted in these proceedings, paragraphs 10 and 11 imposed a stay for any action against Lexin and its property. Counsel for the Receiver took the position that attempts to obtain Operatorship or issue notices in accordance as may be required under the Operating Agreements and Procedures are prohibited.

25. As set out above, it was the intention of Midstream when they acquired the wells and facilities from Exxon to re-start production, obviously with a view to generating cash flow and profit. Lexin's position as Operator of the 21 wells and the pipeline facilities as indicated, prevents Midstream from taking any steps to re-start those wells and the Gas Gathering Systems. Further, Lexin's Operatorship of the Gas Gathering System and refusal or inability to re-open that system prevents Midstream from re-starting the remaining 32 wells moving that production to market. Lexin either has no interest or a non-operated/non-licensed work interest in those wells, but access to the Gas Gathering System is necessary so as to allow Midstream to move its operated production to market.

26. Collectively, the Operatorships of the wells and Gas Gathering Systems are critical to Midstream. Leaving aside the 21 wells in which Lexin has an interest, the shut-down of the Gas Gathering System causes serious prejudice to the ability of Midstream to produce any or all of the remaining 32 wells purchased from Exxon which are operated and licensed to Midstream.

27. Midstream wishes to pursue its rights under the CAPL and CO&O Operating Agreements. To the extent that notices are required or further action necessary under these agreements, the blanket stay issued in the template Receivership Order is causing serious loss and prejudice to Midstream. Midstream applies to lift the stay and for a Court Order to change Operatorship in relation to the wells and facilities referenced herein. Upon receiving Operatorship of the assets, Midstream will apply to the AER for a license transfer and lifting of the AER Closure Order in respect of the wells and facilities.

28. I believe that from a business, economic, environmental and industry standpoint, leaving these wells and facilities shut-in is far more detrimental than allowing Midstream to assume Operatorship and get the wells and facilities producing and transmitting. Lexin's interest in those wells and facilities which I have described herein, would, I believe, be enhanced in value if the wells and facilities were producing.

29. I am aware that a sales process has been run by the Receiver or its agents with respect to some of these wells and facilities. I believe that the Operatorship was not marketed as an asset to be transferred, nor do I believe that the Operatorship is an asset to be transferred to any prospective purchaser. In the event that Lexin's interest in the wells (**Exhibit "B**) are sold or transferred to a third-party purchaser, it is Midstream's intention to rely on its rights under CAPL as 50% working interest holder to assume Operatorship. Practically speaking, no third-party purchaser is entitled under CAPL to assume Operatorship.

30. Midstream will take the same approach and intent as it relates to the Gas Gathering facilities. These facilities serve 53 wells in which Midstream has an interest, and it is of critical importance that they be properly operated and maintained. It is, I believe, in all parties' interests to ensure that all parties interested in these proceedings to ensure that the Gas Gathering Systems are properly operated. Midstream intends to do that and seeks Operatorship for this purpose.

31. The stay granted by the Court is, I understand, a standard inclusion in any Receivership Order. I am advised that the *Bankruptcy and Insolvency Act* includes a statutory stay preventing any actions by creditors or third parties to affect or impact the assets in the estate.

32. I believe that lifting the stay would benefit the estates as opposed to causing any prejudice. I further believe that the stay remaining in place impacts Midstream as it relates not only to the Lexin wells but the remaining 32 wells which it is unable to produce unless or until the Operatorship of the pipelines and Gas Gathering Systems are determined. I believe that it is inequitable to refuse to allow Midstream to attempt to produce its wells in the area, all of which would require the Operator to agree to re-start the wells and facilities, which the Receiver is incapable of doing.

33. In conjunction with the transfer of the Operatorship, the licenses issued by the regulatory authorities in Alberta must be transferred to the new Operator. The AER has verbally advised Midstream that they will be authorized to hold licenses. Midstream anticipates receiving confirmation of the AER D67 approval imminently.

34. Midstream is capable of operating these wells and facilities and wishes to take all steps to assume Operatorship and recommence production of the wells and flow in the Gas Gathering System.

35. I do not believe that the transfer of Operatorship and transfer of the licenses as required with the Operatorship would adversely impact the estate of Lexin and in fact will have a materially positive impact on Lexin's estate. The assets are the working interest in the wells, pipelines and facilities. The Operatorship is a right under the Agreements and is not a tangible asset to be transferred nor ought the Receiver be marketing or representing that the Operatorship is transferable.

36. I do not believe that dealing with the Operatorship would result in deprivation of value or the reduction of any assets in the Lexin estate. Rather, a prudent Operator would bring value and enhance the assets currently owned by Lexin.

37. An insolvent Operator may adversely impact the operations of an ordinary oil and gas asset. Midstream has the ability to fund day-to-day operations of the wells and facilities. The Receiver, as I understand it, has no ability to respond to or deal with operating assets. To the extent that these assets remain shut-in, they are of no value to any party. If they are re-started, the working interest of Lexin is held by an insolvent partner and a Receiver of the insolvent Operator has a far different strategy or mindset than an ordinary Operator in the industry.

38. The Receiver without funds has no ability to respond to or deal with day-to-day operations, emergencies, contingencies, repairs or maintenance. The AER has assigned care and custody of the Wells to the Orphan Well Association, or occasionally to working interest parties. Ultimately, the impact is that the wells are shut-in, as are the Exxon Wells, with care and custody for those wells operated by Lexin belonging to the Orphan Well Fund who does not operate wells and facilities. The ultimate result is that these wells, including the Exxon Wells, while capable of economic production, are not being produced because the shut-in of the pipelines, the absence of a solvent working interest partner and the regulations pertaining to the Orphan Well Fund care and control of these assets. Midstream is prepared to open the pipelines facilities and operate the wells upon transfer of Operatorship.

39. The shut-in is materially prejudice to Midstream.

40. In contemplation of the Gas Gathering System being re-started, Midstream has acquired a sweet gas plant facility which it intends to install adjacent to a compressor station in the Gas Gathering System subject to receiving all regulatory permits and approvals. Midstream advised Grant Thornton of such intention and forwarded an Authority for Expenditure ("AFE"). Attached as **Exhibit "I"** is the Mail Ballot and AFE forwarded to Grant Thornton. No response was received. However, in contemplation of re-opening the pipeline and Gas Gathering System, Midstream is ready to commence construction and installation of the sweet gas facility, necessary to enhance and add to the production capability.

41. As a result of all of the above, I believe that it causes no prejudice to the estate to lift the stay and allow Midstream to pursue Operatorship in accordance with the agreements set out herein.

SWORN BEFORE ME at Calgary, Alberta, this 30 day of April, 2018.

JAMES G. HANLEY
Barrister & Solicitor
A Commissioner for Oaths
in and for Alberta

NEEKY NOOR-ALI

NOTICE
The time when the producible records listed in this affidavit of records may be inspected is between the hours of 9:00 AM and 4:30 PM, Monday through Friday.

The place at which the producible records may be inspected is MacDonald Hanley, 2050, 736 - 6 Avenue SW, Calgary, AB, T2P 3T7

Exxon High Prairie Asset Disposition

UWI	Licencee	License Number	WI
100/16-19-016-29W4/0	Exxon	0228120	50%
100/13-28-016-29W4/0	Exxon	0242747	50%
100/02-32-016-29W4/0	Exxon	0269651	50%
100/11-32-016-29W4/0	Exxon	0250253	50%
100/16-01-017-29W4/2	Exxon	0228772	50%
100/01-05-017-29W4/0	Exxon	0257349	50%
100/09-05-017-29W4/2	Exxon	0233291	50%
100/13-10-017-29W4/0	Exxon	0268677	60%
100/06-12-017-29W4/0	Exxon	0270059	66.67%
100/03-13-017-29W4/2	Exxon	0273054	50%
100/11-14-017-29W4/0	Exxon	0271850	66.67%
100/05-15-017-29W4/0	Exxon	0239521	50%
100/08-21-017-29W4/0	Exxon	0243235	50%
100/10-21-017-29W4/0	Exxon	0271813	50%
100/04-27-017-29W4/0	Exxon	0314751	50%
100/11-27-017-29W4/0	Exxon	0242543	50%
100/06-33-017-29W4/0	Exxon	0274422	50%
100/14-33-017-29W4/0	Exxon	0254547	50%
100/04-34-017-29W4/0	Exxon	0306036	60%
100/11-34-017-29W4/0	Exxon	0267871	60%
100/03-09-018-29W4/0	Exxon	0272969	100%
100/07-16-018-29W4/0	Exxon	0265166	67%
100/08-21-018-29W4/0	Exxon	0264803	57.895%
100/03-27-018-29W4/0	Exxon	0269338	100%
100/11-27-018-29W4/0	Exxon	0329375	100%
100/02-33-018-29W4/0	Exxon	0316339	87.50%
100/08-03-019-29W4/0	Exxon	0330636	100%
100/11-03-019-29W4/0	Exxon	0359954	100%
100/10-25-016-29W4/0	Lexin	0294076	50%
100/04-09-017-29W4/0	Lexin	0234834	25%
100/15-09-017-29W4/0	Lexin	0272859	25%
100/11-15-017-29W4/0	Lexin	0270487	50%
100/02-27-017-29W4/0	Lexin	0314751	50%
100/10-04-018-29W4/0	Lexin	0254548	50%
100/14-04-018-29W4/0	Lexin	0295937	50%
100/01-05-018-29W4/0	Lexin	0319901	50%
100/09-05-018-29W4/0	Lexin	0258779	50%
100/01-17-018-29W4/0	Lexin	0264926	50%
100/03-18-018-29W4/0	Lexin	0256789	50%
100/15-18-018-29W4/0	Lexin	0214859	50%
100/15-21-018-29W4/0	Lexin	0321588	57.895%
100/05-22-018-29W4/0	Lexin	0337236	50.000%
100/12-22-018-29W4/0	Lexin	0269126	50%
100/08-28-018-29W4/0	Lexin	0310910	31.580%
100/16-32-018-29W4/0	Lexin	0355039	37.50%
100/01-34-018-29W4/0	Lexin	0293084	6.9355%
100/12-34-018-29W4/2	Lexin	0395794	6.9355%
100/01-25-018-30W4/2	Lexin	0217885	50%
100/01-25-018-30W4/3	Lexin	0217885	25%
100/08-09-019-27W4/0	Lexin	0329945	50%

THIS IS EXHIBIT "A" REFERRED
TO IN THE AFFIDAVIT OF
Neely Noor-Ali
SWORN THE 30 DAY OF
April, 2018

A Commissioner for Oaths/Notary Public
In and for the Province of Alberta

JAMES G. HANLEY
Barrister & Solicitor
A Commissioner for Oaths
In and for Alberta

UWI	Licencee	License Number	WI	Governing Agreement	Comments
100/10-25-016-29W4/0	Lexin	0294076	50%	Farmout, Participation and AMI Agmt dated December 31, 1997 (file D2828)	
100/04-09-017-29W4/0	Lexin	0234834	25%	Pooling and Joint Operating Agmt dated March 10, 2000 (file D3049)	
100/15-09-017-29W4/0	Lexin	0272859	25%	Pooling and Joint Operating Agmt dated March 10, 2000 (file D3049)	
100/11-15-017-29W4/0	Lexin	0270487	50%	Farmout, Participation and AMI Agmt dated December 31, 1997 (file D2828)	
100/02-27-017-29W4/0	Lexin	0314751	50%	Farmout, Participation and AMI Agmt dated December 31, 1997 (file D2828)	
100/10-04-018-29W4/0	Lexin	0254548	50%	Farmout, Participation and AMI Agmt dated December 31, 1997 (file D2828)	
100/14-04-018-29W4/0	Lexin	0295937	50%	Farmout, Participation and AMI Agmt dated December 31, 1997 (file D2828)	
100/01-05-018-29W4/0	Lexin	0319901	50%	Farmout, Participation and AMI Agmt dated December 31, 1997 (file D2828)	
100/09-05-018-29W4/0	Lexin	0258779	50%	Farmout, Participation and AMI Agmt dated December 31, 1997 (file D2828)	
100/01-17-018-29W4/0	Lexin	0264926	50%	Farmout, Participation and AMI Agmt dated December 31, 1997 (file D2828)	
100/03-18-018-29W4/0	Lexin	0256789	50%	Farmout, Participation and AMI Agmt dated December 31, 1997 (file D2828)	
100/15-18-018-29W4/0	Lexin	0214859	50%	Farmout, Participation and AMI Agmt dated December 31, 1997 (file D2828)	
100/15-21-018-29W4/0	Lexin	0321588	57.895%	Pooling and Joint Operating Agmt dated February 8, 2002 (file D3179)	Note: Midstream operator under D3179 however well licenced to Lexin)
100/05-22-018-29W4/0	Lexin	0337236	50.000%	Farmout, Participation and AMI Agmt dated December 31, 1997 (file D2828)	
100/12-22-018-29W4/0	Lexin	0269126	50%	Farmout, Participation and AMI Agmt dated December 31, 1997 (file D2828)	
100/08-28-018-29W4/0	Lexin	0310910	31.580%	Pooling and Joint Operating Agmt dated June 14, 2002 (file D3227)	
100/16-32-018-29W4/0	Lexin	0355039	37.50%	Pooling and Joint Operating Agmt dated January 1, 2006 (file D3461)	
100/01-34-018-29W4/0	Lexin	0293084	6.9355%	Pooling and Joint Operating Agmt dated January 23, 2003 (file D3290)	
100/12-34-018-29W4/2	Lexin	0395794	6.9355%	Pooling and Joint Operating Agmt dated January 23, 2003 (file D3290)	
100/01-25-018-30W4/2	Lexin	0217885	50%	Farmout, Participation and AMI Agmt dated December 31, 1997 (file D2828)	
100/01-25-018-30W4/3	Lexin	0217885	25%	Farmout, Participation and AMI Agmt dated December 31, 1997 (file D2828)	
100/08-09-019-27W4/0	Lexin	0329945	50%	Farmout, Participation and AMI Agmt dated December 31, 1997 (file D2828)	

THIS IS EXHIBIT "B" REFERRED TO IN THE AFFIDAVIT OF

Neeky Noor-Ali

SWORN THE 30 DAY OF

April, 20 18

A Commissioner for Oaths/Notary Public In and for the Province of Alberta

JAMES G. HANLEY
Barrister & Solicitor
A Commissioner for Oaths
In and for Alberta

THIS IS EXHIBIT "C" REFERRED
TO IN THE AFFIDAVIT OF
NEEKY NOOR-ALI
SWORN THE 30 DAY OF
APRIL, 2018

A Commissioner for Oaths/Notary Public
In and for the Province of Alberta

JAMES G. HANLEY
Barrister & Solicitor
A Commissioner for Oaths
In and for Alberta

AGREEMENT(S)

Agreements

MOBIL'S COPY

DRAFT #10

VIA COURIER

December 31, 1997

File No.: D2828

COMPTON PETROLEUM CORPORATION
340, 250 - 6th Avenue S.W.
Calgary, Alberta
T2P 3H7

Attention: E. Sapieha

Re: FARMOUT, PARTICIPATION AND AREA OF MUTUAL INTEREST AGREEMENT
TWP 15-19 RGE 27 W4-RGE 1 W5M
MAZEPPA AREA, ALBERTA

Gentlemen:

The purpose of this letter (hereinafter called the "Agreement") is to set forth the basic terms and conditions under which Mobil Oil Canada (hereinafter referred to as "Mobil" or the "Farmor") is prepared to enter into a farmout, participation and area of mutual interest arrangement through which Compton Petroleum Limited (hereinafter referred to as "Compton" or the "Farmee") may earn certain interests in the Block "A" Lands and the Block "B" Lands as more particularly described in Schedule "A" attached hereto (such lands hereinafter collectively referred to as the "Farmout Lands"). In addition, Mobil and Compton (hereinafter collectively referred to as the "Parties") hereby agree to pool their respective interests in certain lands as more particularly described in Schedule "B" attached hereto (such lands hereinafter referred to as the "Pooled Lands"). The basic terms and conditions between the Parties pertaining to the [redacted] portion of the Farmor's interest within the Farmout Lands, or in the petroleum substances produced therefrom or attributable thereto.

B. Each of the Parties do not make any representation or warranty as to its respective title, relative to the grant of its interest in the Pooled Lands, and covenant only that Mobil, Compton and Mobil Resources Ltd. have not, on or before the effective date of this Agreement, received any notice of adverse effect with respect to their respective title documents governing the Pooled Lands, and have not made any agreement whereby any person, firm, corporation or partnership, excepting the other Party, has acquired or may acquire any interest within the Pooled Lands, or in the petroleum substances produced therefrom or attributable thereto.

2. Assignment

A. Neither Party shall encumber or grant any legal or equitable interest in this Agreement, or any portion thereof during the period in which the Farmee is entitled to earn certain interests hereunder without first offering such interest to the other Party pursuant to Clause 2401 "B" of the 1990 Canadian Association of Petroleum Landmen Operating Procedure ("hereinafter referred to as the Operating Procedure"). The foregoing shall not apply to security issued against any lands earned pursuant to this Agreement.

B. Either Party may, upon the termination of the Farmee's right to earn any interests under this Agreement, transfer or assign all or any portion of its respective Interest in and to the Farmout Lands earned or acquired pursuant to this Agreement, or any portion thereof, in accordance with Clause 2401 "B" of the Operating Procedure.

3. Operations Prior to Earning

All of the operations by the Farmee under this Agreement shall be conducted in a lawful manner, in accordance with good oilfield practice and the Regulations, and at the sole cost, risk and expense of the Farmee unless the contrary is specifically stated.

4. Seismic Data Supplied by the Parties

A. Each of the Parties shall provide the other Party with a shot point map identifying each Party's seismic coverage on or within the Farmout Lands and the Pooled Lands (such data hereinafter referred to as the "Seismic Data"). Each of the Parties shall be able to review the other Party's

Seismic Data on a reasonable access basis and the Parties shall have the further option to purchase and/or trade for such data at fair market value to the reasonable satisfaction of both Parties. The Parties do not warrant in any way the quality or the accuracy of the Seismic Data.

B. Each of the Parities shall retain the sole and exclusive right to sell, trade or otherwise dispose of their own proprietary Seismic Data.

5. Work Commitments

A. On or before December 31, 1999, the Farmee shall fulfill the following work commitments (hereinafter referred to as the "Work Commitments") on or within the Farmout Lands:

(i) Farmee shall shoot a three dimensional (3-D) seismic program in accordance with Clause 7. herein, and

(ii) Farmee shall drill six (6) wells (hereinafter referred to as the "Test Wells") in accordance with Clause 8. herein.

In the event the Farmee does not fulfil its Work Commitments as provided herein, the Farmee shall pay the Farmor a termination fee in the amount of two million ($2 MM) dollars Cdn. (such fee hereinafter referred to as the "Termination Fee") and the Farmee shall terminate its right to earn any further interest in the Farmout Lands. In the event the Farmee has fulfilled part but not all of its Work Commitments, the Termination Fee payable by the Farmee shall be reduced proportionately (based on the number of wells drilled, with the seismic obligation deemed to be one well) to reflect the portion of the Work Commitment that has been completed by the Farmee. Any interests earned by the Farmee in the Farmout Lands prior to the fulfillment of all of the Work Commitments shall remain in full force by payment of the Termination Fee as provided herein. The Farmee shall not be entitled to terminate its obligations hereunder until all defaults have been remedied, and in any event, the provisions of Clause 30 shall apply to such defaults.

B. ~~If, by November 30, 1998, the Farmee is not able to fulfil the Mazeppa Area facility arrangement as provided for in Schedule "D" attached hereto the Farmor may, at its election, terminate the Farmee's right to earn any further interests in this Agreement and the Termination Fee as provided in Subclause 5.A. herein shall be payable to Mobil.~~

New

The parties acknowledge that Mobil has certain rights to terminate the Agreement in accordance with the provisions of clause I. of Schedule D.

KMD

JW

6. Contract Depth

For the purpose of this Agreement, the depth (hereinafter referred to as the "Contract Depth") for any Test Well, Additional Test Well or Option Well (each such well hereinafter referred to as an "Earning Well") to be drilled hereunder shall be defined as one of the following:

A. Turner Valley: means a depth within the target area prescribed for each Earning Well pursuant to the Regulations, which depth is either at least sufficient to penetrate 15 meters into the Top of the Shunda Zone or is a vertical subsurface depth of 3000 meters, whichever is the lesser depth.

B. Crossfield: means a depth within the target area prescribed for each Earning Well pursuant to the Regulations, which depth is either at least sufficient to penetrate 30 meters into the Top of the Crossfield Member or is a vertical subsurface depth of 3500 meters, whichever is the lesser depth.

7. Geophysical Program

A. The Farmee shall complete, on or before December 31, 1999, a three dimensional (3-D) seismic program(s) upon or within one (1) mile of the Farmout Lands and as further contained within the boundaries identified in bold black lines on the map attached as Schedule "C" hereto, consisting of not less than forty (40) square miles of CDP multifold subsurface coverage (such seismic program hereinafter called the "Geophysical Program").

B. Upon completion of the Geophysical Program, the Farmee shall, at its sole cost and expense, provide the Farmor, on a current and timely basis, with a copy of all raw data resulting from the Geophysical Program, including but not limited to the following:

(i) digital field tapes in original field format;

(ii) driller's logs, shooter's reports and observer's reports;

(iii) survey coordinates, in SEGP1 format with paper listing, original field survey data and surveyor's chainage sheets;

(iv) bin centre coordinates in SEGP1 format (tape and paper);

(v) reproducible copy of the bin location map, superimposed on legal system of survey;

(vi) reproducible copy of the shotpoint/receiver location map;

(vii) final stacked data (migrated and filtered) for every tenth seismic line, in both cross-line and in-line directions;

(viii) tapes of the final unfiltered stack and final unfiltered migration.

C. The Farmee shall retain the exclusive right to sell, trade or otherwise dispose of the data resulting from the Geophysical Program.

8. <u>Test Wells</u>

A. On or before December 31, 1999, the Farmee shall, at its sole cost, risk and expense, drill six (6) Test Wells on the Farmout Lands to at least Contract Depth as provided herein, test such wells to the reasonable satisfaction of the Farmor and the Farmee shall, within sixty (60) days of having reached Contract Depth, either complete or abandon each Test Well. For the purpose of this Agreement, completion shall include the suspension of an Earning Well upon receiving the prior consent of the Farmor, which consent shall not be unreasonably withheld.

B. The Farmee shall drill the Test Wells to Contract Depth on the Block "A" Lands and the Block "B" Lands as follows:

Block	Wells	Contract Depth
Block "A" Lands	1	Turner Valley
	2	Crossfield
Block "B" Lands	2	Turner Valley
	1	Crossfield

C. Provided the Farmee has completed its Work Commitments and provided further that the Farmee is not in default under the provisions of this Agreement, the Farmee shall have the right, prior to December 31, 1999, in which to drill any number of additional wells (each such well hereinafter referred to as an "Additional Test Well") to at least Contract Depth on the unearned portions of both the Block "A" Lands and the Block "B" Lands. The terms and conditions pertaining to the Test Wells shall apply, mutatis mutandis, to the Additional Test Wells, with the following further conditions:

(i) the Farmee has the right to drill any number of Additional Test

Wells on the Farmout Lands prior to December 31, 1999, and,

(ii) the Contract Depth of each Additional Test Well shall be of the Farmee's choice, however each such Additional Test Well shall be drilled to a Contract Depth at least sufficient to evaluate the Turner Valley, as provided in Subclause 6.A. herein.

D. Provided the Farmee is not in default under the provisions of this Agreement, the Farmee shall have the further right, after December 31, 1999 in which to elect whether to:

(i) drill further wells (each such well hereinafter referred to as an "Option Well") on the unearned portions of both the Block "A" Lands and the Block B" Lands to at least Contract Depth, in accordance with Clause 9. herein; or

(ii) surrender its right to earn an interest within the unearned portions of the Farmout Lands and this Agreement shall therefore terminate with respect to such lands. Failure to make an election within the time period stipulated herein shall be deemed to be an election to surrender as hereinbefore provided.

9. Option Wells

A. In the event the Farmee elects to drill Option Wells on the unearned portions of the Block "A" Lands and the Block "B" Lands (or either block of Farmout Lands) pursuant to Subclause 8.D.(i) herein, the Farmee shall make such election as of December 31, 1999 and upon making such election, the Farmee shall, subject to surface access and Regulatory approval, commence the drilling of each Option Well on the unearned portions of the Block "A" Lands and the Block "B" Lands (or either block of Farmout Lands) within sixty (60) days following such election and the Farmee shall immediately thereafter diligently and continuously drill each Option Well to at least Contract Depth, test each well to the reasonable satisfaction of the Farmor and the Farmee shall, within sixty (60) days of having reached Contract Depth, either complete or abandon each Option Well.

B. Upon an Option Well having been drilled to Contract Depth on the Block "A" Lands and the Block "B" Lands (or either block of Farmout Lands) after December 31, 1999, and provided the Farmee has tested an Option Well to the reasonable satisfaction of the Farmor and the Farmee is not in default under the provisions of this Agreement, the Farmee shall have the right, within forty-five (45) days following the drilling rig release date of such Option Well, in which to elect, by notice to the Farmor, to drill a further Option Well to Contract Depth on an unearned portion of the same block of Farmout Lands. In the event the Farmee elects to drill a further Option Well, the Farmee shall, subject to surface access and Regulatory approval, commence the drilling of such Option Well within sixty (60) days following such election on the unearned portion of the same block of Farmout Lands and the Farmee shall immediately thereafter diligently and continuously drill such Option Well to at least Contract Depth, test such well to the reasonable satisfaction of the Farmor and the Farmee shall, within sixty (60) days of having reached Contract Depth, either complete or abandon such Option Well.

C. In the event the Farmee elects to drill an Option Well on either the Block "A" Lands or the Block "B" Lands, but not both blocks of Farmout Lands, the Farmee's right to earn any further interest in the unearned lands within the block of Farmout Lands where the Farmee has chosen not to drill an Option Well shall immediately terminate and this Agreement shall therefore terminate with respect to such unearned lands within such block of Farmout Lands.

D. The Option Wells are to be conducted independent of each other on the Block "A" Lands and the Block "B" Lands. The Farmee's right to elect to drill additional Option Wells on a given block of Farmout Lands shall continue in accordance with Clause 9. herein until there are no further Farmout Lands to be earned by the Farmee on such block of Farmout Lands or until the Farmee's right to elect to drill additional Option Wells on such block of Farmout Lands pursuant to this Agreement terminates, whichever first occurs.

E. Failure by the Farmee to make an election within the time period stipulated herein shall be deemed to be an election to surrender as hereinbefore provided and this Agreement shall therefore terminate with respect to any unearned lands in the applicable block of Farmout Lands.

10. <u>Earning Wells</u>

A. All Earning Wells to be drilled by the Farmee pursuant to this Agreement shall be predominately exploratory in nature and shall be drilled to at least Contract Depth. The bottom hole location of each Earning Well shall not be located within two (2) miles of any well previously drilled by the Parties (or either of them) or any third party. For clarity purposes, this two mile setback shall not pertain to any wells on confidential status (as classified by the AEUB) which the Farmee does not have access to the logs and other data resulting therefrom and such confidential wells are not on production, or any wells classified by the AEUB as being dry and abandoned. Notwithstanding the foregoing, the Farmee may locate an Earning Well within the two (2) mile setback as hereinbefore provided in the event the only Farmout Lands remaining to be earned by the Farmee within a given block of Farmout Lands pursuant to this Agreement falls within such two (2) mile setback.

B. The Farmee's right to earn any interest in the Block "A" Lands and the Block "B" Lands (or either of them) shall not extend beyond December 31, 2000.

11. Earning Block

Not later than five (5) days prior to commencement of drilling operations for each Earning Well, the Farmee shall provide the Farmor with a written notice advising as to the location and the depth to which an Earning Well is to be drilled on the Farmout Lands. Within seven (7) days of an Earning Well having reached Contract Depth, the Farmee shall provide the Farmor with written notice advising of the description of the Farmout Lands the Farmee will earn by drilling such Earning Well (each such post selected block of Farmout Lands hereinafter called an "Earning Block"). Subject to the provisions of Subclause 20.C. herein, an Earning Block shall contain the following:

Contract Depth	Earning Block
Turner Valley	5 Sections
Crossfield Test	6 Sections

An Earning Block shall include the drilling spacing unit ("DSU") for such Earning Well and the Farmout Lands comprising an Earning Block shall, to the greatest extent possible, be contiguous, touching at one or more common points and otherwise shall be the Farmout Lands located nearest to the Earning Well. Under no circumstances shall an Earning Block contain lands in which the Farmee has previously earned an interest hereunder.

12. Earning

The Farmee, upon having drilled an Earning Well to Contract Depth, logged and tested same to the reasonable satisfaction of the Farmor, and provided the Farmee is not in default hereunder, then effective upon the date the Earning

Well reaches Contract Depth, the Farmee shall, subject to Casing Point Election as provided in Clause 13. herein, earn a fifty (50%) percent working interest within the Earning Block for such well, down to the deepest formation evaluated, with no payout provisions whatsoever. Thereafter, either Party shall be able to propose joint operations on the joint lands comprising such Earning Block in accordance with the Operating Procedure. For clarity purposes, testing by the Farmee prior to the Casing Point Election shall include testing of all prospective zone(s) within an Earning Well, in accordance with good oilfield practice and the Regulations, and in consultation with and to the reasonable satisfaction of Mobil ("Testing"), and such Testing shall include one of the following:

A. drill stem tests conducted on all prospective zone(s) within an Earning Well, or,

B. completion of all prospective zone(s) within an Earning Well; in the event that drill stem tests cannot be conducted within such well pursuant to the Regulations. The Farmee shall run a production test consisting of a minimum of a six (6) hour flow and a twenty-four (24) hour shut-in period within such well, or

C. Coring of an Earning Well, in the event the AEUB will not allow a production test to be conducted on such well.

The Farmee's right to earn any petroleum and natural gas rights underlying the deepest horizon evaluated within an Earning Block shall revert back to the Farmor in its entirety effective as of the drilling rig release date of such Earning Well.

13. Casing Point Election

A. The Farmor, upon the Farmee having drilled an Earning Well to Contract Depth, logged and tested same to the Farmor's reasonable satisfaction, the Farmor shall have the option, within twenty-four (24) hours following receipt of such Testing information, in which to elect whether to participate in further operations in that wellbore, the Tested zone(s) and associated DSU for such zone(s) as to:

(i) Fifty (50%) percent working interest, in which case, all costs to set casing and run the necessary production tests for such wellbore and Tested zone(s) within such DSU shall be shared equally by the Parties in accordance with the Operating Procedure, or

(ii) Twelve (12%) percent non-convertible gross overriding royalty within the Tested zone(s) within the DSU for such wellbore as further described in Clause 14. herein (such royalty hereinafter referred to as the "Farmor's Royalty").

B. Notwithstanding the foregoing, in the event an Earning Well is completed as per Clause 12.B. herein, the Farmor shall have forty-eight (48) hours following receipt of the downhole pressure data resulting from such Testing operation in which to elect whether or not to participate in such well as provided herein. Should the Farmor elect to retain a non-convertible Farmor's Royalty with respect to the Tested zone(s) within the DSU of a given Earning Well, the Farmee shall be responsible for all costs pertaining to such well, including the costs to set casing, run the necessary production tests for such well and, subject to Subclause 13. C. and Clause 17. herein, all subsequent abandonment and reclamation costs. The balance of lands within such Earning Block, down to the deepest formation evaluated, shall be held jointly by the Parties in the following working interests: Farmor 50% and Farmee 50%.

C. In the event the Farmor has elected to retain a twelve (12%) percent non-convertible gross overriding royalty within the Tested zone(s) for an Earning Well as provided in Subclause 13.A.(ii) herein and the Farmee subsequently chooses to abandon such Tested zone(s) and conduct further Tests of any uphole zone(s) within such wellbore, the Farmor shall be given the further right to make subsequent Casing Point Elections in accordance with Clause 13.A. herein with respect to such subsequent Tests. Should the Farmor elect to participate in such subsequent Tests, the Farmor shall reimburse the Farmee for the Farmor's proportionate share of the costs for such subsequent Tests, together with the Farmor's proportionate share of all costs to set casing down to the depth of such subsequent Tests; such casing costs to be discounted in accordance with NPV 15 to reflect the time value of such investment.

14. Farmor's Royalty

A. The Parties agree that effective upon the date the Farmee earns an interest within the Farmout Lands as provided pursuant to the terms of this Agreement, and in the event the Farmor elects to retain a Farmor's Royalty as provided in Clause 13. A.(ii) herein, then effective upon the date of such election, the Farmee shall earn one hundred percent (100%) of the Farmor's pre-farmout interest in and to the Tested zone(s) and the associated DSU for such zone(s), subject to the reservation unto the Farmor of a gross overriding royalty based on the Farmor's pre-farmout interest share of the total volume of petroleum substances produced from or allocated to the Tested zone(s) in such DSU prior to the deduction of any other royalties or encumbrances payable on such petroleum substances pursuant to the title documents governing such lands or otherwise, as calculated herein.

B. The Farmor's Royalty shall comprise an interest in the petroleum substances within, upon and under the Tested zone(s) in such DSU for such zone(s) and shall be paid by the Farmee in cash or in kind at the option of the Farmor, which election shall be made by the Farmor within a six (6) month election schedule and shall be calculated on an individual well basis, as a percentage of the royalty computation set forth below, which percentage shall be equal to the percentage of the undivided interest earned by the Farmee from the Farmor in the Tested zone(s) in such DSU as follows:

(i) on crude oil, natural gas, condensate and all other petroleum substances - twelve percent (12%) of the total volume (as calculated at the wellhead and measured in cubic meters) produced or deemed to have been produced from the DSU in a calendar month, free and clear of all deductions whatsoever .

C. In the event the petroleum substances produced from the Farmout Lands are not saleable at the wellhead but must be marketed elsewhere, the Farmee shall be responsible for one hundred (100%) percent of the costs and expenses incurred by the Farmee to gather, separate, treat, compress, process or transport the Farmor's Royalty share of production to the:

(i) plant outlet gate (directly upstream of the sales pipeline) with respect to natural gas, condensate and all other petroleum substances (excluding crude oil), and

(ii) battery site with respect to crude oil.

Thereafter, the Farmor shall be responsible for its proportionate share of the costs to transport its Farmor's Royalty share of production.

D. Notwithstanding the foregoing, the Farmee shall be entitled to use, free from the calculation of the Farmor's Royalty, such petroleum substances produced from the Farmout lands as are required and used by the Farmee in its operations therein and thereon in the treating and preparation of production therefrom for market (but specifically excluding operations to inject leased substances for enhanced recovery projects).

E. ~~Subject to the provisions~~ of Schedule "D" attached hereto, the ~~Farmee agrees to use its best~~ efforts, in a conscientious ~~and timely manner, to~~

produce petroleum substances capable of being produced from the Farmout Lands and the Pooled Lands, or either of them, in accordance with good oilfield practice with a view to the optimum economic recovery of the leased substances, and to market such production to the extent that Mobil fails to take its share of petroleum substances in kind. Further, the Farmee covenants and agrees that it will not discriminate in any way against the petroleum substances produced or capable of being produced from the Farmout Lands, the Pooled Lands, or either of them, in relation to similar substances produced by the Farmee from other lands within the same pool and in which such other lands the Farmee holds interests.

KNO

15. Pooled Lands

Compton holds an interest in certain lands as further described on Schedule "B" attached hereto (such lands hereinafter referred to as the "Compton Lands"). Compton hereby agrees to assign an undivided fifty (50%) percent working interest within the Compton Lands to Mobil and Mobil hereby agrees to prepare leases to match the Compton Lands on an acreage basis and on a term-by-term basis (such lands held by Mobil hereinafter referred to as the "Mobil Lands" and are further described on Schedule "B" attached hereto). Thereafter, the Compton Lands and the Mobil Lands shall be deemed to be pooled lands ("Pooled Lands") and such lands shall be jointly held by the Parties in the following working interests: Mobil 50% and Compton 50% in accordance with the Operating Procedure. Notwithstanding the foregoing, any of the Compton Lands which are held in Crown license form shall be handled in the following manner:

A. In the event both Compton and Mobil elect to participate in a lease earning well to be drilled on any such license, the Parties shall do so in accordance with their respective fifty (50%) percent working interest, or

B. In the event only one Party elects to participate in a lease earning well to be drilled on any such license, such Party shall retain one hundred (100%) percent of the DSU for such well, and Mobil shall pool the balance of the validated Crown license with the adjacent Mobil leases on an acreage basis in accordance with the following working interests: Mobil 50% and Compton 50%. Any previously Pooled Lands not contributed by Mobil to match the validated Crown license as provided herein shall revert back to Mobil in its entirety, or

C. In the event both Parties elect not to drill a lease earning well on any such license, such license shall revert back to the Crown and any leases previously pooled by Mobil as provided herein associated with such expired

Crown license shall revert back to Mobil in its entirety.

16. Joint Operations

Upon the date the Farmor earns its interest within the Farmout Lands pursuant to the terms of this Agreement, such lands shall become joint lands and shall be governed pursuant to the Operating Procedure containing the elections identified on ~~Exhibit "I"~~ Schedule "E" attached hereto.

17. Abandonment of an Earning Well

A. In the event the Farmee wishes to abandon an Earning Well, the Farmee shall forthwith notify the Farmor and the Farmor shall then have the right for twenty-four (24) hours following receipt of such notice in which to elect whether to take-over such well for a completion attempt at its sole cost, risk and expense. In the event the Earning Well is completed by the Farmor at its sole cost, risk and expense, the Farmee shall immediately take such steps to convey to the Farmor all the right, title and interest earned by the Farmee in and to the formations completed for production for that DSU, and to the well, the material and equipment therein and thereon, any and all production of petroleum substances therefrom and the surface lease without consideration. Notwithstanding the foregoing the Farmor shall, subject to Subclause 17.B. herein, thereupon pay to the Farmee the Farmee's earned interest share of the net salvage value of all material and equipment in and on the well, less the Farmee's earned interest share of the estimated cost of abandonment of such well.

B. If the Farmor's attempt to complete an Earning Well is unsuccessful, and such well is subsequently abandoned within six (6) months following such completion attempt, then such well shall be abandoned at no cost to the Farmor, except that the Farmor shall bear any additional costs of abandonment that would not ordinarily have been incurred had the Farmor not attempted the completion.

C. If an Earning Well has been drilled to Contract Depth and if all other provisions of this Agreement have been met by the Farmee and the Farmor has taken over an Earning Well as provided herein, then subject to Subclause 17.A herein, the Farmee shall be deemed to have earned its interest in the Earning Block containing the location for such well.

D. In the event the Farmor decides not to take over an Earning Well for a completion attempt and the Earning Well is abandoned, the Farmor shall have a period of seven (7) days from receipt of the notice issued pursuant to Subclause 17.A. herein, in which to decide whether to retain a fifty (50%) percent working interest or a 12% non-convertible Farmor's Royalty within the DSU for such wellbore, as provided pursuant to Clause 13. herein.

18. Fee Mineral Provisions

A. The Parties acknowledge that the Farmor's beneficial interest in and to the petroleum substances within certain of the Farmout Lands and Mobil Lands is derived as a result of an estate in fee simple registered in the name of Mobil Resources Ltd., one of the partners in Mobil Oil Canada, an Alberta general partnership.

B. Except as herein otherwise provided, where Mobil Resources Ltd. owns a fee simple interest in any lands affected by this Agreement, the covenants, representations and warranties of the Farmor in this Agreement are made or given by the Farmor in its capacity as lessee and working interest owner and not in its capacity as lessor and fee simple owner. Upon the Farmee earning its interest as provided herein, the Farmor shall cause Mobil Resources Ltd. to grant leases to the Farmee as provided pursuant to Subclause 18.C. herein.

C. Upon the Farmee earning an interest in the Earning Block for each Earning Well drilled by the Farmee hereunder, such lands will be subject to a deemed lease for each and every sectional portion comprising the Earning Block for such well. Such leases shall essentially contain the following:

(i) An effective date equal to the rig release date of the last Earning Well for either the Block "A" Lands or the Block "B" Lands, whichever is appropriate, provided that all of the terms and conditions of the deemed lease shall apply from the date of earning as provided herein until the effective date of such lease; and

(ii) A primary term of three (3) years; and

(iii) Initial consideration of One Dollar ($1.00) (shown as paid); and

(iv) Demised estate consisting of the geological formations extending from surface down to the deepest formation evaluated for each section comprising the Earning Block for such well; and

(v) Fifteen (15%) percent lessor's royalty calculated on the total volume of petroleum substances, free and clear of every expense, charge, lien or encumbrance and shall, at lessor's option, be paid to Mobil by the lessee or be delivered to Mobil by the lessee, free and clear of all deductions whatsoever to gather, separate, treat, compress, process or transport petroleum substances to the sales pipeline (such royalty hereinafter referred to as the "Lessor's Royalty"); and

vi) If after the expiration of the primary term there is a well on the lease which is capable of production in paying quantities from the demised estate which has been shut-in for a period in excess of ninety (90) days during the lease year ending on the anniversary date thereof for reasons other than compliance with applicable law, such lease can be continued if the lessee, on or before such anniversary date, pays to the lessor a sum in the amount of Twelve Dollars and Fifty Cents ($12.50) per hectare. Notwithstanding the foregoing, a lease may not be continued beyond the primary term by payment of such shut-in royalty payments for more than three (3) cumulative years.

19. Offset Wells

A. In the event that production in paying quantities is being obtained from any geological zone or formation which is also within the Farmout Lands from any offset well, then unless a well or wells has been or is being drilled on the spacing unit(s) of the Farmout Lands (which Mobil is a lessor) laterally and/or diagonally adjoining the spacing unit of such offset well (or has been or is being drilled on Farmout Lands which have been pooled to form a spacing unit laterally and/or diagonally adjoining the spacing unit of such offset well) and has been or is being drilled to evaluate the zone or formation from which production is being so obtained from the offset well, the Farmee, subject to Clause 20. hereinbelow, within three (3) months from the date of said offset well being placed on production:

(i) Commence or cause to be commended within the three (3) month period aforesaid operations for the drilling of a well or wells on the spacing unit(s) of the Farmout Lands laterally and/or diagonally adjoining the spacing unit(s) of the offset well and thereafter drill or cause to be drilled such well or wells to the zone or formation from which production of petroleum substances is being obtained from the offset well; or

(ii) Pay to the Farmor the amounts equal to the value of the Lessor's Royalty what would be payable to Mobil if the production from the offset well laterally and/or diagonally adjoining a spacing unit comprised with the Farmout Lands was actually leased substances produced from the Farmout Lands; or

(iii) Surrender all or any portion of the Farmout Lands; provided that the portion of the Farmout Lands surrendered shall comprise the said spacing unit(s) laterally and/or diagonally adjoining the spacing unit of the offset well; or

(iv) Where production is being obtained from or allocated to the Farmout Lands from a zone or formation other than the zone or formation from which production in paying quantities is being obtained from the spacing unit of the offset well, surrender that portion of the Farmout Lands which comprise the spacing unit(s) laterally and/or diagonally adjoining the spacing unit of the offset well, except that zone or formation from which production in paying quantities is so being obtained from the Farmout lands.

B. In the event petroleum substances from the same zone or formation is produced from more than one offset well laterally or diagonally adjoining a spacing unit comprised within the Farmout Lands, the Farmee shall be deemed to have satisfied its obligations pursuant to Subclause 19A.(ii) herein with respect to all such offset wells, if the Farmee remits such royalty to Mobil calculated solely on the petroleum substances produced from the individual offset well having the highest volume of production in each calendar month.

New C. ~~The offset provisions of Clause 19. herein shall also prevail with respect to that portion of the Pooled Lands which comprise the Mobil Lands.~~

20. Exceptions to Offset Provisions

Notwithstanding the provisions of Clause 19. herein,

A. Offset obligations shall be waived for any lands which Mobil is the lessor until December 31, 1998 for any offset wells which are on production on or before December 31, 1997.

B. Compton shall be granted a three (3) month extension (to a maximum of six months) in which to satisfy any offset obligation(s) for any lands which Mobil is the lessor which are created by any offset wells placed on production during the initial twelve month period between December 31,

The parties hereby acknowledge that the leases issued in respect of the Pooled Lands contain offset obligations.

KWD

1997 and December 31, 1998.

C. In the event an Earning Well is drilled by the Farmee to satisfy an offset obligation and such Earning Well is located within the two (2) mile setback as identified in Subclause 10.A. herein, earning by the Farmee shall be restricted to the DSU for such well, together with an adjacent DSU, down to the deepest formation evaluated.

21. Well Information

The Farmee shall provide the Farmor, on a current and timely basis, with all information resulting from operations conducted on the Earning Well drilled by the Farmee hereunder.

22. Operatorship

A. Drilling	Compton shall operate the drilling component of each Earning Well in accordance with this Agreement.
B. Production/ Joint Operations	With respect to the lands subject to the Agreement, Compton shall operate the lands to the North (Twp 18-19) and Mobil shall operate the balance of the lands to the South (Twp 15-17) in accordance with the Operating Procedure.

23. Technical Sharing Committee

Each Party to meet on least a quarterly basis to discuss potential upcoming locations/future operations.

24. Area of Mutual Interest

A. An Area of Mutual Interest shall be established between the Parties from the effective date of this Agreement until six (6) months following the rig release date of the final Earning Well drilled on the Block "A" Lands and/or the Block "B" Lands for all Crown Land posted for sale by public tender and all acquisitions from third parties, which fall on or within the Block "A" Lands and/or the Block "B" Lands (hereinafter referred to the "New Lands"). The participating interests of the Parties in and to the Area of Mutual Interest shall be as follows:

Farmor 50%
Farmee 50%
(such interests hereinafter referred to as the "Participating Interests").

B. The Parties shall consult at least forty-eight (48) hours prior to the sale date for New Lands which are offered for sale by public tender by the Crown in an attempt to agree on the amount of a joint bid for such lands. If the Parties agree on an amount, a joint bid shall be made by the Operator who shall submit the bid on behalf of both Parties in accordance with their Participating Interests.

C. If, after consultation the Parties are unable to agree on a joint bid, a Party may submit an offer for its own account, and if successful, such Party shall be the sole owner of such lands which shall not be subject to this Agreement. If however, the price paid for such lands differs by more than five (5%) percent from the amount the acquiring Party represented it was prepared to pay, the acquiring Party shall offer such lands to the other Party. The acquiring Party's offer shall be made forthwith by notice to the other Party giving full particulars of the consideration and the other costs payable to the grantor. The other Party may, within fifteen (15) days after receipt of such notice, elect by notice to the acquiring Party to take an interest in such lands in accordance with its respective Participating Interests. The Party so electing shall, within the said fifteen (15) day period reimburse the acquiring Party for its proportionate share of the consideration and other costs paid to the grantor and shall assume its proportionate share of the obligations and benefits associated therewith and shall be entitled to an assignment of its share of the acquisition.

D. Should a Party acquire New Lands or the right to acquire an interest in New Lands contained within these Area of Mutual Interest provisions and such acquisition was not subject to a prior consultation with the other Party, the Party acquiring such interest shall give notice to the other Party, describing the terms of such offer. The Party receiving such notice shall then have a period of fifteen (15) days in which to elect whether to acquire a right therein in accordance with its respective Participating Interest, and the Party so electing shall, within the said fifteen (15) day period, reimburse the acquiring Party for its proportionate share of the obligations and benefits, in accordance with its Participating Interest. All lands jointly acquired by the Parties pursuant to the terms of these Area of Mutual Interest provisions shall be subject to the terms of this Agreement.

E. Should the Farmee terminate its right to earn an interest on either the Block "A" Lands or the Block "B" Lands pursuant to subclause 9.D. herein the Area of Mutual Interest for such block of lands shall terminate six (6) months following the rig release date of the final Earning Well drilled on such block of Farmout Lands.

F. Operatorship of any lands acquired pursuant to these Area of Mutual Interest provisions shall be in accordance with Clause 22. herein.

25. Declaration of Trust

A. The Farmor agrees, subject always to the terms of this Agreement, it stands possessed of its pre-farmout interest in and to the Farmout Lands, and hereby agrees that in the event the Farmee earns its interest within the Farmout Lands pursuant to this Agreement, the Farmor shall hold the undivided interests earned by the Farmee therein in trust for the Farmee until such time as leases are issued to the Farmee as set forth in this Agreement.

B. The Farmor covenants and agrees with the Farmee that the Farmor will not assign, transfer, encumber, alienate or in any way dispose of the participating interests earned by the Farmee hereunder without the written consent of the Farmee having first been obtained.

26. Encumbrance Responsibility

If the interest of either Party in the Farmout Lands and the Pooled Lands, or any of them, is now or hereafter becomes encumbered (other than by the Farmor's Royalty, the royalties set forth under the terms of the title documents governing the Farmout Lands or any compensatory royalty payments), the Parties covenant and agree that such encumbrance shall at all times during the term of this Agreement remain the sole responsibility of the Party who creates such encumbrance or whose interest is now encumbered and in no event shall such encumbrance be considered to be borne jointly by the Parties.

27. Confidential Information

A. The Parties shall keep confidential from third parties all information obtained in the course of or as a result of any operations conducted pursuant to this Agreement or supplied by one Party to the other hereunder, except information which the Parties have expressly agreed to release. Each Party shall take measures in connection with operations and internal security as shall be advisable in the circumstances to maintain such confidentiality. With the exception of information of any type or nature relating to wells drilled on a confidential basis, a Party may, if required, release information to any recognized association within the petroleum industry, in which association such Party is a member, that engages in the exchange of factual information relating to the type of operations contemplated by this Agreement.

B. The Parties agree that neither Party may issue a press release relating to any operation subject to this Agreement without the prior approval of the other Party, including any release of any information to the investment community on a need to know basis, which consent shall not be unreasonably withheld. For these purposes, "press release" shall include any release of information or dissemination to the public by the media including, without limitation, the press, radio or television media or any one or more of them.

28. Insurance

A. The Farmee shall, prior to the commencement of operations hereunder, hold or cause to be held with a reputable insurance company or companies, and thereafter maintain or cause to be maintained at its sole cost and expense, for the benefit of the Parties, the insurance hereinafter set forth. The insurance required pursuant to this Subclause shall be primary and shall be as follows:

(i) Automobile Liability Insurance covering all motor vehicles or snowcraft and all terrain vehicles, owned or non-owned, operated and/or licensed by the Farmee and used in operations hereunder with an inclusive bodily injury, death and property damage limit of two million ($2,000,000.00) dollars per accident;

(ii) Comprehensive General Liability Insurance with an inclusive bodily injury, death and property damage limit of ten million (10,000,000.00) dollars per occurrence and, without restricting the generality of the foregoing provisions of this Subclause, such coverage shall include, but not be limited to, Contractual Liability, Employer's Liability, Contractors' Protective Liability and Products and Completed Operations Liability;

(iii) Aircraft Liability Insurance covering all aircraft, owned or non-owned, operated and/or licensed by the Farmee and used in operations hereunder with an inclusive bodily injury, death and property damage limit of ten million ($10,000,000.00) dollars per occurrence;

Such insurance shall contain a waiver of subrogation in favour of the

Farmor, its servants, agents and employees.

B. The Farmee shall also use every reasonable effort to have its contractors and sub-contractors:

(i) comply with Unemployment Insurance and Workers' Compensation legislation and all other similar Regulations and legislation applicable to workers employed by them; and

(ii) carry such insurance in such amounts as the Farmee deems necessary.

C. In addition to the foregoing, the Farmee shall provide the Farmor with proof that the Farmee has obtained control of well insurance (including coverage for sudden accidental pollution) to cover any well drilled by such Party pursuant to this Agreement, with a minimum limit of liability of Ten Million Dollars ($10,000,000.00) per occurrence.

29. <u>Liability and Indemnification</u>

A. The Farmee shall, with respect to the operations it conducts and the operations in which it participates:

(i) be liable to the Farmor for all losses, costs, damages, expenses and legal fees which may be suffered, sustained, paid or incurred by the Farmor directly or indirectly arising from or in connection with this Agreement on account of bodily injury to or death of persons, or damage to persons, or loss of or damage to property; and, in addition

(ii) indemnify the Farmor against all actions, proceedings, claims, demands, losses, costs, damages, expenses and legal fees whatsoever which may be brought against or suffered by the Farmor or which the Farmor may sustain, pay, or incur, directly or indirectly arising from or in connection with this Agreement on account of bodily injury to or death of persons, or loss of or damage to property.

This liability and indemnity shall apply without limit and without regard to cause or causes, including without limitation the negligence, whether sole, concurrent, gross, active, passive, primary or secondary, or the willful act or omission, of any other person or otherwise, except to the extent of the negligence of the Farmor, its servants, agents, employees and contractors.

B. It is further agreed that the indemnity given to the Farmor in Subclause 29.A. hereof shall apply notwithstanding that any of the liabilities to which such indemnity relates arise as a result of any agreement between the Farmee and a third party and shall extend to actions, proceedings, claims, demands, losses, costs, damages, expenses, and legal expenses asserted by any third party against the Farmor, or any of them, pursuant to any such agreement.

C. In the event the Farmor conducts operations pursuant to this Agreement, the provisions of this Clause shall apply, mutatis mutandis, as between the Farmor and the Farmee.

30. <u>Default</u>

A. If at any time the Farmee is in breach of any of its obligations arising out of or in connection with this Agreement, including without limitation the Farmee's obligation to continuously drill and either complete or abandon an Earning Well, then except as and for so long as such breach is due to force majeure, the Farmor may give notice thereof to the Farmee and if the Farmee fails to commence to remedy such default to the reasonable satisfaction of the Farmor within a period of thirty (30) days from the date upon which such notice is received by the Farmee, then this Agreement shall terminate with respect to the those lands subject to such default, be they Farmout Lands, Pooled Lands, or any of them, and immediately upon the expiry of such thirty (30) day period, the Farmor may at any time thereafter re-enter into and upon such Farmout Lands <u>and Pooled Lands, or any of them,</u> and all wells thereon (or any part thereof in the name of the whole) to repossess and enjoy. Thereupon the Farmee shall immediately and at no cost to the Farmor, transfer and assign or otherwise convey to the Farmor any and all of the interests the Farmee may have earned in ~~such Farmout Lands, Pooled Lands, or either of them~~, and all wells thereon and shall immediately execute all such documents as may be required to effect the same.
those lands subject to such default

KW KND

B. Notwithstanding the foregoing, and except as otherwise provided for in this Agreement, if the Farmee fails to commence the drilling of an Earning Well by the date stipulated in accordance with this Agreement, then except as and for so long as such breach is due to force majeure, the Farmor may by notice to the Farmee, terminate this Agreement with respect to the Earning Block subject to such default and all other unearned Farmout Lands. in such Block

C. Notwithstanding the foregoing, matters that pertain to the joint interests of the Parties shall be governed under ~~this Agreement and~~ the Operating

KW KND

Procedure attached thereto.

D. The rights hereby granted to the Farmor shall be in addition to and not in substitution for any other right or remedy which the Farmor may have hereunder or at law, and specifically the exercise of such rights shall not serve to deprive the Farmor either wholly or partially of any other right or remedy including damages and indemnity.

31. Notices

All notices or any request made under the terms of this Agreement shall be in writing and may be served by courier or by facsimile to the addresses for services as follows:

Mobil Oil Canada
P. O. Box 800
330 - 5th Avenue S.W.
Calgary, Alberta
T2P 2J7

Attention: Land Management
Fax No. 260-7651

Compton Petroleum Corporation
340, 250 - 6th Ave S.W.
Calgary, Alberta
T2P 4H7

Attention: President
Fax No. 237-9410

32. Rentals

A. The Farmee shall pay the Farmor for all rentals and other payments attributable to the Farmout Lands on a per diem basis from the effective date of this Agreement until the date on which the Farmee earns its interest within the Farmout Lands, or until the Farmee's right to earn such interest therein terminates, whichever first occurs.

B. From and after the date the Farmee earns its interest within the Farmout Lands, any payments attributable thereto and required under the title documents governing such lands, shall be paid by the Parties in proportion to their respective participating interests therein.

33. Mazeppa Facilities

New

The Parties acknowledge and agree that the gathering, compressing and processing of gas at the Mazeppa Area facilities shall be governed by the terms of Schedule "D" attached hereto.

34. Supersedes Prior Agreements

This Agreement supersedes and replaces all prior agreements, documents, writings and verbal understandings between the Farmor and the Farmee relating to the Farmout Lands and Pooled Lands, or either of them.

35. Laws and Regulations

A. This Agreement and the respective rights and obligations of the Parties created by it, will be subject to all applicable Regulations, and in the event that any of the provisions contained in this Agreement or the operations contemplated under it are found to be inconsistent with or contrary to any such Regulation, the Regulations will be deemed to control and this Agreement will be regarded as modified accordingly and as so modified will continue in full force and effect.

B. This Agreement shall be interpreted and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein. The Parties agree to submit to the jurisdiction of the courts of the aforementioned Province in any actions related to this Agreement.

36. Comprehensive Letter Agreement

Following execution of this Agreement, Mobil shall immediately prepare a comprehensive letter agreement including, inter alia, the terms hereof (except those processing matters set forth in Clause 33 hereof) and Compton shall immediately prepare a comprehensive agreement in respect to the processing matters set forth in Clause hereof. Both Parties shall use their best efforts to finalize and execute such comprehensive agreements as soon as reasonable possible and in any case, on or before June 30, 1998. Until such an agreement is executed by the Parties, this Agreement shall constitute a binding agreement between the Parties.

37. Further Assurances

Each of the Parties shall from time to time and at all times do such further acts and execute and deliver all such further deeds and documents as shall be reasonably required in order to fully perform and carry out the terms of this Agreement.

38. Enurement

Subject to the terms of this Agreement, this Agreement shall be binding upon and enure to the benefit of the Parties and their respective successors and permitted assigns.

39. Effective Date

The effective date of this Agreement shall be the 31st day of December, A.D. 1997.

40. Definitions

The definitions contained within Clause 101 of the Operating Procedure shall prevail with respect to this Agreement.

41. Time

Time shall be of the essence in this Agreement.

If the contents of this letter are in accordance with your understanding of the arrangement made between the Parties, we request you indicate your Company's acknowledgement and acceptance of this Agreement by signing both copies of the enclosed agreement in the space provided, and forwarding one (1) copy of same to Mobil. Upon receipt by Mobil of a signed copy of this Agreement shall constitute a valid and binding contract between the Parties.

MOBIL OIL CANADA

L.F. Willis
Manager, South Grant Lands Team

(Compt.l10)

V.P. Western Canada

AGREED, ACKNOWLEDGED AND ACCEPTED

THIS 6 DAY OF APRIL, 1998.

COMPTON PETROLEUM CORPORATION
E.G. Sapieha
President

This is Page 26 to a Farmout, Participation and Area of Mutual Interest Agreement dated the 31st day of December, A.D. 1997 between MOBIL OIL CANADA AND COMPTON PETROLEUM CORPORATION

Schedule "A"

This is Schedule "A" attached to and made a part of a Farmout, Participation and Area of Mutual Interest Agreement dated the 31st day of December, A.D. 1997 betweenMOBIL OIL CANADA and COMPTON PETROLEUM CORPORATION.

BLOCK "A" LANDS

FARMOUT LANDS*	CERTIFICATE OF TITLE/DOCUMENT	ACRES	CURRENT INTERESTS	MOBIL'S FILE
Twp. 15 Rge 29 W4M: Section 19	46X44	320.00	Mobil 100% WI	8138
Twp. 15 Rge 29 W4M: S/2 Section 23	46X45	320.00	Mobil 100% WI	8139
Twp. 15 Rge 29 W4M: Section 22, N/2 Section 27 Section 28, 35 Twp. 16 Rge 29 W4M: Section 2, N/2 & SE/4 Section 3	Alberta PNG Licence No. 5396070069 Effective: July 25,1996 Term: 2 years Crown Royalty	3,360.00	Mobil 100% WI	34417
Twp. 15 Rge 29 W4M: S/2 Section 27	46P59	320.00	Mobil 100% WI	8140
Twp. 15 Rge 29 W4M: Section 31	46Y24	640.00	Mobil 100% WI	8141
Twp. 15 Rge 29 W4M: Section 33	143B101	640.00	Mobil 100% WI	8142
Twp. 15 Rge 29 W4M: S/2 & NE/4 Section 34 PNG in all Zones Lsd's 12 & 13 of Section 34 PNG below Base Mannville	Alberta PNG Lease No. 0469070334 Effective: July 25, 1996 Term: 5 years Crown Royalty	560.00	Mobil 100% WI	34418
Twp. 15 Rge 29 W4M: Lsd's 11 & 14 of Section 34	Freehold PNG Lease P.Burns Resources Limited Effective: Nov. 18, 1997 Term: 3 years 18% LOR with 50% cap on deductions.	80.00	Mobil 100% WI	34813

*PNG in all zones except as otherwise stated.

Schedule "A"

BLOCK "A" LANDS

FARMOUT LANDS*	CERTIFICATE OF TITLE/DOCUMENT	ACRES	CURRENT INTERESTS	MOBIL'S FILE
Twp. 15 Rge 30 W4M: Fraction Section 25	46Y63	374.00	Mobil 100% WI	8145
Twp. 15 Rge 1 W5M: Section 23	46X95	640.00	Mobil 100% WI	8151
Twp. 15 Rge 1 W5M: Section 25	46X96	640.00	Mobil 100% WI	8152
Twp. 15 Rge 1 W5M: Section 27	46X97	648.00	Mobil 100% WI	8153
Twp. 15 Rge 1 W5M: Section 35	143B102	640.00	Mobil 100% WI	8156
Twp 16 Rge 29 W4M: Section 5	46Y25	640.00	Mobil 100% WI	8209
Twp. 16 Rge 29 W4M: Section 7	46Y26	640.00	Mobil 100% WI	8210
Twp. 16 Rge 29 W4M: Section 9	46Y27	640.00	Mobil 100% WI	8211
Twp. 16 Rge 29 W4M: Section 15	140X243	640.00	Mobil 100% WI	8213
Twp. 16 Rge 29 W4M: Section 17	46Y29	640.00	Mobil 100% WI	8214
Twp. 16 Rge 29 W4M: Section 19	46Y30	640.00	Mobil 100% WI	8215
Twp. 16 Rge 29 W4M: Section 23	46Y31	640.00	Mobil 100% WI	8216
Twp. 16 Rge 29 W4M: Section 27	46Y33	640.00	Mobil 100% WI	8218

*PNG in all zones except as otherwise stated.

Schedule "A"

BLOCK "A" LANDS

FARMOUT LANDS*	CERTIFICATE OF TITLE/DOCUMENT	ACRES	CURRENT INTERESTS	MOBIL'S FILE
Twp. 16 Rge 29 W4M: Section 33	46Y35	640.00	Mobil 100% WI	8220
Twp. 16 Rge 29 W4M: Section 35	46Y36	640.00	Mobil 100% WI	8221
Twp. 16 Rge 30 W4M: Fraction Section 1	140Z219	372.00	Mobil 100% WI	8222
Twp. 16 Rge 30 W4M: Fraction Section 13	46Y64	372.00	Mobil 100% WI	8223
Twp. 16 Rge 1 W5M: Section 1	140Z227	640.00	Mobil 100% WI	8224
Twp. 16 Rge 1 W5M: Section 3	143B106	643.00	Mobil 100% WI	8225
Twp. 16 Rge 1 W5M: Section 13	46X104	640.00	Mobil 100% WI	8230
Twp. 16 Rge 1 W5M: Section 15	46X105	644.00	Mobil 100% WI	8231
Twp. 16 Rge 1 W5M: Section 23	46X108	642.00	Mobil 100% WI	8234
Twp. 16 Rge 1 W5M: Section 27	46X110	640.00	Mobil 100% WI	8236
Twp. 16 Rge 1 W5M: Section 35	143B112	640.00	Mobil 100% WI	8239
Twp. 17 Rge 29 W4M: Section 3	46Y37	640.00	Mobil 100% WI	8298
Twp. 17 Rge 29 W4M: Section 7	143B117	640.00	Mobil100% WI	8300
Twp. 17 Rge 29 W4M: N/2 Section 9	143B119	320.00	Mobil 100% WI	8301

*PNG in all zones except as otherwise stated.

Schedule "A"

BLOCK "A LANDS"

FARMOUT LANDS*	CERTIFICATE OF TITLE/DOCUMENT	ACRES	CURRENT INTERESTS	MOBIL'S FILE
Twp. 17 Rge 29 W4M: Section 15	140X244	640.00	Mobil 100% WI	8303
Twp. 17 Rge 29 W4M: Section 17	46Y41	640.00	Mobil 100% WI	8304
Twp. 17 Rge 29 W4M: Section 19	143B118	640.00	Mobil 100% WI	8305
Twp. 17 Rge 29 W4M: Section 23	141E157	640.00	Mobil 100% WI	8306
Twp. 17 Rge 29 W4M: Section 27	46Y44	640.00	Mobil 100% WI	8308
Twp. 17 Rge 29 W4M: Section 33	46Y46	640.00	Mobil 100% WI	8310
Twp. 17 Rge 29 W4M: Section 35	46Y47	640.00	Mobil 100% WI	8311
Twp. 17 Rge 1 W5M: Section 1	140Z228	640.00	Mobil 100% WI	8315
Twp. 17 Rge 1 W5M: Section 3	46X113	640.00	Mobil 100% WI	8316
Twp. 17 Rge 1 W5M: Section 15	140X249	640.00	Mobil 100% WI	8321
Twp. 17 Rge 1 W5M: Section 23	46Y83	640.00	Mobil 100% WI	8324
Twp. 17 Rge 1 W5M: Section 27	46Y85	640.00	Mobil 100% WI	8326
Twp. 17 Rge 1 W5M: Section 35	46Y88	640.00	Mobil 100% WI	8329

*PNG in all zones except as otherwise stated.

Schedule "A"

BLOCK "A" LANDS

FARMOUT LANDS*	CERTIFICATE OF TITLE/DOCUMENT	ACRES	CURRENT INTERESTS	MOBIL'S FILE
Twp. 18 Rge 29 W4M: Section 3	46Y48	640.00	Mobil 100% WI	8382
Twp. 18 Rge 29 W4M: Section 5	46Y49	640.00	Mobil 100% WI	8383
Twp. 18 Rge 29 W4M: Section 15	143B131	640.00	Mobil 100% WI	8387
Twp. 18 Rge 29 W4M: Section 17	46Y53	640.00	Mobil 100% WI	8388
Twp. 18 Rge 29 W4M: Section 23	143B132	640.00	Mobil 100% WI	8390
Twp. 18 Rge 29 W4M: N/2 and SE/4 Section 33	46I229	481.72	Mobil 100% WI	8393
Twp. 18 Rge 29 W4M: SE/4 Section 35	141P57	160.00	Mobil 100% WI	8394
Twp. 18 Rge 30 W4M: Fraction Section 36	Alberta PNG Lease No. 0494030522 Effective: March 24, 1994 Term: 5 years Crown Royalty	357.50	Mobil 100% WI	34011
Twp. 18 Rge 1 W5M: Section 1	140Z229	640.00	Mobil 100% WI	8398
Twp. 18 Rge 1 W5M: Section 3	143B134	640.00	Mobil 100% WI	8399
Twp. 18 Rge 1 W5M: Section 13	143B135	640.00	Mobil 100% WI	8403
Twp. 18 Rge 1 W5M: Section 15	46Y94	640.00	Mobil 100% WI	8404

*PNG in all zones except as otherwise stated.

Schedule "A"

BLOCK "A" LANDS

FARMOUT LANDS*	CERTIFICATE OF TITLE/DOCUMENT	ACRES	CURRENT INTERESTS	MOBIL'S FILE
Twp. 18 Rge 1 W5M: Section 23	46Y97	640.00	Mobil 100% WI	8407
Twp. 18 Rge 1 W5M: Section 25	143B136	640.00	Mobil 100% WI	8408
Twp. 18 Rge 1 W5M: Section 27	46Y99	640.00	Mobil 100% WI	8409
Twp. 18 Rge 1 W5M: Section 35	46Y101	644.74	Mobil 100% WI	8411
Twp. 19 Rge 29 W4M: W/2 and NE/4 Section 1	140Z206	482.44	Mobil 100% WI	8466
Twp. 19 Rge 29 W4M: Section 3	143B148	644.42	Mobil 100% WI	8467
Twp. 19 Rge 29 W4M: Section 5	46I232	643.98	Mobil 100% WI	8468
Twp. 19 Rge 29 W4M: Section 9	46I234	640.00	Mobil 100% WI	8470
Twp. 19 Rge 1 W5M: Section 1	140Z230	640.79	Mobil 100% WI	8471
Twp. 19 Rge 1 W5M: Section 3	46Y102	643.30	Mobil 100% WI	8472
Twp. 19 Rge 1 W5M: Section 13	46Y105	640.00	Mobil 100% WI	8476
Twp. 19 Rge 1 W5M: Section 15	143B150	640.00	Mobil 100% WI	8477

*PNG in all zones except as otherwise stated.

Schedule "A"

BLOCK "B" LANDS

FARMOUT LANDS*	CERTIFICATE OF TITLE/DOCUMENT	ACRES	CURRENT INTERESTS	MOBIL'S FILE
Twp. 16 Rge 27 W4M: Section 31	46H116	640.00	Mobil 100% WI	8190
Twp. 16 Rge 27 W4M: Section 33	46H117	640.00	Mobil 100% WI	8191
Twp. 16 Rge 28 W4M: Section 3	46I147	640.00	Mobil 100% WI	8194
Twp. 16 Rge 28 W4M: Section 5	46I148	640.00	Mobil 100% WI	8195
Twp. 16 Rge 28 W4M: Section 7	46I149	640.00	Mobil 100% WI	8196
Twp. 16 Rge 28 W4M: Section 9	46I150	640.00	Mobil 100% WI	8197
Twp. 16 Rge 28 W4M: Section 15	144T152	637.38	Mobil 100% WI	8199
Twp. 16 Rge 28 W4M: Section 27	46I156	640.00	Mobil 100% WI	8204
Twp. 16 Rge 28 W4M: E/2 Section 33	143B105	640.00	Mobil 100% WI	8206
Twp. 16 Rge 29 W4M: W/2 Section 1	140Z202	320.00	Mobil 100% WI	8208
Twp. 17 Rge 27 W4M: Section 5	46H120	640.00	Mobil 100% WI	8271
Twp. 17 Rge 27 W4M: Section 7	46H121	640.00	Mobil 100% WI	8272
Twp. 17 Rge 27 W4M: Section 9	46H122	640.00	Mobil 100% WI	8273

*PNG in all zones except as otherwise stated.

Schedule "A"

BLOCK "B" LANDS

FARMOUT LANDS*	CERTIFICATE OF TITLE/DOCUMENT	ACRES	CURRENT INTERESTS	MOBIL'S FILE
Twp. 17 Rge 27 W4M: Section 17	46H124	640.00	Mobil 100% WI	8276
Twp. 17 Rge 27 W4M: Section 19	46H125	640.00	Mobil 100% WI	8277
Twp. 17 Rge 27 W4M: Section 31	46H126	640.00	Mobil 100% WI	8281
Twp. 17 Rge 27 W4M: Section 33	46H127	640.00	Mobil 100% WI	8282
Twp. 17 Rge 28 W4M: Section 1	140Z180	640.00	Mobil 100% WI	8284
Twp. 17 Rge 28 W4M: Section 3	46I160	640.00	Mobil 100% WI	8285
Twp. 17 Rge 28 W4M: Section 5	141E78	640.00	Mobil 100% WI	8286
Twp. 17 Rge 28 W4M: Section 7	141O98	640.00	Mobil 100% WI	8287
Twp. 17 Rge 28 W4M: Section 9	46I163	640.00	Mobil 100% WI	8288
Twp. 17 Rge 28 W4M: Section 13	46I164	640.00	Mobil 100% WI	8289
Twp. 17 Rge 28 W4M: Section 15	140X227	640.00	Mobil 100% WI	8290
Twp. 17 Rge 28 W4M: Fraction W/2 Section 19	141P55	317.00	Mobil 100% WI	8292
Twp. 17 Rge 28 W4M: Section 23	46I166	640.00	Mobil 100% WI	8293

*PNG in all zones except as otherwise stated.

Schedule "A"

BLOCK "B" LANDS

FARMOUT LANDS*	CERTIFICATE OF TITLE/DOCUMENT	ACRES	CURRENT INTERESTS	MOBIL'S FILE
Twp. 17 Rge 28 W4M: Section 25	46I167	640.00	Mobil 100% WI	8294
Twp. 17 Rge 28 W4M: Section 27	46I168	640.00	Mobil 100% WI	8295
Twp. 17 Rge 28 W4M: N/2 & SE/4 Section 31	46I169	480.00	Mobil 100% WI	8296
Twp. 17 Rge 29 W4M: Section 1	140Z204	640.00	Mobil 100% WI	8297
Twp. 17 Rge 29 W4M: Section 13	141E160	640.00	Mobil 100% WI	8302
Twp. 17 Rge 29 W4M: Section 25	141E156	640.00	Mobil 100% WI	8307
Twp. 18 Rge 27 W4M: Section 5	46H130	640.00	Mobil 100% WI	8357
Twp. 18 Rge 27 W4M: Section 7	46H131	640.00	Mobil 100% WI	8358
Twp. 18 Rge 27 W4M: Section 9	46H132	640.00	Mobil 100% WI	8359
Twp. 18 Rge 27 W4M: Section 17	143B125	640.00	Mobil 100% WI	8362
Twp. 18 Rge 27 W4M: Fraction Section 19	46D54	595.20	Mobil 100% WI	8363
Twp. 18 Rge 27 W4M: Section 33	46I105	641.34	Mobil 100% WI	8367
Twp. 18 Rge 28 W4M: Section 1	143Z181	640.00	Mobil 100% WI	8369

*PNG in all zones except as otherwise stated.

Schedule "A"

BLOCK "B" LANDS

FARMOUT LANDS*	CERTIFICATE OF TITLE/DOCUMENT	ACRES	CURRENT INTERESTS	MOBIL'S FILE
Twp. 18 Rge 28 W4M: Section 5	46I170	640.00	Mobil 100% WI	8370
Twp. 18 Rge 28 W4M: Section 7	46I171	640.00	Mobil 100% WI	8371
Two 18 Rge 28 W4M: Section 9	46I172	640.00	Mobil 100% WI	8372
Twp. 18 Rge 28 W4M: Section 13	46G224	640.00	Mobil 100% WI	8373
Twp. 18 Rge 28 W4M: Section 15	46G225	640.00	Mobil 100% WI	8374
Twp. 18 Rge 28 W4M: Section 17	46Q38	640.00	Mobil 100% WI	8375
Twp. 18 Rge 28 W4M: Section 19	143B128	639.20	Mobil 100% WI	8376
Twp. 18 Rge 28 W4M: Section 33	46G229	642.10	Mobil 100% WI	8379
Twp. 18 Rge 29 W4M: Section 1	141Z68	640.00	Mobil 100% WI	8381
Twp. 18 Rge 29 W4M: Section 13	143B130	640.00	Mobil 100% WI	8386
Twp. 18 Rge 29 W4M: Fraction Lsd's 13,14,15,16 of Section 25	46P64	80.00	Mobil 100% WI	8391
Twp. 19 Rge 27 W4M: Section 3	46I107	644.08	Mobil 100% WI	8452
Twp. 19 Rge 27 W4M: Fraction SE/4 Section 5	46D55	192.81	Mobil 100% WI	8453

*PNG in all zones except as otherwise stated.

Schedule "A"

BLOCK "B" LANDS

FARMOUT LANDS*	CERTIFICATE OF TITLE/DOCUMENT	ACRES	CURRENT INTERESTS	MOBIL'S FILE
Twp. 19 Rge 27 W4M: Section 7	46I108	640.00	Mobil 100% WI	8454
Twp 19 Rge 27 W4M: Section 9	46I109	640.00	Mobil 100% WI	8455
Twp. 19 Rge 27 W4M: Section 15	140X214	640.00	Mobil 100% WI	8457
Twp. 19 Rge 27 W4M: Section 17	46I111	640.00	Mobil 100% WI	8458
Twp. 19 Rge 28 W4M: Section 1	140Z182	642.78	Mobil 100% WI	8459
Twp. 19 Rge 28 W4M: Section 3	46G231	642.76	Mobil 100% WI	8460
Twp. 19 Rge 28 W4M: Portion Section 5	143B147	601.98	Mobil 100% WI	8461
Twp. 19 Rge 28 W4M: Fraction Section 7	143C108	368.22	Mobil 100% WI	8462
Twp. 19 Rge 28 W4M: Section 9	46G234	640.00	Mobil 100% WI	8463
Twp. 19 Rge 28 W4M: Section 13	46G235	640.00	Mobil 100% WI	8464
Twp. 19 Rge 28 W4M: Section 15 PNG in all zones excepting PNG in Crossfield Zone	140X228	640.00	Mobil 100% WI	8465

*PNG in all zones except as otherwise stated.

Schedule "B"

This is Schedule "B" attached to and made a part of a Farmout, Participation and Area of Mutual Interest Agreement dated the 31st day of December, A.D. 1997 between MOBIL OIL CANADA and COMPTON PETROLEUM CORPORATION.

POOLED LANDS

Parcel 1

MOBIL LANDS*	CERTIFICATE OF TITLE/DOCUMENT	ACRES	CURRENT INTERESTS	MOBIL'S FILE
Twp. 16 Rge 27 W4M: Section 17	143B104 Expiry: Oct. 16, 1998 Lessor Royalty	640.00	Mobil 100% WI	8185
Twp. 16 Rge 27 W4M: Section 19	46H112 Expiry: Oct. 16, 1998 Lessor Royalty	640.00	Mobil 100% WI	8186
Twp. 16 Rge 28 W4M: Section 13	46I151 Expiry: Oct. 16, 1998 Lessor Royalty	640.00	Mobil 100% WI	8198
Twp. 16 Rge 28 W4M: Section 23	46I154 Expiry: Oct. 16, 1998 Lessor Royalty	640.00	Mobil 100% WI	8202
Twp. 16 Rge 28 W4M: Section 25	46I155 Expiry: Oct. 16, 1998 Lessor Royalty	640.00	Mobil 100% WI	8203

COMPTON LANDS*	CERTIFICATE OF TITLE/DOCUMENT	ACRES	CURRENT INTERESTS	COMPTON'S FILE
Twp. 16 Rge 27 W4M: Sections 16, 18, 20, 30 Twp. 16 Rge 28 W4M: Section 24	Alberta PNG Licence No. 5396100110 Expiry: Oct. 16, 1998 Crown Royalty	3,200.00	Compton 100% WI	M00325

*PNG in all zones except as otherwise stated.

POOLED LANDS

Parcel 2

MOBIL LANDS*	CERTIFICATE OF TITLE/DOCUMENT	ACRES	CURRENT INTERESTS	MOBIL'S FILE
Twp. 16 Rge 28 W4M: Section 35	46I159 Expiry: Sept. 13, 2000 Lessor Royalty	640.00	Mobil 100% WI	8207

COMPTON LANDS*	TITLE/DOCUMENT	ACRES	CURRENT INTERESTS	COMPTON'S FILE
Twp. 16 Rge 28 W4M: Section 36	Alberta PNG Lease No. 0495090041 Expiry: Sept. 13, 2000 Crown Royalty	640.00	Compton 100% WI	M10013

Parcel 3

MOBIL LANDS*	CERTIFICATE OF TITLE/DOCUMENT	ACRES	CURRENT INTERESTS	MOBIL'S FILE
Twp. 16 Rge 28 W4M: Section 17	46I152 Expiry: July 24, 1998 Lessor Royalty	640.00	Mobil 100% WI	8200
Twp. 16 Rge 28 W4M: Section 19	46I153 Expiry: July 24, 1998 Lessor Royalty	640.00	Mobil 100% WI	8201
Twp. 16 Rge 28 W4M: Section 31	46I157 Expiry: July 24, 1998 Lessor Royalty	640.00	Mobil 100% WI	8205
Twp. 16 Rge 28 W4M: W-1/2 Section 33	143B105 Expiry: July 24, 1998 Lessor Royalty	320.00	Mobil 100% WI	8206
Twp. 16 Rge 29 W4M: Section 13	46Y28 Expiry: July 24, 1998 Lessor Royalty	640.00	Mobil 100% WI	8212
Twp. 16 Rge 29 W4M: Section 25	46Y32 Expiry: July 24, 1998 Lessor Royalty	640.00	Mobil 100% WI	8217

*PNG in all zones except as otherwise stated.

POOLED LANDS

COMPTON LANDS*	TITLE/DOCUMENT	CURRENT ACRES	INTERESTS	COMPTON'S FILE
Twp. 16 Rge 28 W4M: Section 20, N-1/2 Section 29, Sections 30, 32 Twp. 16 Rge 29 W4M: Sections 24, 36	Alberta PNG Licence No. 5396070071 Expiry: July 24, 1998 Crown Royalty	3,520.00	Compton 100% WI	M00326

Parcel 4

MOBIL LANDS*	CERTIFICATE OF TITLE/DOCUMENT	ACRES	CURRENT INTERESTS	MOBIL'S FILE
Twp. 18 Rge 28 W4M: Section 23	46G227 Expiry: Aug. 20, 1999 Lessor Royalty	640.00	Mobil 100% WI	8377
Twp. 18 Rge 28 W4M: Section 27	46G228 Expiry: Aug. 20, 1999 Lessor Royalty	640.00	Mobil 100% WI	8378
Twp. 18 Rge 28 W4M: Fraction Section 35	46G230 Expiry: Aug. 20, 1999 Lessor Royalty	620.11	Mobil 100% WI	8380
Twp. 19 Rge 27 W4M: Fraction SW-1/4 Section 5	46D55 Expiry: Aug. 20, 1999 Lessor Royalty		Mobil 100% WI	8453

COMPTON LANDS*	TITLE/DOCUMENT	CURRENT ACRES	INTERESTS	COMPTON'S FILE
Twp. 18 Rge 28 W4M: Sections 24, 25, NE-1/4 Section 26, Section 36	Alberta PNG Licence No. 5397080064 Expiry: Aug. 20, 1999 Crown Royalty	2,080.00	Compton 100% WI	M00330

*PNG in all zones except as otherwise stated.

POOLED LANDS

Parcel 5

MOBIL LANDS*	CERTIFICATE OF TITLE/DOCUMENT	ACRES	CURRENT INTERESTS	MOBIL'S FILE
Twp. 16 Rge 29 W4M: Section 31	46Y34 Expiry: March 23, 1999 Lessor Royalty	640.00	Mobil 100% WI	8219
Twp. 16 Rge 1 W5M: S-1/2 Section 25	46X109 Expiry: March 23, 1999 Lessor Royalty	320.00	Mobil 100% WI	8235
Twp. 17 Rge 30 W4M: Fraction Section 1	140Z220 Expiry: March 23, 1999 Lessor Royalty	366.66	Mobil 100% WI	8312
Twp. 17 Rge 30 W4M: Fraction Section 13	46Y65 Expiry: March 23, 1999 Lessor Royalty	365.00	Mobil 100% WI	8313
Twp. 17 Rge 30 W4M: Fraction Section 25	143B120 Expiry: March 23, 1999 Lessor Royalty	363.40	Mobil 100% WI	8314
Twp. 17 Rge 1 W5M: Section 13	46X116 Expiry: March 23, 1999 Lessor Royalty	640.00	Mobil 100% WI	8320
Twp. 17 Rge 1 W5M: Section 25	46Y83 Expiry: March 23, 1999 Lessor Royalty	640.00	Mobil 100% WI	8325
Twp. 18 Rge 29 W4M: Section 9	143B125 Expiry: March 23, 1999 Lessor Royalty	640.00	Mobil 100% WI	8385
Twp. 18 Rge 29 W4M: Section 27	46I228 Expiry: March 23, 1999 Lessor Royalty	640.00	Mobil 100% WI	8392
Twp. 18 Rge 30 W4M: Fraction Section 1	140Z221 Expiry: March 23, 1999 Lessor Royalty	361.72	Mobil 100% WI	8395

*PNG in all zones except as otherwise stated.

POOLED LANDS

MOBIL LANDS*	CERTIFICATE OF TITLE/DOCUMENT	ACRES	CURRENT INTERESTS	MOBIL'S FILE
Twp. 18 Rge 30 W4M: Fraction Section 13	46Y67 Expiry: March 23, 1999 Lessor Royalty	361.12	Mobil 100% WI	8396

COMPTON LANDS*	TITLE/DOCUMENT	ACRES	CURRENT INTERESTS	COMPTON'S FILE
Twp. 16 Rge 29 W4M: Section 32	Alberta PNG Lease No. 0494030514 Expiry: March 23, 1999 Crown Royalty	640.00	Compton 100% WI	M00294
Twp. 16 Rge 30 W4M: Fraction Section 24 & Fraction Section 36	Alberta PNG Lease No. 0494030515 Expiry: March 23, 1999 Crown Royalty	740.25	Compton 100% WI	M00295
Twp. 17 Rge 30 W4M: Fraction Section 12, Fraction Section 24 & Fraction Section 36	Alberta PNG Lease No. 0494030517 Expiry: March 23, 1999 Crown Royalty	1094.80	Compton 100% WI	M00296
Twp. 17 Rge 1 W5M: Sections 12 & 24	Alberta PNG Lease No. 0494030518 Expiry: March 23, 1999 Crown Royalty	1280.00	Compton 100% WI	M00300
Twp. 18 Rge 29 W4M: Section 4	Alberta PNG Lease No. 0494030520 Expiry: March 23, 1999 Crown Royalty	640.00	Compton 100% WI	M00297
Twp. 18 Rge 29 W4M: Section 22	Portion of Alberta PNG Lease No. 0494030520 Expiry: March 23, 1999 Crown Royalty	640.00	Compton 100% WI	M00298
Twp. 18 Rge 30 W4M: Fraction Section 12	Alberta PNG Lease No. 0494030521 Expiry: March 23, 1999 Crown Royalty	640.00	Compton 100% WI	M00299

*PNG in all zones except as otherwise stated.

POOLED LANDS

Parcel 6

MOBIL LANDS*	CERTIFICATE OF TITLE/DOCUMENT	ACRES	CURRENT INTERESTS	MOBIL'S FILE
Twp. 17 Rge 29 W4M: Section 5 PNG to Base Jurassic	46Y38 Lease continues for so long as PNG 0482020183 continues Lessor Royalty	640.00	Mobil 100% WI	8299

COMPTON LANDS*	TITLE/DOCUMENT	ACRES	INTERESTS	FILE
Twp. 17 Rge 29 W4M: Section 6 PNG to Base Jurassic	Alberta PNG Lease No. 0482020183 Expiry: Feb 13, 1987 Sec. 95 Continuation Crown Royalty	640.00	Compton 100% WI	M00303

Parcel 7

MOBIL LANDS*	CERTIFICATE OF TITLE/DOCUMENT	ACRES	CURRENT INTERESTS	MOBIL'S FILE
Twp. 17 Rge 29 W4M: Section 31	46Y45 Expiry: Jan 19, 1999 Lessor Royalty	640.00	Mobil 100% WI	8309
Twp. 18 Rge 29 W4M: Section 18	Alberta PNG Lease No. 0494010245 Expiry: Jan 19, 1999 Crown Royalty	640.00	Mobil 100% WI	33903

COMPTON LANDS*	TITLE/DOCUMENT	ACRES	INTERESTS	FILE
Twp. 17 Rge 29 W4M: X Section 30 v	Alberta PNG Lease No. 0494010239 Expiry: Jan 19, 1999 Crown Royalty	640	Compton 100% WI	M00301
Twp. 18 Rge 29 W4M: X Section 6 v	Alberta PNG Lease No. 0494010244 Expiry: Jan 19, 1999 Crown Royalty	640	Compton 100% WI	M00302

*PNG in all zones except as otherwise stated.

POOLED LANDS

Parcel 8

MOBIL LANDS*	CERTIFICATE OF TITLE/DOCUMENT	ACRES	CURRENT INTERESTS	MOBIL'S FILE
Twp. 18 Rge 29 W4M: Section 7	46Y50 Expiry: March 23, 1999 Lessor Royalty	640.00	Mobil 100% WI	8384
Twp. 18 Rge 29 W4M: S-1/2 Section 30	Alberta PNG Lease No. 0494010246 Expiry: Jan 19, 1999 Crown Royalty	320.00	Mobil 100% WI	33904

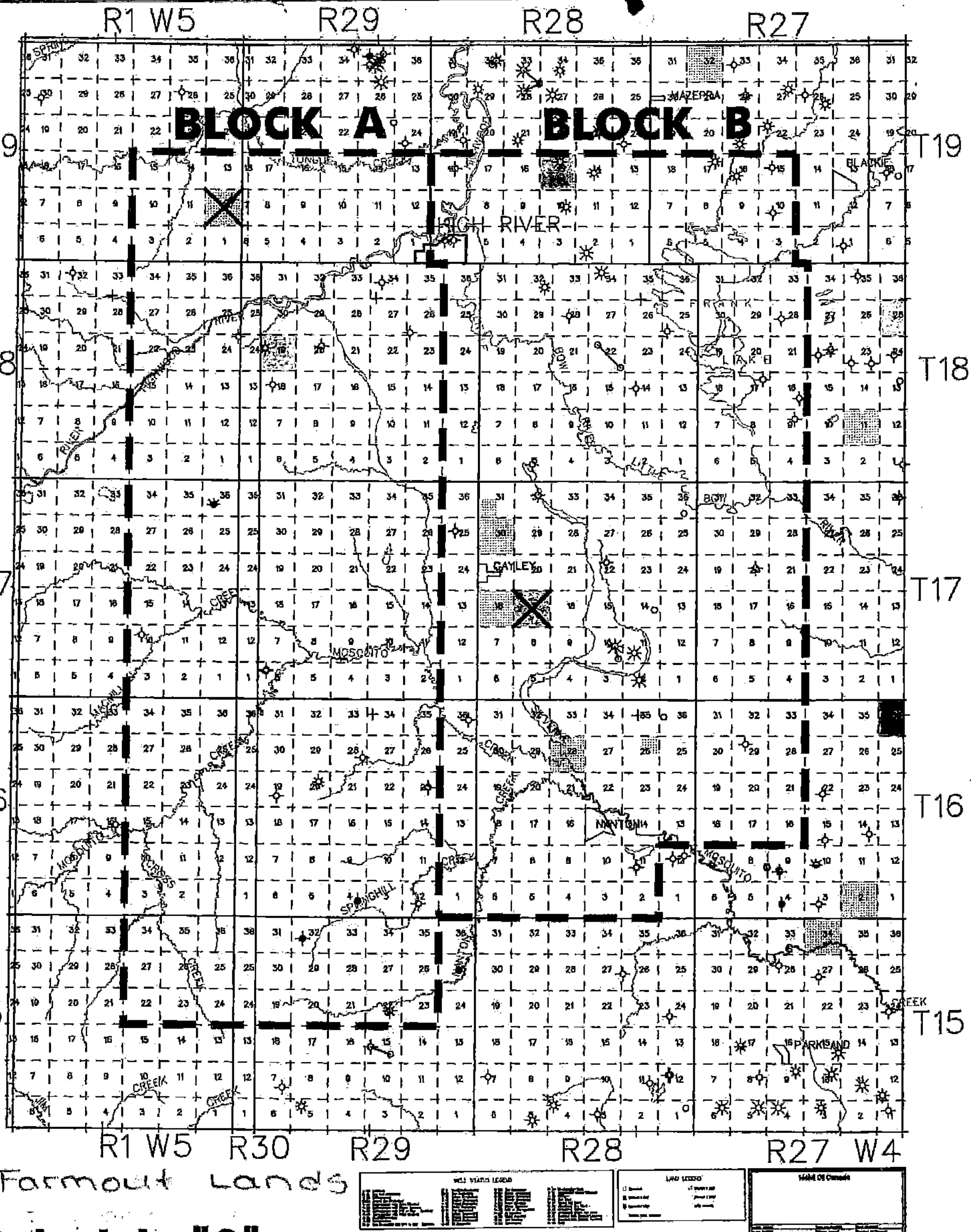
COMPTON LANDS*	TITLE/DOCUMENT	ACRES	INTERESTS	FILE
Twp. 18 Rge 29 W4M: Section 20, W-1/2 Section 21	Portion of Alberta PNG Lease No. 0494030520 Expiry: March 23, 1999 Crown Royalty	960.00	Compton 100% WI	M00298

Parcel 9

MOBIL LANDS*	CERTIFICATE OF TITLE/DOCUMENT	ACRES	CURRENT INTERESTS	MOBIL'S FILE
Twp. 18 Rge 30 W4M: Fraction Section 25 PNG to Base Turner Valley	143B133 Lease continues for so long as PNG 110783 continues Lessor Royalty	231.36	Mobil 100% WI	8397

COMPTON LANDS*	TITLE/DOCUMENT	ACRES	INTERESTS	FILE
Twp. 18 Rge 30 W4M: Fraction NE-1/4 Section 24 PNG to Base Turner Valley	Alberta PNG Lease No. 110783 Expiry: Oct 30, 1978 Sec. 95 Continuation Crown Royalty	159.00	Compton 100% WI	M00283

*PNG in all zones except as otherwise stated.



Farmout Lands

Schedule "C"

SCHEDULE "D"

Mazeppa Area Facilities

A. This Schedule "D" attached to the Farmout Agreement (the "Agreement") covers the basic terms and costs of service for processing, gathering and compressing Mobil's Gas at the Facilities (as hereinafter defined). These basic terms will be incorporated by Compton, as major owner and operator of the Facilities, into the comprehensive agreement referred to in clause 36 of the Agreement. Compton will ensure that any successor to Compton's interest in the Facilities shall be similarly bound by these basic terms and costs of service.

For the purposes of this clause, "Mobil's Gas" means all natural gas, natural gas liquids and associated substances including sulphur, owned by Mobil and Mobil Resources Ltd. and produced by or on behalf of either of them prior to any processing from their percentage working interest or royalty interest, taken in kind at the wellhead, in the lands from time to time within the Area of Dedication (as hereinafter defined).

For the purposes of this clause, "Facilities" means:

(i) the Mazeppa Gas Plant (which together with the Gladys Gas Plant referred to below is herein collectively called the "Plant") as described in the existing Mazeppa Gas Processing Facility CO&O Agreement, having an existing raw inlet capacity of 82 mmcf per day, as such plant may be expanded from time to time as herein provided, and also including inlet compression and separation (including the inlet separator that serves the gathering line from the Okotoks plant) and all other facilities at the plant site;

(ii) the Gladys Gas Plant located at 6-15-20-27-W4M as such plant may be expanded from time to time as herein provided, including all facilities located on the plant site and upgraded to raw inlet capacity of 15 mmcf per day;

(iii) the existing Mazeppa Area gathering lines and related equipment in which Compton owns an interest (typically comprising gathering lines 4" and greater, including those listed in Exhibit 1, running from TWP 22 south to Mazeppa Plant, Mazeppa-Okotoks tie line, Mazeppa-Gladys tie line, and mainline running north to Mazeppa Plant from TWP 16) and existing fuel gas lines in respect thereof;

(iv) other Gathering facilities and related equipment to be constructed, namely, the approximately 17,000 meter pipeline from Mazeppa to the Macmillan 12-19-18-29-W4M wellsite, and fuel gas lines in respect thereof.

B. Fees shall be charged to Mobil to gather, compress and process to sales spec Mobil's Gas delivered to the Plant through the Facilities referenced in subclause A. above on the following basis:

(i) Gathering and Processing

$0.26/mcf for sweet gas, gas composition measured at the wellhead

$0.40/mcf for sour gas (as determined according to CWNG sales spec), gas composition measured at the wellhead

(ii) Inlet Compression
$0.07/mcf for any of Mobil's Gas that utilizes inlet compression, at a compressor inlet pressure no more than 425 psig

(iii) The fees charged to Mobil for enhanced liquid recovery shall be one-third of the incremental liquids recovered or an alternate processing fee as agreed to between the parties from time to time. Compton shall, at its option, provide Mobil with the quantity of GJs of gas that is the energy equivalent of the incremental liquids fee delivered at Plant outlet or the dollar value of the energy equivalent valued at the monthly average Alberta - AECO "C" & N.I.T. One-Month Spot price as quoted in the Canadian Gas Price Reporter, less transportation differentials to the Plant.

(iv) To the extent that Mobil delivers gas to the Facilities from outside the Area of Dedication as permitted in subclause E. hereof, the fees set out above will apply.

(v) All fees are on a raw gas basis and such fees will be adjusted at the Consumer Price Index for Alberta ("CPI") on an annual basis at the beginning of each calendar year based on the percentage increase in the CPI for the previous year. Effective as at the end of the 15th year after the date hereof, either party may request that the fees set out above be redetermined. If such request is made the fees to be charged in each year thereafter during the term of this Agreement shall be the fees that are agreed to between the parties or, if not agreed to, shall be the current market fees charged by the Facilities for the custom gathering, compression and processing of the volumes of gas delivered by Mobil to the Facilities under similar capacity arrangements with similar land dedication and in the context of this Agreement, as determined by binding arbitration as herein provided.

(vi) In the event that Compton sells all or part of the Facilities, Compton agrees that if the fees payable by Compton to the purchaser of such Facilities for gathering, compressing and processing its gas are more favourable than those set out above, Compton will cause such fees to be made available to Mobil.

C. Mobil shall cause to be delivered all of Mobil's Gas from the Area of Dedication to the Facilities. Mobil dedicates to the Facilities all present and future interests it and Mobil Resources Ltd. hold or may hold in the gas reserves within the Area of Dedication for the life of the reserves or until Compton provides notice pursuant to subclause G. hereof that the Plant is uneconomic or as otherwise provided hereunder and shall bind all successors in title to Mobil and Mobil Resources Ltd. to such interests. For the purposes hereof the "Area of Dedication" means all existing and future petroleum and natural gas rights, lands and formations contained within the boundaries identified on the map attached as Exhibit 2. It is further acknowledged that such delivery obligation and dedication shall terminate in respect of any portion of the lands within the Area of Dedication (i) if regulatory approvals cannot be obtained to include such portion of the lands in any license or other permit or approval allowing gas from such lands to be processed at the Plant (and the parties agree to co-operate and assist each other in obtaining the necessary regulatory approvals from time to time to include such lands in such license or other permit or approval) or (ii) if gas reserves underlying such portion of the lands cannot be processed under the capacity arrangements set out herein due to contractual constraints arising under the applicable CO&O Agreement for the Plant.

D. All Mobil's Gas delivered to the Facilities from the Area of Dedication equal to Mobil's Plant Capacity shall be gathered, compressed and processed by Compton on a firm capacity basis. Mobil's Gas delivered to the Facilities in excess of such Mobil's Plant Capacity and/or from outside the Area of Dedication (excluding gas outside the Area of Dedication that does not meet those specifications as determined by Compton) shall be gathered, compressed and processed by Compton under interruptible capacity, prorata to Mobil's then existing firm capacity.

E. If Mobil or Mobil Resources Ltd. disposes of an interest in any lands which have been dedicated hereunder, to a third party, the interest acquired by such third party shall continue to be subject to the dedication provided herein. No assignment by Mobil of any interest in any lands within the Area of Dedication shall be effective unless:

i) Mobil gives notice to Compton of the proposed assignment and includes in such notice a form of written undertaking by the proposed assignee to be bound by the terms of and assume all obligations of Mobil under this Agreement with respect to such lands; and

ii) Compton is satisifed, acting reasonably, that the assignee has the capability to perform the future obligations of Mobil pursuant to this Agreement with respect to such lands.

Any objection by Compton, acting reasonably, as to the acceptability of the form of assignment pursuant to clause ~~i)~~ E. (i) hereof or as to the capability of the assignee pursuant to clause ~~ii)~~ E(ii) hereof must be made by notice to Mobil no later than the end of business on the 30th day following receipt by Compton of notice of the proposed assignment. Notwithstanding the above provisions, ~~of preceding sentence~~, Mobil shall remain liable under this Agreement and shall not be released from any obligations hereunder unless and until the assignee of Mobil becomes a party to this Agreement in the place and stead of Mobil to the extent of such assignment. ~~Mobil shall be entitled to assign an interest in the Lands in the following instances, without complying with the above provisions:~~ The provisions of E. (i) and E (ii) hereof shall not apply in the following instances, namely:

i) a disposition to an affiliate of Mobil (provided that Mobil shall remain jointly and severally liable with such affiliate in respect of this Agreement);

ii) in consequence of a merger or amalgamation of Mobil with another corporation, and
iii) a disposition by Mobil of all, or substantially all, or of an undivided interest in all or substantially all, of its petroleum and natural gas rights in the Province of Alberta.
provided that the dedication set out herein shall continue to apply to such assigned interest. Compton agrees that such third party shall be entitled to process gas at the Plant for the same fees as are paid by Mobil, provided that (i) such third party shall be required to negotiate directly with Compton in respect of the amount of Facilities capacity available for such third party and any other terms and conditions in respect to the processing of such third party's gas and (ii) if Mobil and Mobil Resources Ltd. disposes of all of their interests within the Area of Dedication in one transaction, the rights and obligations hereunder shall be transferable to the purchaser of such interests.

F. Initial firm Plant capacity for Compton ("Compton's Plant Capacity") shall be 65 mmcf per day and initial firm Plant capacity for Mobil ("Mobil's Plant Capacity") shall be 12.5 mmcf per day calculated on the basis of the existing capacity of 7 mmcf per day at the Gladys Gas Plant, which shall be adjusted as follows:

(i) If Mobil's Plant capacity is fully utilized and expected by the parties to remain so for the next eighteen months and there is no surplus capacity, Compton will expand the Plant's capacity by 1 mmcf per day for each 2.5 bcf of newly discovered reserves in which Mobil has an interest (reserves means proven plus 50% probable) within the Area Dedication that Mobil has committed to deliver to the Plant except to the extent that such Plant expansion would cause the Plant to exceed the licensed inlet sulphur capacity, provided that if the licensed sulphur inlet capacity would be exceeded, Compton shall within 90 days provide Mobil with a proposed expansion solution including the incremental fees, if any, associated therewith and if agreement is reached Compton will proceed with such expansion solution on such agreed terms and conditions. If agreement cannot be reached the fees and terms and conditions of such expansion solution will be determined by binding arbitration in the context of this Agreement.

If it is determined that an expansion is required pursuant to this clause, Compton agrees to make the appropriate application for regulatory approval within 90 days and agrees to diligently process the application. Upon receipt of regulatory approval for such an expansion, Compton shall commence the expansion within 60 days and shall diligently proceed with the completion of such expansion and shall, subject to force majeure, complete the expansion within 180 days after commencement. If the expansion is not completed within such period, then the processing fees for the incremental volumes of gas that would have been delivered to the Plant after such expansion, shall be reduced by one-half for the number of days that the date of completion of the expansion exceeds the time period referred to above. Both parties agree to co-operate, assist and keep each other informed in respect of all matters related to the expansion and specifically in respect of the regulatory approval process.

(ii) Should Mobil require additional capacity and subclause F. (i) does not apply, Mobil may nevertheless request Compton to expand the Plant. If agreement cannot be reached as to such expansion or the fees associated therewith, Mobil may (i) fund the expansion of the Plant, in which case the expansion shall be owned by Compton and Mobil shall pay only the incremental operating costs associated therewith, or (ii) Mobil may construct its own separate facilities (and Compton will take no action to object to the construction of such facilities), in which case Mobil shall own the facilities or (iii) Mobil may utilize the services of other third parties' facilities for the processing of such gas; provided that in all of the above circumstances Mobil must utilize existing Plant processing capacity prior to using the incremental capacity resulting from the expansion, use of its own facilities or use of third party facilities.

(iii) Subject to subclause F. (v) hereof, at the end of April, 1999 and at the end of every calendar year thereafter, Mobil's Plant Capacity will be adjusted to reflect Mobil's current deliverability and expected additional deliverability for such next year provided that Mobil's Plant Capacity shall not be adjusted to be greater than the total Plant capacity available after taking into account all other firm capacity and if adjusted upwards will be adjusted prorata with all other firm capacity. If the parties cannot agree on the adjusted capacity, the matter shall be determined by arbitration as herein provided.

(iv) Subject to subclause F. (v) hereof, if there is surplus capacity in any year and a third party wishes to contract for firm capacity, Compton will offer Mobil its prorata right (calculated on its then existing firm capacity) to surplus capacity based on Mobil's current deliverability and expected additional deliverability during the balance of such year. If the parties cannot agree as to the amount of surplus capacity to be made available to Mobil, the matter shall be determined by arbitration as herein provided.

(v) When firm capacity is being adjusted pursuant to subclause F. (iii) and (iv) above, then for the period from the date of this agreement until December 31, 2000 one-half of any surplus gathering, compressing or processing capacity available (after taking into account third party firm capacity) shall be offered to Mobil and may be converted to Mobil firm capacity if Mobil can demonstrate use of such capacity based on Mobil's current deliverability and expected additional deliverability at the time of such firm capacity adjustment. It is acknowledged and agreed that once capacity is determined to be firm capacity of either Mobil, Compton or a third party and gas is put on stream, such gas that is being delivered to such firm capacity will not be required to be curtailed to provide capacity for other Mobil or Compton gas or other gas in which both parties have an interest and any well delivering gas to such firm capacity will be allowed to be brought up to its maximum deliverability, subject to subclause (vi)(d) below, gathering system constraints and good production practise, as further capacity becomes available.

(vi) It is further acknowledged that (a) the terms of the leases that will be issued hereunder require that the Lessee continuously and diligently operate any wells located thereon for the production of petroleum substances with a view to the optimum economic recovery of such petroleum substances, and (b) each party in conducting production operations will use their best efforts to not discriminate between petroleum substances produced from various wells located on the Farmout Lands and/or Pooled Lands which require capacity to reach their maximum deliverability. Subject to gathering system constraints and good production practises, (c) both parties shall satisfy the obligations set out in the preceding sentence by placing such wells on production as capacity becomes first available and each party agrees to use its available share of surplus capacity for the purpose of meeting such obligations, and (d) subject to the requirement to use surplus capacity to put further new wells on stream to meet the commitments in this subclause or otherwise to satisfy the minimum production obligations in order to retain a Lease in which the parties have an interest, no other wells will be brought on production, or if on production, such production will not be increased, until existing wells on stream on the Farmout Lands and/or Pooled Lands, in which each party has a fifty percent working interest and which are being offset by a well that is not jointly owned by the parties, are producing to their maximum deliverability.

(vii) To the extent that Mobil is entitled to a share of gas production as a result of Mobil Resources Ltd. having a lessor's royalty or as the holder of an overriding royalty as provided in this Agreement, and to the extent such royalties are not taken in kind, at the wellhead, such gas shall be processed at the expense of and as part of the gathering, processing and compression capacity of the party responsible for the payment of such royalty.

(viii) To the extent that Compton adds new firm capacity customers that use any portion of the gathering capacity of the Facilities, if Compton and Mobil demonstrate a requirement for additional gathering capacity and such capacity is not then available, Compton, at no incremental fee, shall use reasonable commercial efforts, subject to regulatory approval, to provide such requested capacity as soon as practicable up to the maximum of the gathering capacity being utilized by the new firm capacity customers referred to above.

G. The obligations of the parties with respect to the matters set out in this clause 33 shall commence as of the effective date and shall continue in full force and effect until the earlier of the time that all of Mobil's reserves are depleted or such time as Compton gives 60 days prior notice to Mobil that continued operations of Compton at the Plant is uneconomic. For the purposes hereof, uneconomic means that the operating cash flows paid by Compton to operate the Facilities for a period of 12 consecutive months are in excess of cash inflows received in respect of all natural gas gathered and processed at Facilities during such period, calculated in accordance with generally accepted accounting principles applied consistently on a year over year basis and disregarding non-cash expenditures and expenses. Upon receipt of such a notice, Mobil will have the option to acquire the Facilities on "as is where is" basis for consideration of $1.00 provided that if Compton has sold the Facilities and has a similar buy-out provision, each of Mobil and Compton shall be entitled to acquire the Facilities prorata to their respective firm capacity in the Facilities at such time.

H. Mobil shall have the right to provide to Compton more favourable terms and conditions for the provision of electrical power obtained by Mobil from third parties for the inlet compressor drivers located at the Mazeppa Gas Plant and Compton shall either accept or match such more favorable terms and conditions.

I. Compton agrees that if, on or before November 30, 1998, it cannot demonstrate to Mobil's satisfaction, acting reasonably, that Mobil will be able to access its capacity in accordance with the provisions of this clause, Mobil, on written notice to Compton shall be entitled to terminate the Agreement and upon such termination Compton shall have no further rights to earn any further interests in any of the Farmout Lands, provided however that any interests earned by Compton in the Farmout Lands prior to such notice shall remain in full force and effect; Compton shall not be obligated to pay the Termination Fee referred to in clause 5 of the Agreement and when Mobil's gas from the earned lands is produced through the Plant, the fees set out herein and other provisions of this Schedule shall continue to apply to such Mobil gas. If the parties cannot agree that Compton has demonstrated that Mobil will be able to use its capacity, the matter will be determined by arbitration as herein provided.

J. All matters set out in this clause that are stated to be subject to arbitration shall be arbitrated in accordance with the provisions of the Arbitration Act (Alberta).

K. If at November 30, 1998, Compton continues to own an interest in the Mazeppa Plant, Compton agrees to sell Mobil an interest in the Mazeppa Plant not to exceed a one percent working interest and both parties agree to use reasonable efforts to negotiate the terms and conditions, including purchase price, for the sale and purchase of such interest.

EXHIBIT 1.

COMPTON PETROLEUM CORPORATION
MAZEPPA/OKOTOKS/GLADYS
PIPELINES

SEGMENT	LICENCE	LOCATION FROM	LOCATION TO		PIPELINE O.D. (mm)	WALL THICK. (mm)	PIPELINE INT. DIA. (mm)	PIPELINE LENGTH (m)	PIPELINE OPERATING PRESSURE (MOP) (kPa)	H2S PERCENT
01	21027	10-20-22-28W4	11-24-22-29 (BV-1)	SEG	88.90	4.78	79.34	4020	7240	33.6%
01	21027	10-20-22-28W4	12-20-22-28W4	SEG	88.90	4.78	79.34	400	7240	33.6%
01	21027	12-20-22-28W4	11-24-22-29 (BV-1)		88.90	4.80	79.30	3620	7240	2.2%
02	21027	11-24-22-29 (BV-1)	10-13-22-29 (BV-2)		168.30	4.78	158.74	1800	7240	33.6%
02	21027	10-13-22-29 (BV-2)	14-12-22-29 (BV-4)		168.30	4.78	158.74	1500	7240	33.6%
02	21027	14-12-22-29 (BV-4)	03-12-22-29 (BV-5)		168.30	4.78	158.74	1150	7240	33.6%
02	21027	03-12-22-29 (BV-5)	13-01-22-29 (BV-6)		168.30	4.78	158.74	940	7240	33.6%
02	21027	13-01-22-29 (BV-6)	A10-02-22-29 (BV-7A)		168.30	4.78	158.74	930	7240	33.6%
17	878	11-01-22-29W4	10-02-22-29 (BV-8)		88.90	4.78	79.34	1220	5860	33.6%
18	878	10-02-22-29 (BV-8)	10-02-22-29 (BV-7)		88.90	7.62	73.66	2	5860	35.0%
29	878	A10-02-22-29W4	10-02-22-29W4		88.90	4.78	79.34	270	5860	35.0%
30	878	10-02-22-29	02-02-22-29 (BV-9)	SEG	168.30	5.56	157.18	710	5860	33.6%
30	878	02-02-22-29 (BV-9)	10-35-21-29 (BV-10)	SEG	168.30	5.56	157.18	710	5860	33.6%
30	878	10-35-21-29 (BV-10)	07-35-21-29 (BV-11)	SEG	168.30	4.78	158.74	710	5860	33.6%
30	878	10-02-22-29W4	07-35-21-29W4	COMB	168.30	5.56	157.18	2130	5860	35.0%
03	878	07-35-21-29W4	10-25-21-29W4		114.30	3.93	106.44	1930	0	33.6%
32	878	07-35-21-29W4	04-36-21-29 (BV-12)	SEG	168.30	7.11	154.08	650	5860	33.6%
32	878	04-36-21-29 (BV-12)	10-25-21-29W4	SEG	168.30	7.11	154.08	1280	5860	33.6%
32	878	07-35-21-29W4	10-25-21-29W4	COMB	168.30	7.11	154.08	1930	5860	35.0%
11	878	11-36-21-28W4	10-25-21-29W4		88.90	4.78	79.34	1740	5860	35.0%
11	186	10-25-21-29 (ESD-75)	12-19-21-28W4		273.10	8.74	255.62	1730	4650	34.6%
01	186	12-19-21-28W4	09-13-21-29W4		273.10	7.80	257.50	1850	4650	35.5%
05	186	12-19-21-28W4	12-19-21-28 (ESD-70)		114.30	4.78	104.74	90	4650	35.5%
02	186	09-13-21-29 (ESD-65)	10-13-21-29 W4		114.30	4.78	104.74	320	0	35.5%
14	186	10-18-21-28W4	09-13-21-29W4		114.30	6.02	102.26	810	0	35.5%
09	186	11-07-21-28W4	09-12-21-29W4	PART	114.30	4.78	104.74	810	4650	34.5%
08	186	09-12-21-29W4	06-12-21-29 (ESD-60)	PART	114.30	4.78	104.74	810	0	35.6%
17	186	09-12-21-29W4	06-12-21-29 (ESD-60)	PART	114.30	3.96	106.38	810	4650	35.5%
	186	11-07-21-28W4	06-12-21-29 (ESD-60)	COMB	(line 09 plus line 08 plus line17)			1620		
01	186	09-13-21-29W4	06-12-21-29 (ESD-60)		273.10	7.80	257.50	1960	4650	34.6%
03	186	06-01-21-29W4	06-01-21-29 (ESD-55)		114.30	4.78	104.74	90	0	35.5%
06	186	06-01-21-29W4	06-27-20-29 (OKO)		273.10	7.80	257.50	4690	0	35.5%
07	186	11-06-21-28W4	NORTH LA(11-01)	PART	88.90	4.78	79.34	1600	4650	33.6%
01	186	06-12-21-29 (ESD-60)	06-01-21-29 (ESD-55)	PART	273.10	6.40	260.30	1800	4280	34.5%
	186	06-12-21-29 (ESD-60)	06-01-21-29 (ESD-55)	COMB	(line 07 plus line 01)					
15	186	11-06-21-28W4	11-01-21-29W4		114.30	4.78	104.74	1600	0	35.5%
13	186	11-01-21-29W4	06-01-21-29W4		88.90	4.78	79.34	320	4650	35.5%
05	186	07-32-20-28W4	10-31-20-28W4		88.90	4.80	79.30	1530	0	35.5%
07	25114	10-31-20-28	10-36-20-29		114.30	4.78	104.74	1020	0	35.0%
02	25114	06-01-21-29W4	14-36-20-29W4	PART	273.10	6.40	260.30	780	4280	35.0%
01	25114	14-36-20-29W4	10-36-20-29 (ESD-50)	PART	273.10	6.40	260.30	352	4275	35.0%
	25114	06-01-21-29 (ESD-55)	10-36-20-29 (ESD-50)	COMB	(line 02 plus line 01)			1132		
01	25114	10-36-20-29 (ESD-50)	10-31-20-28 (ESD-45)		273.10	6.40	260.30	1551	4275	35.0%
01	25114	10-31-20-28 (ESD-45)	05-29-20-28 (ESD-40)		273.10	6.40	260.30	2337	4280	33.6%
04	25114	SOUTH LA(05-29)	11-20-20-28W4	SEG	88.90	4.78	79.34	1060	0	35.0%
06	25114	11-29-20-28W4	SOUTH LA(05-29)	SEG	88.90	4.80	79.30	430	4280	35.0%
01	13396	11-20-20-28W4	11-20-20-28W4	SEG	88.90	11.13	66.64	20	4280	35.0%

COMPTON PETROLEUM CORPORATION
MAZEPPA/OKOTOKS/GLADYS
PIPELINES

SEGMENT	LICENCE	LOCATION FROM	LOCATION TO		PIPELINE O.D. (mm)	WALL THICK. (mm)	PIPELINE INT. DIA. (mm)	PIPELINE LENGTH (m)	PIPELINE OPERATING PRESSURE (MOP) (kPa)	H2S PERCENT
	25114	11-29-20-28W4	11-20-20-28 (ESD-35)	COMB (line 04 plus line 08 plus line 01)				1510		
01	25114	05-29-20-28 (ESD-40)	11-20-20-28 (ESD-35)		273.10	6.40	260.30	1683	4280	33.6%
01	25114	11-20-20-28 (ESD-35)	11-17-20-28 (ESD-30)		273.10	6.40	260.30	2249	4280	35.0%
01	25114	11-17-20-28 (ESD-30)	07-08-20-28 (ESD-25)		273.10	6.40	260.30	2095	4280	35.0%
01	25114	07-08-20-28 (ESD-25)	11-09-20-28 (ESD-20)		273.10	6.40	260.30	1094	4280	35.0%
01	25114	11-09-20-28 (ESD-20)	10-04-20-28 (ESD-15)		273.10	6.40	260.30	1998	4280	35.0%
01	25114	10-04-20-28 (ESD-15)	02-03-20-28 (ESD-10)		273.10	6.40	260.30	2164	4280	35.0%
01	25114	02-03-20-28 (ESD-10)	07-34-19-28 (ESD-05)		273.10	6.40	260.30	1417	4280	35.0%
11	21642	16-18-20-28W4	11-17-20-28W4	PART	114.30	5.56	103.18	1600	0	35.4%
10	21642	11-17-20-28W4	07-08-20-28W4	PART	114.30	6.02	102.26	2420	0	35.4%
	21642	16-18-20-28W4	07-08-20-28W4	COMB (line 11 plus line 10)						
02	21642	07-08-20-28 (JN-45)	11-09-20-28 (JN-40)	SEG	168.30	7.10	154.10	1000	0	34.0%
02	21642	11-09-20-28 (JN-40)	10-04-20-28 (JN-30)	SEG	168.30	7.10	154.10	2000	0	34.0%
02	21642	07-08-20-28W4	10-04-20-28W4	COMB	168.30	7.10	154.10	3000	0	35.4%
01	30247	15-28-19-29W4	08-06-20-28 (JN-33)		114.30	3.96	106.38	6000	8300	2.0%
01	30247	08-06-20-28 (JN-33)	09-05-20-28 (JN-32)		114.30	3.96	106.38	1700	8300	2.0%
04	21642	09-05-20-28W4	10-04-20-28W4		168.30	7.11	154.08	1250	8300	35.4%
05	21642	10-04-20-28W4	11-03-20-28 (JN-25)	SEG	219.10	8.18	202.74	1150	0	32.7%
05	21642	11-03-20-28 (JN-25)	02-03-20-28 (JN-20)	SEG	219.10	8.18	202.74	1250	0	32.7%
05	21642	02-03-20-28 (JN-20)	07-34-19-28 (JN-10)	SEG	219.10	8.18	202.74	1160	0	32.7%
05	21642	10-04-20-28W4	07-34-19-28 (JN-10)	COMB	219.10	8.18	202.74	3590	0	35.4%
06	21642	16-28-19-28W4	16-28-19-28W4		88.90	5.49	77.92	160	8300	35.4%
07	21642	16-28-19-28W4	11-27-19-28W4	PART	168.30	7.11	154.08	1250	8300	32.7%
07	21642	11-27-19-28W4	07-34-19-28 (JN-10)	PART	168.30	7.11	154.08	1110	8300	32.7%
07	21642	16-28-19-28W4	07-34-19-28W4	COMB	168.30	7.11	154.08	2360	8300	35.4%
08	21642	07-34-19-28W4	06-35-19-28 (JN-05)		219.10	8.18	202.74	1410	0	32.7%
08	21642	06-35-19-28 (JN-05)	PLANT (02-35)		219.10	8.18	202.74	1200	0	32.7%
03	25114	07-34-19-28 (JN-10)	PLANT (02-35)		219.10	8.18	202.74	2700	8300	35.0%
02	28658	08-10-17-28W4	06-11-17-28W4	PART	88.90	3.20	82.50	1110	10200	1.9%
01	28658	06-11-17-28W4	01-10-18-28 (JS-30)	PART	114.30	3.96	106.38	9000	10200	2.0%
	28658	08-10-17-28W4	01-10-18-28 (JS-30)	COMB				10110		
01	28658	01-10-18-28 (JS-30)	11-34-18-28 (JS-26)		114.30	3.96	106.38	9300	10200	2.0%
01	21643	11-34-18-28 (JS-26)	06-02-19-28 (JS-25)		88.90	5.49	77.92	2150	8300	32.7%
03	28658	11-34-18-28 (JS-26)	06-11-19-28W4	PART	219.10	5.60	207.90	3400	9650	1.9%
04	28658	06-11-19-28W4	11-11-19-28 (JS-24)	PART	219.10	5.60	207.90	100	9650	1.9%
	28658	11-34-18-28 (JS-26)	11-11-19-28 (JS-24)	COMB	219.10	5.60	207.90	3500	9650	1.9%
	Note: Lines 03 and 04 of 28658 (join at 06-11-19-28 W4 with no ESD) and lines 01 and 02 (join at 06-11-17-28 W4 with no ESD)									
02	21643	06-02-19-28 (JS-25)	11-11-19-28 (JS-24)		114.30	6.02	102.26	2100	8300	32.7%
03	21643	10-10-19-28W4	11-11-19-28 (JS-24)		88.90	5.49	77.92	1100	0	32.7%
04	21643	11-11-19-28 (JS-24)	06-14-19-28 (JS-20)		168.30	7.11	154.08	1500	8300	32.7%
04	21643	06-14-19-28W4	10-23-19-28 (JS-11)		168.30	7.11	154.08	2090	8300	32.7%
05	21643	06-21-19-28W4	10-22-19-28 (JS-15)		114.30	6.02	102.26	2270	0	35.3%
06	21643	15-22-19-28W4	10-22-19-28 (JS-15)		88.90	5.49	77.92	560	8300	35.3%
07	21643	15-15-19-28W4	10-22-19-28 (JS-15)		88.90	5.49	77.92	1280	8300	35.3%
08	21643	10-22-19-28 (JS-15)	10-23-19-28 (JS-10)		168.30	7.11	154.08	1800	8300	35.3%
09	21643	10-23-19-28W4	07-26-19-28 (JS-05)		219.10	8.18	202.74	1380	8300	35.3%

COMPTON PETROLEUM CORPORATION
MAZEPPA/OKOTOKS/GLADYS
PIPELINES

SEGMENT	LICENCE	LOCATION FROM	LOCATION TO		PIPELINE O.D. (mm)	WALL THICK. (mm)	PIPELINE INT. DIA. (mm)	PIPELINE LENGTH (m)	PIPELINE OPERATING PRESSURE (MOP) (kPa)	H2S PERCENT
09	21643	07-26-19-28 (JS-05)	PLANT (02-35)		219.10	8.18	202.74	1200	8300	35.3%
01	878	10-25-21-29W4	10-25-21-29W4		114.30	4.78	104.74	10	5520	35.0%
04	25114	05-29-20-28W4	16-30-20-28W4		114.30	4.78	104.74	1850	0	35.0%
05	25114	16-30-20-28W4	10-31-20-28W4		114.30	4.78	104.74	1210	0	35.0%
01	30680	11-02-20-27W4	09-02-20-27W4	PART	168.30	4.00	160.30	800	9650	1.7%
01	30680	09-02-20-27W4	03-14-17-28 (JS-35)	PART	168.30	4.00	160.30	3300	9650	1.7%
01	30700	15-36-16-27 (JS-40)	09-02-20-27W4	PART	168.30	4.00	160.30	1750	9650	1.7%
			SEGMENT TOTAL	COMB				5850		
03	30680	03-14-17-28 W4	06-26-17-28 (JS-33)		219.10	5.60	207.90	3890	9650	1.7%
03	30680	06-26-17-28 (JS-33)	16-34-17-28 W4	PART	219.10	5.60	207.90	2750	9650	1.7%
	Note: Lines 03 of 30680 are approximate lengths, total licence is for 6660 m.									
04	30680	01-10-17-28 (JS-31)	01-15-17-28 (JS-28)		219.10	5.60	207.90	2860	9650	1.7%
04	30680	01-15-17-28 (JS-28)	14-22-17-28 (JS-27)		219.10	5.60	207.90	3880	9650	1.7%
04	30680	14-22-17-28 (JS-27)	11-34-18-28 (JS-26)		219.10	5.60	207.90	2860	9650	1.7%
01	30700	06-04-16-27 W4	14-08-16-27 (JS-50)		168.30	4.00	160.30	3400	9650	1.7%
01	30700	14-08-16-27 (JS-50)	04-32-16-27 (JS-45)		168.30	4.00	160.30	5650	9650	1.7%
01	30700	04-32-16-27 (JS-45)	15-36-16-28 (JS-40)		168.30	4.00	160.30	4040	9650	1.7%
01	30700	15-36-16-28 (JS-40)	09-02-17-28 W4		168.30	4.00	160.30	1750	9650	1.7%
04	28823	10-16-20-27 W4	06-15-20-27 (JE-15)		114.30	4.00	106.30	1210	8260	14.0%
05	28823	06-15-20-27 (JE-15)	06-21-20-27 (JE-10)		168.30	4.00	160.30	2112	8260	14.0%
03	28823	06-21-20-27 (JE-10)	16-07-20-27 (JE-05)		168.30	4.00	160.30	4190	8260	14.0%
03	28823	16-07-20-27 (JE-05)	01-35-19-28 W4		168.30	4.00	160.30	6000	8260	14.0%
06	28823	10-32-20-27 W4	08-29-20-27 W4	PART	114.30	4.00	106.30	2110	8260	33.1%
?	future	04-33-20-27W4	01-32-20-27W4	PART	114.30	4.00	106.30	700	8260	14.0%
07	28823	08-29-20-27 W4	16-20-20-27 W4	PART	114.30	4.00	106.30	990	8260	33.1%
08	28823	16-20-20-27 W4	11-21-20-27 (JE-20)	PART	114.30	4.00	106.30	1190	8260	33.1%
	28823	11-21-20-27 W4	06-21-20-27 (JE-10)	PART	168.30	4.00	160.30	360	8260	14.0%
	28823	08-29-20-27 W4	11-21-20-27 (JE-20)	COMB						
	Note: lines 07 and 08 above co-mingle with no ESD.									
01	30567	01-28-20-27W4	10-21-02-27W4		114.30	4.00	106.30	960	8260	14.0%
02	30567	10-21-20-27W4	11-21-20-27W4		168.30	4.00	160.30	320	8260	14.0%

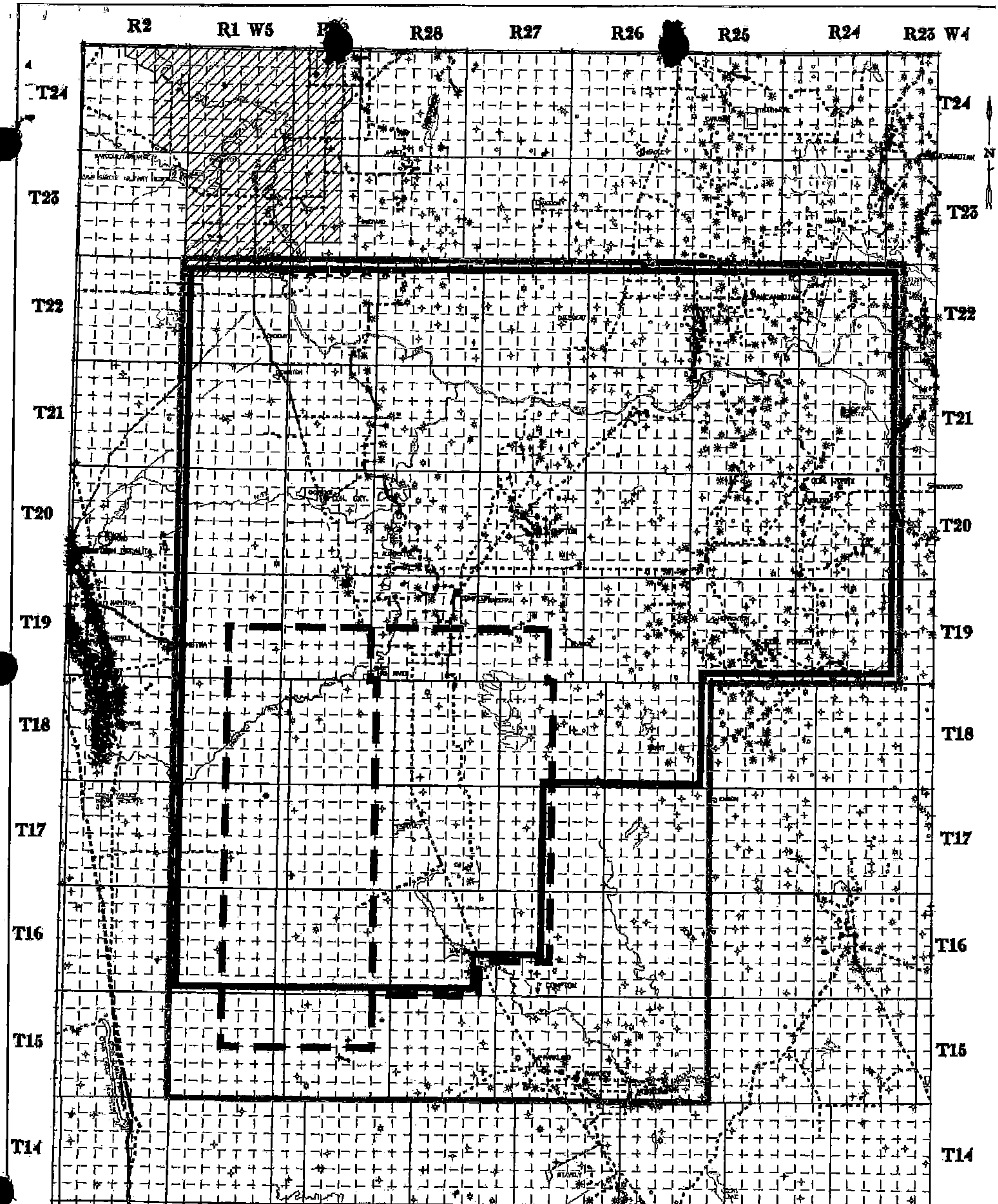


EXHIBIT 2

MAZEPPA AREA OF DEDICATION

SOUR

SWEET

"E" **Schedule "F" "E"**

This is Schedule "E" attached to and made a part of a Farmout and Rolling Option Agreement dated December 31, 1997 between Mobil Oil Canada and Compton Petroleum Corporation.

1990 CAPL OPERATING PROCEDURE

Clause 311 - Insurance: A _X_, B __
Clause 604 - Marketing Fee: A __, B _X_
If Alternate B, then:
a) petroleum $0.50/M³
b) natural gas 5% of plant gate sale price
c) NGLs and others 5% of plant gate sale price
d) sulphurs 5% FOB railcar, minimum $3.00 Cdn. per ton

A minimum charge of $100.00 Cdn. per month will apply to each of Clauses 604 a) through d) when there is a failure to take in kind.

Clause 903 - Casing Point Election: A _X_, B __
Clause 1007(a)(iv) - Independent Well:
Development Wells: _300_ %
Exploratory Wells: _500_ %
Clause 1010(a)(iv) - Title Preserving Well: 90 days
Clause 2202 - Address for Notices: Refer to Agreement
Clause 2401 - Right to Assign, Sell or Dispose: A __, B _X_
Clause 2404 - Recognition Upon Assignment: - Replaced with Assignment Procedure

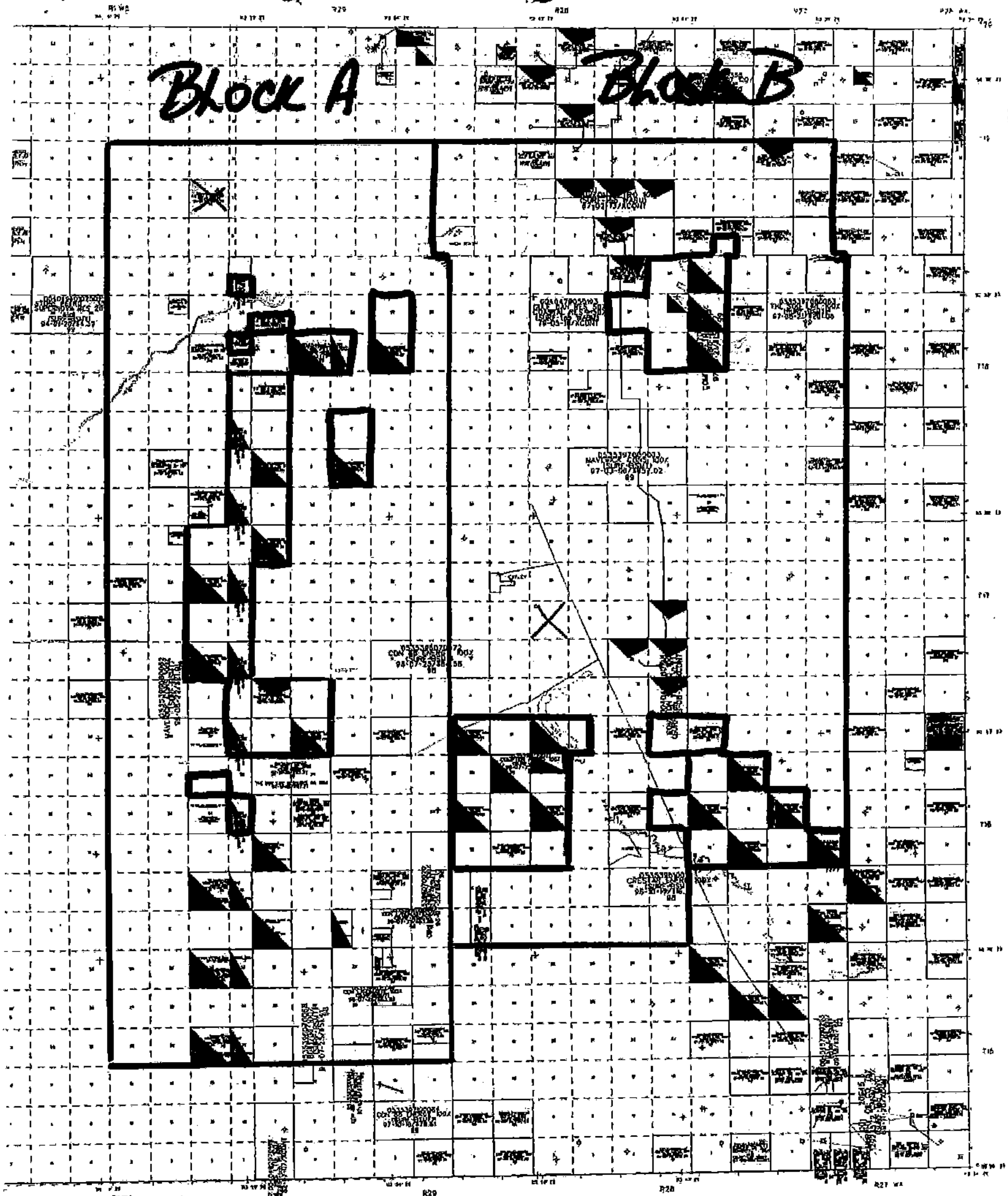
1988 PASC ACCOUNTING PROCEDURE

Clause 105 - Operating Advances: (a) _10_ %
Clause 110 - Approvals: _2_ or more parties, _65_ %
Clause 202 - Labour:(b)(1) Second Level Supervisors: shall ____/shall not _X_ be chargeable.
(b)(2) Technical Employees: shall _X_/shall not ____ be chargeable.
Clause 203 - Employee Benefits: (b) Non-Compulsory - _22_ %
Clause 217 - Warehouse Handling: (1) _2.5_ % _$5,000.00_,
(2) _5.0_ % of cost of all other Material.

Clause 302 - Overhead Rates:
(a) For each Exploration Project:
(1) _5_ % of the first _$ 50,000.00_
(2) _3_ % of the next _$ 100,000.00_
(3) _1_ % of Cost exceeding the sum of (1) and (2) or, to be negotiated.
(b) For each Drilling Well:
(1) _3_ % of the first _$ 50,000.00_
(2) _2_ % of the next _$100,000.00_
(3) _1_ % of Cost exceeding the sum of (1) and (2).
(c) For each Construction Project:
(1) _5_ % of the first _$ 50,000.00_
(2) _3_ % of the next _$100,000.00_
(3) _1_ % of Cost exceeding the sum of (1) and (2).
(d) For Operating and Maintenance:
(1) _10_ % of Cost of Operations and Maintenance of Joint Property, and
(2) _$ 150.00_ per Producing Well per month; or
(3) _-_ flat rate per month for producing, inspection, and water source operations.

Rates in Subclauses d(2) and d(3) will __/will not _X_ be adjusted as of the first day of July each year.

IV Pricing of Joint Material Purchases, Transfers and Dispositions: _$ 25,000.00_
Clause 501 - Periodic Inventory: _5_ year intervals.



FAIRMONT LANDS/AMI
POOLED LANDS

D2828(10)

EMC COPY

INCLUSION AGREEMENT
(High River Area, Alberta)

THIS AGREEMENT made as of the 12th day of December, 2004

BETWEEN:

EXXONMOBIL CANADA ENERGY, a general partnership, having an office in the City of Calgary, in the Province of Alberta ("ExxonMobil")

- and -

COMPTON PETROLEUM CORPORATION, a body corporate, having an office in the City of Calgary, in the Province of Alberta ("Compton")

(hereinafter collectively referred to as "the Parties")

WHEREAS the Parties entered into a Farmout, Participation and Area of Mutual Interest Agreement dated December 31, 1997 ("Agreement") which governs certain lands, all as more particularly described in the Agreement.

NOW THEREFORE the Parties agree as follows:

1. Effective Date means November 31, 1999.

2. The lands/rights ("Lands") set out in Schedule "A" shall be considered joint lands and shall be governed by the terms and conditions of the Agreement in accordance with the Participating Interests as set forth in Schedule "A".

3. Except as otherwise amended herein, the Agreement is in all respects confirmed and all terms thereof shall remain in effect.

4. This Agreement shall be binding upon and shall enure to the benefit of the Parties hereto and their respective successors and assignees.

5. This Agreement may be executed in counterpart and all executed counterparts taken together shall constitute one agreement.

. . . / 2

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

EXXONMOBIL CANADA ENERGY

APP.

Jane V. Fraser

JANE V. FRASER
Its Attorney, By Power of Attorney

COMPTON PETROLEUM CORPORATION

G.F. McCullough

GARRY F. McCULLOUGH
Land Manager
COMPTON PETROLEUM CORPORATION

This is the execution page to that certain Inclusion Agreement dated the 12th day of December, 2004 made between ExxonMobil Canada Energy and Compton Petroleum Corporation.

SCHEDULE "A"

This is Schedule "A" attached to and forming part of an Inclusion Agreement dated the 12th day of December, 2004 between ExxonMobil Canada Energy and Compton Petroleum Corporation.

Lands	Participating Interests	
Twp 18 Rge 30 W4M Fraction 25 PNG in Wabamun	ExxonMobil Compton	50% 50% *

* OPERATOR

D2828(7)

INCLUSION AGREEMENT

(High River/Okotoks, Medallion Areas, Alberta)

MOBIL'S COPY

THIS AGREEMENT made as of the 4th day of May, 2001

BETWEEN:

EXXONMOBIL CANADA ENERGY, a general partnership, having an office in the City of Calgary, in the Province of Alberta ("ExxonMobil")

- and -

COMPTON PETROLEUM CORPORATION, a body corporate, having an office in the City of Calgary, in the Province of Alberta ("Compton")

(hereinafter collectively referred to as "the Parties")

WHEREAS the Parties entered into a Farmout, Participation and Area of Mutual Interest Agreement dated December 31, 1997 ("Agreement") which governs certain lands, all as more particularly described in the Agreement; and

WHEREAS the Parties jointly acquired an interest in the Title Documents ("Title Documents") covering certain lands ("Lands") as more particularly described in Schedule "A" attached hereto and made a part hereof; and

WHEREAS the Parties desire to have the Agreement govern the Title Documents and the Lands.

NOW THEREFORE the Parties agree as follows:

1. Effective Date means April 19, 2001 or May 3, 2001 as set forth in Schedule "A".

2. The Title Documents and the Lands set out in Schedule "A" shall be considered joint lands and shall be governed by the terms and conditions of the Agreement in accordance with the Participating Interests as set forth in Schedule "A".

3. Except as otherwise amended herein, the Agreement is in all respects confirmed and all terms thereof shall remain in effect.

4. This Agreement shall be binding upon and shall enure to the benefit of the Parties hereto and their respective successors and assignees.

5. This Agreement may be executed in counterpart and all executed counterparts taken together shall constitute one agreement.

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

EXXONMOBIL CANADA ENERGY

APP.

JANE V. FRASER
Land Supervisor

COMPTON PETROLEUM CORPORATION

GARRY F. McCULLOUGH
Land Manager

This is the execution page to that certain Inclusion Agreement dated the 4th day of May, 2001 made between ExxonMobil Canada Energy and Compton Petroleum Corporation.

D2828(7)

SCHEDULE "A"

This is Schedule "A" attached to and forming part of an Inclusion Agreement dated the 4th day of May, 2001 between ExxonMobil Canada Energy and Compton Petroleum Corporation.

EFFECTIVE DATE: APRIL 19, 2001

Lands	Title Documents	Participating Interests
Twp 18 Rge 29 W4M Section 31 All P&NG	P&NG Lease No. 0401040293 Primary Term: 5 years Effective Date: April 19, 2001 Expiry Date: April 19, 2006 Hectares: 256 Lessor Royalty: Crown s/s	ExxonMobil 50% Compton50%
Twp 18 Rge 29 W4M S & NW 32 All P&NG	P&NG Lease No. 0401040294 Primary Term: 5 years Effective Date: April 19, 2001 Expiry Date: April 19, 2006 Hectares: 192 Lessor Royalty: Crown s/s	ExxonMobil 50% Compton50%
Twp 18 Rge 29 W4M SW 33 All P&NG	P&NG Lease No. 0401040295 Primary Term: 5 years Effective Date: April 19, 2001 Expiry Date: April 19, 2006 Hectares: 64 Lessor Royalty: Crown s/s	ExxonMobil 50% Compton50%
Twp 19 Rge 29 W4M Section 4 All P&NG	P&NG Lease No. 0401040298 Primary Term: 5 years Effective Date: April 19, 2001 Expiry Date: April 19, 2006 Hectares: 256 Lessor Royalty: Crown s/s	ExxonMobil 50% Compton50%
Twp 19 Rge 29 W4M N & SW 12 All P&NG	P&NG Lease No. 0401040302 Primary Term: 5 years Effective Date: April 19, 2001 Expiry Date: April 19, 2006 Hectares: 192 Lessor Royalty: Crown s/s	ExxonMobil 50% Compton50%

EFFECTIVE DATE: MAY 3, 2001

Lands	Title Documents	Participating Interests
Twp 19 Rge 27 W4M Section 10 All P&NG	P&NG Lease No. 0497060313 Primary Term: 5 years Effective Date: June 26, 1997 Expiry Date: June 26, 2002 Hectares: 256 Lessor Royalty: Crown s/s	ExxonMobil 50% Compton50%

ENDORSEMENT OF
STANDARD LAND DOCUMENT

Document Type: Inclusion Agreement dated December 1, 2000 between Mobil Oil Canada and Compton Petroleum Corporation

Date Sent: December 7, 2000 Date Required: December 15, 2000

By	Name	Signature	Date
Law	Neil Cameron Room 2752		Jan 4 2001
Audit	Ron Woolley Room 906	NOT REQUIRED	
Controllers	Paul Belliveau Room 968	NOT REQUIRED	
Gas Marketing	Randy Selin Room 1242	NOT REQUIRED	
Tax	Marvin Lamb Room 980	NOT REQUIRED	
Treasury	Kerry Dyte Room 942	NOT REQUIRED	
Land	Jane Fraser Room 850	Jane J. Fraser	Jan 18/2001

Notes to Endorser:

This Agreement was drafted using Mobil's precedent Inclusion Agreement. Form remains unchanged. Terms have been inserted (highlighted in blue).

These crown lands were jointly acqcired under Area of Mutual Interest provisions in Farmout, Participation and AMI Agreement dated December 31, 1997 (D2828).

Return to: Kathie Ireland Room: 864 Local: 7971

File: D2828(6)

INCLUSION AGREEMENT

(High River/Hooker Areas, Alberta)

MOBIL'S COPY

THIS AGREEMENT made as of the 1st day of December, 2000

BETWEEN:

MOBIL OIL CANADA, a general partnership, having an office in the City of Calgary, in the Province of Alberta ("Mobil")

- and -

COMPTON PETROLEUM CORPORATION, a body corporate, having an office in the City of Calgary, in the Province of Alberta ("Compton")

(hereinafter collectively referred to as "the Parties")

WHEREAS the Parties entered into a Farmout, Participation and Area of Mutual Interest Agreement dated December 31, 1997 ("Agreement") which governs certain lands, all as more particularly described in the Agreement; and

WHEREAS the Parties jointly acquired an interest in the Title Documents ("Title Documents") covering certain lands ("Lands") as more particularly described in Schedule "A" attached hereto and made a part hereof; and

WHEREAS the Parties desire to have the Agreement govern the Title Documents and the Lands.

NOW THEREFORE the Parties agree as follows:

1. Effective Date means June 1, 2000, September 21, 2000 or October 5, 2000 as set forth in Schedule "A".

2. The Title Documents and the Lands set out in Schedule "A" shall be considered joint lands and shall be governed by the terms and conditions of the Agreement in accordance with the Participating Interests as set forth in Schedule "A".

3. Except as otherwise amended herein, the Agreement is in all respects confirmed and all terms thereof shall remain in effect.

4. This Agreement shall be binding upon and shall enure to the benefit of the Parties hereto and their respective successors and assignees.

5. This Agreement may be executed in counterpart and all executed counterparts taken together shall constitute one agreement.

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

MOBIL OIL CANADA

JANE V. FRASER
Land Supervisor

APP.

COMPTON PETROLEUM CORPORATION

PER: ______________________

GARRY F. McCULLOUGH
Land Manager

This is the execution page to that certain Inclusion Agreement dated the 1st day of December, 2000 made between Mobil Oil Canada and Compton Petroleum Corporation.

SCHEDULE "A"

This is Schedule "A" attached to and forming part of an Inclusion Agreement dated the 1st day of December, 2000 between Mobil Oil Canada and Compton Petroleum Corporation.

Lands	Title Documents	Participating Interests
Twp 15 Rge 29 W4M Lsds 12, 13 of 34 P&NG to base Mannville	P&NG Lease No. 0400060008 Primary Term: 5 years Effective Date: June 1, 2000 Expiry Date: June 1, 2005 32 hectares Lessor Royalty: Crown s/s	Mobil 50% Compton 50%
Twp 18 Rge 29 W4M Section 4 All P&NG	P&NG Lease No. 0400090223 Primary Term: 5 years Effective Date: September 21, 2000 Expiry Date: September 21, 2005 256 hectares Lessor Royalty: Crown s/s	Mobil 50% Compton 50%
Twp 18 Rge 29 W4M W/2 21 All P&NG	P&NG Lease No. 0400090226 Primary Term: 5 years Effective Date: September 21, 2000 Expiry Date: September 21, 2005 128 hectares Lessor Royalty: Crown s/s	Mobil 50% Compton 50%
Twp 18 Rge 29 W4M Section 22 All P&NG	P&NG Lease No. 0400090227 Primary Term: 5 years Effective Date: September 21, 2000 Expiry Date: September 21, 2005 256 hectares Lessor Royalty: Crown s/s	Mobil 50% Compton 50%
Twp 18 Rge 29 W4M S/2 29 All P&NG	P&NG Lease No. 0400090228 Primary Term: 5 years Effective Date: September 21, 2000 Expiry Date: September 21, 2005 128 hectares Lessor Royalty: Crown s/s	Mobil 50% Compton 50%
Twp 15 Rge 29 W4M NW 17 All P&NG	P&NG Lease No. 0400100018 Primary Term: 5 years Effective Date: October 5, 2000 Expiry Date: October 5, 2005 64 hectares Lessor Royalty: Crown s/s	Mobil 50% Compton 50%
Twp 15 Rge 29 W4M Section 18 All P&NG	P&NG Lease No. 0400100019 Primary Term: 5 years Effective Date: October 5, 2000 Expiry Date: October 5, 2005 256 hectares Lessor Royalty: Crown s/s	Mobil 50% Compton 50%

Twp 15 Rge 30 W4M E/2 12, Frac W/2 12 All P&NG	P&NG Lease No. 0400100022 Primary Term: 5 years Effective Date: October 5, 2000 Expiry Date: October 5, 2005 150.4 hectares Lessor Royalty: Crown s/s	Mobil 50% Compton 50%
Twp 15 Rge 1 W5M Section 9 All P&NG	P&NG Lease No. 0400100024 Primary Term: 5 years Effective Date: October 5, 2000 Expiry Date: October 5, 2005 256 hectares Lessor Royalty: Crown s/s	Mobil 50% Compton 50%
Twp 15 Rge 1 W5M Section 10 All P&NG	P&NG Lease No. 0400100025 Primary Term: 5 years Effective Date: October 5, 2000 Expiry Date: October 5, 2005 256 hectares Lessor Royalty: Crown s/s	Mobil 50% Compton 50%
Twp 15 Rge 1 W5M Section 11 All P&NG	P&NG Lease No. 0400100026 Primary Term: 5 years Effective Date: October 5, 2000 Expiry Date: October 5, 2005 256 hectares Lessor Royalty: Crown s/s	Mobil 50% Compton 50%
Twp 15 Rge 1 W5M Section 22 All P&NG	P&NG Lease No. 0400100030 Primary Term: 5 years Effective Date: October 5, 2000 Expiry Date: October 5, 2005 256 hectares Lessor Royalty: Crown s/s	Mobil 50% Compton 50%
Twp 15 Rge 1 W5M Section 34 All P&NG	P&NG Lease No. 0400100032 Primary Term: 5 years Effective Date: October 5, 2000 Expiry Date: October 5, 2005 256 hectares Lessor Royalty: Crown s/s	Mobil 50% Compton 50%
Twp 16 Rge 1 W5M Section 2 All P&NG	P&NG Lease No. 0400100033 Primary Term: 5 years Effective Date: October 5, 2000 Expiry Date: October 5, 2005 256 hectares Lessor Royalty: Crown s/s	Mobil 50% Compton 50%
Twp 16 Rge 1 W5M Section 11 All P&NG	P&NG Lease No. 0400100035 Primary Term: 5 years Effective Date: October 5, 2000 Expiry Date: October 5, 2005 256 hectares Lessor Royalty: Crown s/s	Mobil 50% Compton 50%

Twp 15 Rge 1 W5M Section 12 All P&NG	P&NG Lease No. 0400100027 Primary Term: 5 years Effective Date: October 5, 2000 Expiry Date: October 5, 2005 256 hectares Lessor Royalty: Crown s/s	Mobil Compton	50% 50%
Twp 15 Rge 1 W5M Section 14 All P&NG	P&NG Lease No. 0400100028 Primary Term: 5 years Effective Date: October 5, 2000 Expiry Date: October 5, 2005 256 hectares Lessor Royalty: Crown s/s	Mobil Compton	50% 50%
Twp 15 Rge 1 W5M Section 16 All P&NG	P&NG Lease No. 0400100029 Primary Term: 5 years Effective Date: October 5, 2000 Expiry Date: October 5, 2005 256 hectares Lessor Royalty: Crown s/s	Mobil Compton	50% 50%
Twp 15 Rge 1 W5M Section 28 All P&NG	P&NG Lease No. 0400100031 Primary Term: 5 years Effective Date: October 5, 2000 Expiry Date: October 5, 2005 256 hectares Lessor Royalty: Crown s/s	Mobil Compton	50% 50%
Twp 16 Rge 1 W5M Section 4 All P&NG	P&NG Lease No. 0400100034 Primary Term: 5 years Effective Date: October 5, 2000 Expiry Date: October 5, 2005 256 hectares Lessor Royalty: Crown s/s	Mobil Compton	50% 50%
Twp 15 Rge 29 W4M Section 16, S/2 21 All P&NG	P&NG Lease No. 0400100017 Primary Term: 5 years Effective Date: October 5, 2000 Expiry Date: October 5, 2005 384 hectares Lessor Royalty: Crown s/s	Mobil Compton	50% 50%
Twp 15 Rge 29 W4M Section 20 All P&NG	P&NG Lease No. 0400100020 Primary Term: 5 years Effective Date: October 5, 2000 Expiry Date: October 5, 2005 256 hectares Lessor Royalty: Crown s/s	Mobil Compton	50% 50%
Twp 15 Rge 29 W4M Section 30 All P&NG	P&NG Lease No. 0400100021 Primary Term: 5 years Effective Date: October 5, 2000 Expiry Date: October 5, 2005 256 hectares Lessor Royalty: Crown s/s	Mobil Compton	50% 50%

Schedule "A" – Page 4

5396070626

Twp 16 Rge 29 W4M Section 28 All P&NG	P&NG Licence No. ~~5396070072~~ Primary Term: 2 years Effective Date: July 25, 1996 Expiry Date: July 25, 1998 256 hectares Lessor Royalty: Crown s/s	Mobil Compton	50% 50%
Twp 16 Rge 29 W4M SW21 All Petroleum	Petroleum Lease Lessor: Crestar Energy Lease Dated: January 29, 1999 Expiry Date: January 29, 2002 Primary Term: 3 years 64.7 hectares Lessor Royalty: 20%	Mobil Compton	50% 50%
Twp 16 Rge 29 W4M SE21 All Petroleum	Petroleum Lease Lessor: Crestar Energy Lease Dated: January 29, 1999 Expiry Date: January 29, 2002 Primary Term: 3 years 64.7 hectares Lessor Royalty: 20%	Mobil Compton	50% 50%
Twp 16 Rge 29 W4M NW21 All Petroleum	Petroleum Lease Lessor: Crestar Energy Lease Dated: January 29, 1999 Expiry Date: January 29, 2002 Primary Term: 3 years 64.7 hectares Lessor Royalty: 20%	Mobil Compton	50% 50%
Twp 16 Rge 29 W4M NE21 All Petroleum	Petroleum Lease Lessor: Crestar Energy Lease Dated: January 29, 1999 Expiry Date: January 29, 2002 Primary Term: 3 years 64.7 hectares Lessor Royalty: 20%	Mobil Compton	50% 50%
Twp 16 Rge 29 W4M Section 21 All Natural Gas	Natural Gas Lease Lessor: Crestar Energy Lease Dated: January 29, 1999 Expiry Date: January 29, 2002 Primary Term: 3 years 258.8 hectares Lessor Royalty: 20%	Mobil Compton	50% 50%

Twp 17 Rge 29 W4M SW21 All Petroleum	Petroleum Lease Lessor: Crestar Energy Lease Dated: January 29, 1999 Expiry Date: January 29, 2002 Primary Term: 3 years 64.7 hectares Lessor Royalty: 20%	Mobil Compton	50% 50%
Twp 17 Rge 29 W4M SE21 All Petroleum	Petroleum Lease Lessor: Crestar Energy Lease Dated: January 29, 1999 Expiry Date: January 29, 2002 Primary Term: 3 years 64.7 hectares Lessor Royalty: 20%	Mobil Compton	50% 50%
Twp 17 Rge 29 W4M NW21 All Petroleum	Petroleum Lease Lessor: Crestar Energy Lease Dated: January 29, 1999 Expiry Date: January 29, 2002 Primary Term: 3 years 64.7 hectares Lessor Royalty: 20%	Mobil Compton	50% 50%
Twp 17 Rge 29 W4M NE21 All Petroleum	Petroleum Lease Lessor: Crestar Energy Lease Dated: January 29, 1999 Expiry Date: January 29, 2002 Primary Term: 3 years 64.7 hectares Lessor Royalty: 20%	Mobil Compton	50% 50%
Twp 17 Rge 29 W4M Section 21 All Natural Gas	Natural Gas Lease Lessor: Crestar Energy Lease Dated: January 29, 1999 Expiry Date: January 29, 2002 Primary Term: 3 years 258.8 hectares Lessor Royalty: 20%	Mobil Compton	50% 50%

THIS IS EXHIBIT "D" REFERRED
TO IN THE AFFIDAVIT OF
NEEKY NOOR-ALI
SWORN THE 30 DAY OF
APRIL, 2018

A Commissioner for Oaths/Notary Public
in and for the Province of Alberta

JAMES G. HANLEY
Barrister & Solicitor
A Commissioner for Oaths
in and for Alberta

PETROLEUM LANDMEN

INDEX

OPERATING PROCEDURE

Attached to and forming part of the Agreement dated the day of A.D.

BETWEEN/AMONG:

ARTICLE I

INTERPRETATION

101 DEFINITIONS – In this Operating Procedure, the following words and phrases shall have the following respective meanings, namely:

(a) "abandonment" means the proper plugging and abandoning of a well in compliance with the Regulations and the restoration of the well site to the satisfaction of any governmental body having jurisdiction with respect thereto and to the reasonable satisfaction of the owner or occupier of the surface.

(b) "Accounting Procedure" means the schedule entitled Accounting Procedure attached hereto and made a part of this Operating Procedure.

(c) "Affiliate" means, with respect to the relationship between corporations, that one of them is controlled by the other or that both of them are controlled by the same person, corporation or body politic; and for this purpose a corporation shall be deemed to be controlled by those persons, corporations or bodies politic who own or effectively control, other than by way of security only, sufficient voting shares of the corporation (whether directly through the ownership of shares of the corporation or indirectly through the ownership of shares of another corporation which owns shares of the corporation) to elect the majority of its board of directors, provided that a partnership which is a party and which is comprised solely of corporations which are Affiliates, as described above, shall be deemed to be an Affiliate of each such corporation and its other Affiliates.

(d) "Agreement" means the agreement to which this Operating Procedure is attached and made a part.

(e) "Authority for Expenditure" or "AFE" means a written statement of an operation proposed to be conducted pursuant to this Operating Procedure, which statement shall include:

(i) the type, purpose and location of such operation, in sufficient detail to enable a party to understand the nature, scope and sequence of such operation, the proposed time frame over which such operation will be conducted and, if such operation is the drilling or deepening of a well, the projected total depth thereof, the proposed surface coordinates of the well and, if they will differ materially from the surface coordinates of the well, the proposed bottomhole coordinates therefor; and

(ii) the proposing party's estimate of the anticipated costs of such operation, which estimate shall be in sufficient detail to enable a party to identify, in summary form, the anticipated costs of the various identifiable segments of such operation, including, if applicable, those costs which relate to drilling, completing and equipping a well.

(f) "casing point" means that point in time when a well has been drilled to total depth, the authorized logs and tests have been run and a decision must be made by the Joint-Operators whether to set production casing and attempt to complete the well.

(g) 'commercial quantities' means, with respect to a well, the anticipated output of petroleum substances from that well which would reasonably warrant drilling another well in the same area to the formation indicated to be productive by that well, having regard to anticipated drilling costs, completion costs, equipping costs and operating costs, the kind and quality of petroleum substances indicated, the anticipated availability of facilities for treating and processing such petroleum substances and the anticipated cost of such services, the anticipated availability of markets for such petroleum substances, the anticipated availability of transportation service for the delivery of such production to market and the anticipated cost of such service, the royalties and other burdens payable for the joint account with respect thereto, the probable life of the well and the anticipated price to be received for the petroleum substances as and when sold.

(h) 'completion' means the installation in, on, or with respect to a well of all such production casing, tubing and wellhead equipment and all such other equipment and material necessary for the permanent preparation of the well for the taking of petroleum substances therefrom up to and including the outlet valve on the wellhead and includes, as necessary, the perforating, stimulating, treating, fracing and swabbing of the well and the conduct of such production tests with respect to such well as are reasonably required to establish the initial producibility of the well.

(i) 'completion costs' means the costs of completing a well.

(j) 'development well' means a well, insofar as the geological zones penetrated in the drilling thereof (or proposed to be penetrated, as provided in the AFE therefor or the operation notice relating thereto) are stratigraphically above the base of the deepest geological zone in which an existing well within 3.2 kilometres thereof (as measured from the coordinates where the other well penetrated, and the proposed well is anticipated to penetrate, the top of such geological zone) is or has been capable of production of petroleum substances in commercial quantities, provided that only geological zones and individual petroleum substances included in the joint lands in the spacing unit for such proposed well shall be considered when making such determination.

(k) 'drilling costs' means all moneys expended (exclusive of completion costs and equipping costs) with respect to the drilling of a well, including, without restricting the generality of the foregoing, the cost of obtaining surface access to and for the site of the well, the preparation of the site of such well, the construction of such roadways as are reasonably necessary to gain access to the site of the well, the installation of all surface and intermediate casing respecting the well, the logging, coring and testing of the well and, in the event the well is not completed, but is abandoned, the cost of such abandonment.

(l) 'equipping' means the installation of such equipment as is required to produce petroleum substances from a completed well, including, without restricting the generality of the foregoing, a pump (or other artificial lift equipment), the installation of the flow lines and production tankage serving the well and, if necessary, a heater, dehydrator or other wellsite facility for the initial treatment of petroleum substances produced from the well to prepare such production for transportation to market, but specifically excludes any such equipment, installation or facility that is (or is intended to be) a production facility.

(m) 'equipping costs' means the costs of equipping a well.

(n) 'exploratory well' means a well, insofar as it is not a development well.

(o) 'for the joint account' means for the benefit, interest, ownership, risk, cost, expense and obligation of the parties in proportion to their respective working interests.

(p) 'joint lands' means those lands and interests therein which have been made subject hereto by the Agreement, or so much thereof which remains subject hereto and, except where the context otherwise requires, shall include the petroleum substances within, upon or under those lands and interests, insofar as those lands and interests are subject to the title documents.

(q) 'joint operation' means an operation conducted hereunder for the joint account.

(r) 'Joint-Operator' means a party having a working interest in the joint lands, including the Operator if it has a working interest in the joint lands.

(s) 'market price' means the price at which petroleum substances are to be sold pursuant to Article VI where a party does not take its share of petroleum substances in kind and separately dispose of the same, which price is not unreasonable, having regard to market conditions applicable to similar production in arm's length transactions at the time of such disposition, including, without restricting the generality of the foregoing, such factors as the volumes available, the kind and quality of petroleum substances to be sold, the effective date of the sale, the term of the sale agreement, the point of sale of the petroleum substances and the type of transportation service available for the delivery of the petroleum substances to be sold.

(t) 'operating costs' means all moneys expended (exclusive of drilling costs, completion costs and equipping costs) to operate a well for the recovery of petroleum substances, as more particularly set forth in the Accounting Procedure and, where applicable, all moneys expended to operate a production facility hereunder.

(u) 'Operator' means the party appointed by the Joint-Operators to conduct operations hereunder for the joint account, except as provided in Clause 1004.

(v) 'party' means a person, corporation, partnership or body politic bound by this Operating Procedure.

(w) 'participating interest' means the percentage share of the costs of an operation conducted hereunder (or any respective segment thereof) which a party has agreed to pay or is required to pay pursuant to this Operating Procedure.

(x) 'paying quantities' means:

(i) In the case of a well which has been drilled, but not completed and equipped: the anticipated output from the well of that quantity of petroleum substances which would reasonably warrant incurring the completion costs and equipping costs of the well, considering the anticipated completion costs, equipping costs and operating costs associated therewith, the kind and quality of petroleum substances indicated, the anticipated availability of facilities for treating and processing such petroleum substances and the anticipated cost of such services, the anticipated availability of markets for such petroleum substances, the anticipated availability of transportation service for the delivery of such production to market and the anticipated cost of such service, the royalties and other burdens payable for the joint account with respect to such production, the probable life of the well and the anticipated price to be received for the petroleum substances produced therefrom as and when sold; or

(ii) In the case of a well completed for the taking of production: the output from the well of that quantity of petroleum substances which would reasonably warrant the taking of production from the well, considering the same factors as in paragraph (i) of this Subclause, except completion costs.

(y) 'petroleum substances' means petroleum, natural gas and every other mineral or substance, or any of them, in which an interest in or the right to explore for is granted or acquired under the title documents.

(z) 'production facility' means, subject to Article XIII and Clauses 1021, 1022 and 1408, any facility serving (or intended to serve) more than one (1) well (including, without restricting the generality of the foregoing, any battery, separator, compressor station, gas processing plant, gathering system, pipeline, production storage facility or warehouse), which is:

(i) constructed or installed for the joint account;

(ii) owned exclusively by the parties in accordance with their respective working interests;

(iii) initially intended to be utilized exclusively with respect to the production, treatment, storage or transmission of petroleum substances;

(iv) not used for fractionation of petroleum substances, sulphur extraction or separation of liquids by refrigeration; and

(v) not subject to a separate agreement governing the construction, ownership and operation of such facility;

and includes all real and personal property of every kind, nature and description directly associated therewith, excluding petroleum substances, the joint lands and the Operator's owned or leased equipment.

(aa) 'proportionate share' means, with respect to a party, a percentage share equal to that party's working interest.

(bb) 'Regulations' means all statutes, laws, rules, orders and regulations in effect from time to time and made by governments or governmental boards or agencies having jurisdiction over the joint lands and over the operations to be conducted thereon.

(cc) "spacing unit" means:

(i) with respect to a well which has not been completed for the production of petroleum substances: the area allocated by the Regulations for the drilling of that well, provided that in the absence of such allocation or a specific designation in the Agreement, the spacing unit for the well shall be deemed to be the quarter-section, unit or similar geographical area which includes the bottomhole co-ordinates of the well; and

(ii) in every other case: the area allocated to the well pursuant to the Regulations for the purpose of producing petroleum substances in each zone from which such petroleum substances are to be produced.

(dd) "spud" means, with respect to a well, that a drilling rig of adequate capacity to drill that well to the total depth projected in the AFE therefor is rigged-up on location and that a drilling bit has penetrated the surface therefrom.

(ee) "title documents" means the documents of title by virtue of which the parties are entitled to drill for, win, take or remove petroleum substances underlying the joint lands, and all renewals, extensions or continuations thereof or further documents of title issued pursuant thereto.

(ff) "working interest" means the percentage of undivided interest held by a party in a production facility or the joint lands, or the respective zones, portions, parcels or parts thereof, which percentage is as provided in the Agreement or is as modified subsequently pursuant to the provisions hereof.

102 HEADINGS -- Article headings and any other headings or captions or indices hereto shall not be used in any way in construing or interpreting any provision hereof.

103 REFERENCES -- Unless otherwise expressly stated:

(a) the references "hereunder", "herein" and "hereof" refer to the provisions of this Operating Procedure, and references to Articles, Clauses, Subclauses or paragraphs herein refer to Articles, Clauses, Subclauses or paragraphs of this Operating Procedure;

(b) whenever the singular or masculine or neuter is used in this Operating Procedure, the same shall be construed as meaning plural or feminine or body politic or corporate or vice versa, as the context so requires; and

(c) any reference to days herein is a reference to calendar days, and where the phrase "within" or "at least" is used with reference to a specific number of days herein, the day of receipt of the relevant notice or the day of the relevant event, as the case may be, shall be excluded in determining the relevant time period. However, in the event the time for doing any act expires on a Saturday, Sunday or statutory holiday in either the Province of Alberta or Canada, the time for doing such act shall be extended to the next normal business day, except as prescribed in the Accounting Procedure with respect to the payment of billings.

104 OPTIONAL AND ALTERNATE PROVISIONS -- Where alternate or optional provisions are provided for herein and the parties have failed to designate which alternate shall apply or whether a respective optional provision shall be included, the first alternate provision in each such case shall apply as if the parties had designated the same, and the remaining optional provision shall be deemed not to form a part hereof.

105 DERIVATIVES -- Where a term is defined herein, a derivative of that term shall have a corresponding meaning unless the context otherwise requires.

106 USE OF CANADIAN FUNDS -- All references to "dollars" or "$" herein shall mean lawful currency of Canada, and all payments and receipts shall be made and recorded in lawful currency of Canada.

107 CONFLICTS -- If any provision contained in the Agreement conflicts with a provision herein, the provision in the Agreement shall prevail, and if a provision herein conflicts with a provision in an exhibit or schedule attached hereto, the provision herein shall prevail. In the event of a conflict between any provision in the Agreement or this Operating Procedure and the Regulations or the title documents, the Regulations or the title documents, as the case may be, shall govern, except that: (i) the working interests shall prevail if there is a difference between the working interests and the registered interests in the title documents; and (ii) the allocation of responsibility for losses as provided herein (including, without restricting the generality of the foregoing, Article IV hereof) shall govern the relationship of the parties. If there is a conflict as provided above, the Agreement or this Operating Procedure, as the case may be, shall be modified accordingly to the extent necessary to resolve such conflict, and, as so modified, shall continue in full force and effect.

ARTICLE II

APPOINTMENT AND REPLACEMENT OF OPERATOR

201 ASSUMPTION OF DUTIES OF OPERATOR – The Operator named in the Agreement, or any succeeding Operator appointed hereunder, shall assume the duties and obligations of the Operator hereunder and shall have all the rights of the Operator hereunder.

202 REPLACEMENT OF OPERATOR –

(a) The Operator shall be replaced immediately and another Operator appointed forthwith pursuant to Clause 206 upon notice to such effect being served by any party to the other parties if:

(i) the Operator becomes bankrupt or insolvent, commits or suffers any act of bankruptcy or insolvency, is placed in receivership, seeks debtor relief protection under applicable legislation (including, without restricting the generality of the foregoing, the Bankruptcy Act of Canada and the Companies' Creditors Arrangement Act of Canada) or permits any judgement to be registered against its working interest, and without restricting the generality of the foregoing, an Operator shall be deemed insolvent for the purposes of this Clause if it is unable to pay its debts as they fall due in the usual course of business or if it does not have sufficient assets to satisfy its cumulative liabilities in full; or

(ii) the Operator assigns or purports or attempts to assign its general powers and responsibilities of supervision and management as Operator hereunder.

(b) The Operator shall be replaced and another Operator appointed pursuant to Clause 206 if:

(i) the Joint-Operators agree, by the affirmative vote, by notice to the other parties, of two (2) or more Joint-Operators representing a majority of the working interests, to replace the Operator, provided that a single Joint-Operator holding more than a sixty-six percent (66%) working interest in the joint lands shall have the right, by notice to the other parties, to replace the Operator and to become Operator at the time prescribed by Subclause 206(d), unless it would then be subject to replacement pursuant to paragraph 202(a)(i); or

(ii) the Operator defaults in its duties or obligations or any of them hereunder and, within thirty (30) days after written notice from a majority in working interest of the Joint-Operators, excluding the Operator, specifying the default and requiring the Operator to remedy the same, it does not commence to rectify the default and thereafter diligently continue to remedy the default.

203 CHALLENGE OF OPERATOR – At any time after an Operator has been Operator for at least two (2) years, any Joint-Operator, other than the Operator, may give notice ("the challenge notice") to the other parties that it is ready, able and willing to conduct operations for the joint account on more favourable terms and conditions. The challenge notice shall contain sufficient detail to enable the receiving parties to evaluate the nature of the challenge notice and to measure the effect the revised terms and conditions would have on joint operations. The Operator shall, within sixty (60) days after receipt of the challenge notice, advise the Joint-Operators either that:

(a) it is prepared to operate on the terms and conditions set out in the challenge notice, whereupon it shall forthwith proceed to do so; or

(b) it is not prepared to operate on the terms and conditions set out in the challenge notice and that it will resign as Operator effective not later than ninety (90) days following the sixty (60) day period provided above.

Failure by the Operator to advise the Joint-Operators of its election within such sixty (60) day period shall be deemed to be an election by the Operator to resign. If the Operator resigns, a new Operator shall be appointed pursuant to Clause 206, whereupon such new Operator shall operate on the terms and conditions set out in the challenge notice. If no other Joint-Operator is prepared to act as Operator on the terms and conditions set out in the challenge notice, the Joint-Operator giving the challenge notice shall become the new Operator and shall thereafter conduct operations pursuant to the undertakings made by it in the challenge notice. Any costs in excess of those set out in the challenge notice shall be for the new Operator's sole account. Notwithstanding Clause 204, the new Operator shall not resign from the position of Operator until it has acted as Operator for a period of at least two (2) years. A Joint-Operator may not issue a challenge notice or become Operator pursuant thereto if, at the time of issuing the challenge notice or the time it would become Operator pursuant thereto, it would be subject to replacement as Operator pursuant to Subclause 202(a) if it were Operator at that time.

204 RESIGNATION OF OPERATOR -- Subject to Subclause 202(a) and Clauses 203 and 205, the Operator may resign as Operator on giving each of the Joint-Operators ninety (90) days' notice of its intention to do so.

205 MODIFICATION OF TERMS AND CONDITIONS BY OPERATOR -- At any time after an Operator has been the Operator for a continuous period of two (2) years, it may give notice ("the Operator's notice") to the other parties of the revised terms and conditions on which it is prepared to continue to conduct joint operations. Within sixty (60) days of receipt of the Operator's notice, each Joint-Operator shall advise the Operator whether it agrees to the Operator continuing as Operator and conducting joint operations on the terms and conditions contained in the Operator's notice, provided that failure by a Joint-Operator to respond within such period shall be deemed to be agreement by that party to the terms and conditions in the Operator's notice. If any Joint-Operator does not so agree, it shall give notice ("counter proposal") to the other parties of the terms and conditions upon which it would conduct joint operations. Any such counter proposal shall be deemed to be a challenge of Operator and shall be subject to all of the terms and conditions of Clause 203, as though such counter proposal was "the challenge notice" provided therein, except that in determining the merits of the counter proposal, it shall be compared to the terms and conditions contained in the Operator's notice, rather than to the existing operating terms and conditions.

206 APPOINTMENT OF NEW OPERATOR --

(a) If an Operator resigns or is to be replaced, a successor Operator shall be appointed by the affirmative vote (by notice to the other parties) of two (2) or more parties representing a majority of the working interests in the joint lands, provided that a single Joint-Operator holding more than a sixty-six percent (66%) working interest in the joint lands shall have the right, by notice to the other parties, to become the Operator hereunder, unless it would then be subject to replacement pursuant to paragraph 202(a)(i). If there are only two (2) Joint-Operators and the Operator that resigned or is to be replaced is one of the Joint-Operators, the other Joint-Operator shall have the right to become the Operator.

(b) No party shall be appointed as Operator hereunder unless it has given its written consent to the appointment. However, if the parties fail to appoint a successor Operator or if any appointed Operator fails to carry out its duties hereunder, the party having the greatest working interest shall act as Operator pro tem, with the right, should a similar situation re-occur after a new Operator has been appointed, to require the party having the next greatest working interest to act as Operator pro tem and so on as the occasion demands.

(c) No provision of this Article shall be construed to re-appoint as next-succeeding Operator an Operator who had been replaced under Clause 202, except with the unanimous consent of the parties.

(d) Except as provided in Subclause 202(a), every replacement of Operator shall take effect at eight o'clock in the morning (0800 hours) on the first (lst) day of the calendar month following the determination to replace the Operator pursuant to Subclause 202(b) or such other date as may be prescribed pursuant to Clause 203 or 204, as the case may be, notwithstanding anything contained herein.

207 TRANSFER OF PROPERTY ON CHANGE OF OPERATOR -- At the effective date of the resignation or replacement of an Operator as provided in this Article II, the Operator being replaced shall deliver to the successor Operator possession of:

(a) the wells being drilled or operated by the Operator hereunder, except any wells in respect of which the succeeding Operator is not entitled to information, which shall be operated by a party determined pursuant to Clause 1004 until the successor Operator becomes entitled to such information;

(b) all production facilities, other facilities and funds held for the joint account, together with all production, if any, which has not been delivered in kind;

(c) copies of books of account and records kept for the joint account or pertaining to wells delivered hereunder; and

(d) all documents, agreements and other papers relating to property transferred hereunder.

Upon compliance with such obligation, the outgoing Operator shall be released and discharged from, and the successor Operator shall assume, all duties and obligations of the Operator, except those unsatisfied duties and obligations of the outgoing Operator which had accrued prior to the effective date of the change of Operator, for which the outgoing Operator shall continue to remain liable.

208 AUDIT OF ACCOUNTS ON CHANGE OF OPERATOR -- Within ninety (90) days after the successor Operator commences to act as Operator, the parties shall cause an audit to be made of the books of account and records kept for the joint account and may cause an inventory of controllable material to be taken. The cost of the audit and inventory shall be a charge for the joint account.

209 ASSIGNMENT OF OPERATORSHIP -- In the event the Operator wishes its assignee to replace it as Operator after having disposed of all or a portion of its working interest in the joint lands and any production facilities to such assignee pursuant to Article XXIV, such assignee shall have the right to become Operator if it is an Affiliate of the Operator or, if it is not an Affiliate of the Operator, if the parties agree that it shall become Operator pursuant to Clause 206. Should an assignee which is an Affiliate of the Operator become the Operator pursuant to this Clause, the two (2) year time periods described in Clauses 203 and 205 shall be calculated as if the assignment had not occurred and the audit prescribed pursuant to Clause 208 shall not be required.

ARTICLE III

FUNCTION AND DUTIES OF OPERATOR

301 CONTROL AND MANAGEMENT OF OPERATIONS –

(a) The Operator shall consult with the Joint-Operators from time to time with respect to decisions to be made for the exploration, development and operation of the joint lands and the construction, installation and operation of any production facilities, and the Operator shall keep the Joint-Operators informed with respect to operations planned or conducted for the joint account. Subject to the provisions hereof, the Operator is hereby delegated the management of the exploration, development and operation of the joint lands and the construction, installation and operation of any production facilities for the joint account on behalf of the Joint-Operators.

(b) The Operator shall be entitled to make or commit to such expenditures for the joint account as it considers necessary and prudent in order to conduct a good and workmanlike operation on the joint lands for the joint account. However, the Operator shall not make or commit to an expenditure for the joint account for any single operation, the total estimated cost of which is in excess of twenty-five thousand ($25 000) dollars, without an approved Authority for Expenditure from the Joint-Operators, unless the expenditure is reasonably considered by the Operator to be necessary by reason of an event endangering life or property or is required by the Regulations and failure to make such expenditure could result in the prosecution of the Operator thereunder. If the Operator is required to make such an expenditure, it shall promptly advise the Joint-Operators of the nature of such event or requirement and the expenditure anticipated to be associated therewith.

(c) Approval of an Authority for Expenditure by a party shall constitute that party's approval of all expenditures necessary to conduct the operation described therein, subject to the provisions of Article IX. However, if the Operator incurs or expects to incur expenditures with respect to a joint operation which would exceed by more than ten percent (10%) the total amount estimated in the AFE therefor, the Operator thereupon shall, for informational purposes only, forthwith advise the Joint-Operators of such overexpenditure, the Operator's explanation therefor and the Operator's revised estimate of the cost of such operation. The Operator thereafter shall provide estimates of current and cumulative costs incurred for the joint account with respect to such operation. Such estimates shall be provided on a daily basis where practical, but in any event at intervals of not greater than ten (10) days until the operation is completed.

302 OPERATOR AS JOINT-OPERATOR – The Operator shall have all of the rights and obligations of a Joint-Operator with respect to its working interest.

303 INDEPENDENT STATUS OF OPERATOR – The Operator is an independent contractor in its operations hereunder. The Operator shall supply or cause to be supplied all material, labor and services necessary for the exploration, development and operation of the joint lands and the operation of any production facilities for the joint account. The Operator shall determine the number of employees respecting its operations, their selection, their hours of labour and their compensation. All employees and contractors used in its operations hereunder shall be the employees and contractors of the Operator.

304 PROPER PRACTICES IN OPERATIONS -- The Operator shall conduct all joint operations diligently, in a good and workmanlike manner, in accordance with good oilfield practice and the Regulations.

305 BOOKS, RECORDS AND ACCOUNTS – The Operator shall, with respect to all joint operations, keep and maintain true and correct books, records and accounts with respect to the development and progress made, drilling done, the conduct of other operations, the production of petroleum substances and the disposition thereof in the manner prescribed herein and in the Accounting Procedure. The Operator shall, upon request of a Joint-Operator, make available in Alberta and there permit each Joint-Operator during normal business hours to inspect such books, records and accounts and to make extracts or copies therefrom and thereof, and to audit the Operator's books, records and accounts as provided in the Accounting Procedure. However, a Joint-Operator shall not have the rights granted under this Clause with respect to a well while not entitled to information with respect to that well.

306 PROTECTION FROM LIENS – The Operator shall pay, or cause to be paid, as and when they become due and payable all accounts of contractors and claims for wages and salaries for services rendered or performed and for materials supplied with respect to the joint lands, any joint operations and any production facilities. The Operator shall keep the joint lands and any production facilities free from liens and encumbrances resulting therefrom, unless there be a bona fide dispute with respect thereto.

307 JOINT-OPERATOR'S RIGHTS OF ACCESS – Except as otherwise provided herein, the Operator shall permit each Joint-Operator or its duly authorized representative, at that Joint-Operator's sole risk, cost and expense, full and free access at all reasonable times to inspect and observe all production facilities and all joint operations being conducted upon the joint lands and to the records on location of current operations being conducted thereon.

308 SURFACE RIGHTS – The Operator shall acquire and maintain for the joint account all necessary surface rights respecting joint operations.

309 MAINTENANCE OF TITLE DOCUMENTS –

(a) Except as otherwise provided herein or in the Agreement, the Operator shall, on behalf of the parties and for the joint account, comply with all the terms and conditions of the title documents including: (i) the payment of rentals; (ii) the payment of any encumbrances agreed to be borne for the joint account; and (iii) the performance of all things necessary to maintain the title documents in good standing and in full force and effect. However, nothing in this Clause shall be construed to require or permit the Operator to drill a well or conduct any joint operation without the approval of the Joint-Operators, if their approval of an Authority of Expenditure with respect thereto is required pursuant to Clause 301.

(b) The Operator shall consult with the parties in a timely manner with respect to any applications it proposes to make under the Regulations to maintain any of the title documents in good standing, including, without restricting the generality of the foregoing, continuation and grouping applications and any other material decisions which are required to be made to maintain any of the title documents in good standing. The Operator shall provide the parties in a timely manner with copies of material correspondence pertaining to the maintenance of the title documents.

(c) If the joint lands are subject to a particular title document whereby the parties may select some (but not all) of such joint lands for the joint account in a successor title document as a result of work or operations which have been conducted (in this Clause called a "lease selection"), the following shall apply to the lease selection:

(i) the parties having a working interest in such title document shall consult, at least ten (10) days prior to the date upon which the lease selection is required, to attempt to agree on the lease selection; and

(ii) insofar as the parties are unable to agree on the joint lands to be included in the lease selection, the Operator shall determine the required number of minimum size geographic units prescribed by the Regulations with respect to a lease selection ("selection units") to complete the lease selection. This number shall be multiplied by each party's working interest, to determine the number of selection units which each party may select to complete the lease selection, with rounding of such number up or down to the nearest whole integer in the event such calculation would entitle a party to a selection of a partial selection unit. Each party shall be entitled to select for inclusion in leases, on a selection unit by selection unit basis, that number of selection units determined by such calculation, with the order of such selections to be determined by lot.

Following the conclusion of the lease selection process, the Operator shall submit the application for leases on behalf of the parties in such manner and at such time as are prescribed by the Regulations.

(d) If the joint lands are subject to a particular title document pursuant to which the parties may make a lease selection, a party may, at any time not earlier than one (1) year before the latest date such lease selection may be made pursuant to that title document, require the parties to select, for the purposes of Clause 1010 only, the lands which will be retained for the joint account in the manner prescribed in the Agreement or Subclause (c) of this Clause, as the case may be. The parties thereupon shall make such lease selection within ten (10) days of the receipt of such notice, as if such lease selection was required at such time. Unless otherwise agreed by the parties, such lease selection shall be binding on the parties for the purposes of determining whether a well is a title preserving well or portions of the lands are preserved lands, as those terms are defined in Clause 1010.

310 PRODUCTION STATEMENTS AND REPORTS – The Operator shall provide each Joint-Operator, before the twenty-fifth (25th) day of each month, with a statement showing production, inventories, sales and deliveries in kind to the parties of petroleum substances during the preceding month. The Operator shall also make all reports relating to joint operations

as required by the Regulations and shall, upon request of a Joint-Operator, provide it with a copy of each such report filed by the Operator with any governmental agency.

311 INSURANCE – The Operator shall comply with the requirements of all Unemployment Insurance, Workers' Compensation and Occupational Health and Safety legislation and all similar Regulations with respect to workers employed in joint operations. Without in any way limiting the obligations or liabilities of the Operator, the Operator shall also comply with the provisions of ALTERNATE _______ below (Specify A or B; the ALTERNATE not specified is deemed to be deleted from this Operating Procedure):

ALTERNATE - A:

The Operator shall, prior to the commencement of joint operations, hold or cause to be held with a reputable insurance company or companies, and thereafter maintain or cause to be maintained for the joint account and benefit of the parties and their respective Affiliates, directors, officers, servants, consultants, agents and employees, the insurance hereinafter set forth and any other insurance which is specifically required to comply with the Regulations. The insurance required pursuant to this Subclause shall apply to each separate claim and shall be as follows:

(i) Automobile Liability Insurance covering all motor vehicles or snowcraft and all terrain vehicles, owned or non-owned, operated or licenced by the Operator and used in joint operations (insofar only as they are used in joint operations), with an inclusive bodily injury, death and property damage limit of one million dollars ($1 000 000) per accident;

(ii) Comprehensive General Liability Insurance with an inclusive bodily injury, death, and property damage limit of one million dollars ($1 000 000) per occurrence, and, without restricting the generality of the provisions of this paragraph, such coverage shall include, but not be limited to, Employer's, Employer's Contingent Liability, Contractual Liability, Contractor's Protective Liability, Products and Completed Operations Liability; and

(iii) Aircraft Liability Insurance covering all aircraft, owned or non-owned, operated or licenced by the Operator and used in joint operations (insofar only as they are used in joint operations), with an inclusive bodily injury, death and property damage limit of five million dollars ($5 000 000) per occurrence.

- OR -

ALTERNATE - B:

The Operator shall, prior to the commencement of joint operations, hold or cause to be held with a reputable insurance company or companies, and thereafter maintain or cause to be maintained for the joint account and benefit of the parties and their respective Affiliates, directors, officers, servants, consultants, agents and employees, only that insurance as is specifically required to comply with the Regulations. It is the intention of the parties that, except as provided in the previous sentence and in Article IV, the cost of any accident, loss or any claim of or liability to third parties or to each other for bodily injury, death or property damage arising out of any operation conducted hereunder shall be borne individually by the parties participating in the operation, proportionate to their respective participating interests in the operation.

The following conditions shall be applicable to the ALTERNATE which is specified:

(a) The amount of the deductible specified for each accident or occurrence in any insurance policy maintained for the joint account shall not exceed the amount set forth in Clause 301 without the prior approval of the Joint-Operators.

(b) In the event that the policies which the Operator is required to obtain or maintain for the joint account are, in the Operator's reasonable opinion, unavailable or available only at an unreasonable cost, the Operator shall promptly notify the other Joint-Operators, in order that the parties may redetermine the policies which shall be held for the joint account. Subject to the provisions of this Clause, policies obtained for the joint account pursuant to this Clause may contain terms, conditions or exclusions affecting or limiting the risks covered thereby or the circumstances under which the insurer may be required to indemnify or compensate the parties thereunder, provided that such terms, conditions or exclusions are, in the Operator's reasonable opinion, the best available from the marketplace on reasonable terms and ordinary or appropriate. However, the Operator shall obtain the prior consent of the parties with respect to any such change which is made after the relevant policy or policy renewal has been acquired for the joint account.

(c) If the Operator makes any payments with respect to any losses, damages, claims or liabilities arising out of joint operations which are covered by insurance policies maintained for the joint account hereunder with the approval of the insurers thereof or if the Operator makes any payments authorized hereunder with respect to any other losses, damages, claims or liabilities arising out of such operations, such payments shall be a charge for the joint account. However, the Operator shall diligently attempt to process its claims under such policies with respect to such losses, damages, claims or liabilities, and shall promptly credit the joint account the amount it ultimately recovers under such policies. Insofar as such charge is one which is not to be borne for the joint account pursuant to Article IV, the Operator shall adjust the accounts of the parties accordingly at such time as it is determined that the charge is not to be borne for the joint account.

(d) The Operator shall use reasonable efforts to ensure that each insurance policy maintained for the joint account pursuant to this Clause includes: a provision that coverage is primary to any other coverage carried by the parties (other than coverage maintained by a party to reduce its exposure to a deductible), a provision that such policy shall survive the default or bankruptcy of the insured for claims arising out of an event before such default or bankruptcy and a provision that the insurer shall provide the Operator with sixty (60) days' written notice of cancellation of such policy.

(e) Each party shall be responsible for insuring its own interest in the joint lands and any production facilities with respect to physical damage to property, loss of income, Operator's Extra Expense, Pollution Liability and any insurance other than that referred to in the Alternate specified in this Clause. Each party shall ensure that each policy maintained by it for its own account hereunder shall contain waivers of all rights, by subrogation or otherwise, against the other parties and their respective Affiliates, directors, officers, servants, consultants, agents and employees.

(f) The Operator shall provide each Joint-Operator with written notice of damages or losses incurred hereunder as soon as practicable after the damage or loss has been discovered. The Operator shall provide the Joint-Operators with such assistance and materials as is required to substantiate such damages or losses for the purposes of the Joint-Operators' insurance coverages.

(g) The Operator shall, with respect to joint operations, use every reasonable effort to have its contractors and sub-contractors:

(i) comply with Unemployment Insurance, Workers' Compensation and Occupational Health and Safety legislation and all other similar Regulations applicable to workers employed by them; and

(ii) carry such insurance in such amounts as the Operator deems necessary, provided that such insurance policies shall include waivers of all rights, by subrogation or otherwise, against the parties and their respective Affiliates, directors, officers, servants, consultants, agents and employees.

312 TAXES – Except as otherwise provided herein or in the Agreement, the Operator shall initially pay, for the joint account, all taxes with respect to property held for the joint account, provided that nothing herein contained shall require or permit the Operator to pay for the joint account income taxes, mineral taxes, or any other taxes, assessments or levies based on reserves, on a unit of production or on the value thereof unless required to do so by the Regulations. The Operator shall promptly provide each applicable Joint-Operator with copies of all tax notices or assessments received by it respecting property held for the joint account and for which payment is not the responsibility of the Operator.

ARTICLE IV

INDEMNITY AND LIABILITY OF OPERATOR

401 LIMIT OF LEGAL RESPONSIBILITY – Notwithstanding Clauses 303 and 304, the Operator, its Affiliates, directors, officers, servants, consultants, agents and employees shall not be liable to the other Joint-Operators, or any of them, for any loss, expense, injury, death or damage, whether contractual or tortious, suffered or incurred by the Joint-Operators resulting from or in any way attributable to or arising out of any act or omission, whether negligent or otherwise, of the Operator or its Affiliates, directors, officers, servants, consultants, agents, contractors or employees in conducting or carrying out joint operations, except:

(a) when and to the extent that such loss, expense, injury, death or damage relates to a risk against which the Operator is required to carry insurance for the joint account, as provided in Clause 311, and is within the limits of such required insurance (insofar as such limits exceed the deductible applicable thereto), provided that if the Operator had maintained the required insurance covering such loss, expense, injury, death or damage, the Operator shall be released from the responsibility and indemnity otherwise imposed by this Clause to the extent that the insurer thereunder is financially unable to pay all or any portion of a valid claim with respect to such loss, expense, injury, death or damage or such insurer is determined by a court of competent jurisdiction not to be required to make payment with respect to such loss, expense, injury, death or damage under such policy of insurance; and

(b) when and to the extent that such loss, expense, injury, death or damage is a direct result of, or is directly attributable to, the gross negligence or wilful misconduct of the Operator or its Affiliates, directors, officers, servants, consultants, agents, contractors or employees, provided that an act or omission of the Operator or its Affiliates, directors, officers, servants, consultants, agents, contractors or employees shall be deemed not to be gross negligence or wilful misconduct, insofar as such act or omission was done or was omitted to be done in accordance with the instructions of or with the concurrence of the Joint-Operators.

To the extent that the conditions in Subclauses (a) or (b) of this Clause apply (but subject to the exceptions provided therein), the Operator shall be solely liable for such loss, expense, injury, death or damage and, in addition, shall indemnify and save harmless each other Joint-Operator and its Affiliates, directors, officers, servants, consultants, agents and employees from and against the same and also from and against all actions, causes of action, suits, claims and demands by any person or persons whomsoever in respect of any such loss, expense, injury, death or damage, and any costs and expenses relating thereto. However, in no event shall the responsibility of the Operator prescribed by this Clause extend to losses suffered by the Joint-Operators respecting the loss or delay of production from the joint lands, including, without restricting the generality of the foregoing, loss of profits or other consequential or indirect losses applicable to such loss or delay of production.

402 INDEMNIFICATION OF OPERATOR – Except as otherwise provided in Clause 401, the Joint-Operators hereby indemnify and save harmless the Operator, its Affiliates, directors, officers, servants, consultants, agents and employees from and against any and all actions, causes of action, suits, claims, demands, costs, losses and expenses resulting from loss, injury, death or damage respecting any person, which may be brought against or incurred or suffered by the Operator, its Affiliates, directors, officers, servants, consultants, agents or employees or which the Operator, its Affiliates, directors, officers, servants, consultants, agents or employees may sustain, pay or incur by reason of, or which may be attributable to or arise out of, any act or omission of the Operator or its Affiliates, directors, officers, servants, consultants, agents, contractors or employees in conducting joint operations. All such liabilities shall be for the joint account and shall be borne by the Joint-Operators in the proportions of their respective working interests.

ARTICLE V

COSTS AND EXPENSES

501 ACCOUNTING PROCEDURE AS BASIS – The Accounting Procedure shall be the basis for all charges and credits for the joint account, except to the extent that the Accounting Procedure may be in conflict with the provisions herein or in the Agreement. The accounting and financial records maintained by the Operator with respect to the operations conducted by it hereunder shall be maintained separately from those kept by it with respect to operations which are not conducted hereunder, in accordance with established industry accounting practice.

502 OPERATOR TO PAY AND RECOVER FROM PARTIES – Subject to the provisions of Clause 503, the Operator shall initially advance and pay all costs and expenses incurred for the joint account. The Operator shall charge to each Joint-Operator its proportionate share of such costs and expenses, and each respective Joint-Operator shall pay the same to the Operator within thirty (30) days after receipt of the Operator's statement thereof.

503 ADVANCE OF COSTS –

(a) Upon approval of an Authority for Expenditure by a Joint-Operator, the Operator may, by notice, require that individual Joint-Operator to secure payment of its proportionate share of all costs to be incurred for the joint account pursuant to such AFE in a manner satisfactory to the Operator. If the payment is to be secured by an irrevocable standby letter of credit, it shall be established in favour of the Operator by that Joint-Operator with a Canadian chartered bank with respect to that Joint-Operator's proportionate share of the costs and expenses which are anticipated to be incurred pursuant to such AFE. In the event a letter of credit is so established, the Operator may draw on the letter of credit in the same manner and at the same time intervals as provided with respect to amounts to be paid by that Joint-Operator pursuant to such AFE.

(b) The Operator may, by notice to the Joint-Operators, require each Joint-Operator to advance its proportionate share of all costs to be incurred for the joint account, subject to Subclause (a) of this Clause. If the Operator so elects to cash call the Joint-Operators, it shall, not earlier than thirty (30) days prior to the first (1st) day of a calendar month, submit to each Joint-Operator an itemized written estimate of the costs which are expected to be paid by the Operator for the joint account hereunder in that calendar month, together with a request for payment by each Joint-Operator of its proportionate share thereof, insofar as such amount is not secured by Subclause (a) of this Clause. A Joint-Operator shall pay its share of such cash call to the Operator (or otherwise secure payment thereof as provided in Subclause (a) above) on or before the twentieth (20th) day after its receipt of such estimate or by the fifteenth (15th) day of the calendar month to which such estimate relates, whichever is the later.

(c) The Operator shall adjust each monthly billing to reflect advances received from a Joint-Operator hereunder. Costs in excess of the advances requested hereunder shall be billed and paid by the Joint-Operators pursuant to the Accounting Procedure. Amounts advanced by the Joint-Operators in excess of actual costs shall be refunded by the Operator with the related billing for the month in which the advance was paid. Any such excess amounts not refunded shall, at the option of each Joint-Operator, bear interest (payable by the Operator for the account of that Joint-Operator) on the same basis as is provided in paragraph 505(b)(i).

504 FORECAST OF OPERATIONS – The Operator shall, from time to time at the request of a Joint-Operator, provide the Joint-Operators with a written forecast outlining all operations which it proposes to conduct for the joint account during the forecast period (which shall be not less than three (3) months and not more than twelve (12) months), together with the estimated costs thereof. Such forecasts are for informational purposes only and shall not commit the parties to make the expenditures described therein.

505 OPERATOR'S LIEN –

(a) Effective from the date of the Agreement, the Operator shall have a lien and charge, which is first and prior to any other lien, charge, mortgage or other security interest, with respect to the interest of each Joint-Operator in the joint lands, the wells and equipment thereon, the petroleum substances produced therefrom and any production facilities, to secure payment of such Joint-Operator's proportionate share of the costs and expenses incurred by the Operator for the joint account.

(b) If a Joint-Operator fails to pay or advance any of the costs or expenses incurred for the joint account which are to be paid or advanced by it within the time period prescribed by the Accounting Procedure or Clause 502 or 503, as the case may be, the Operator may, without limiting the Operator's other rights as contained in this Operating Procedure or otherwise held at law or in equity:

(i) charge such Joint-Operator compound interest, as computed monthly, with respect to such unpaid amount from the day such payment is due until the day it is paid, at the rate of two percent (2%) per annum higher than the rate designated as the prevailing prime rate for Canadian commercial loans by the principal Canadian chartered bank used by the Operator, regardless of whether the Operator has notified such party in advance of its intention to charge interest with respect to such unpaid amount;

(ii) withhold from such Joint-Operator any further information and privileges with respect to operations conducted hereunder, which information and privileges shall be conveyed or restored, as the case may be, to such Joint-Operator upon such default being fully rectified;

(iii) set-off against the amount unpaid by such defaulting Joint-Operator, any sums due or accruing to such Joint-Operator from the Operator pursuant to this Operating Procedure or any other agreement between the Operator and such Joint-Operator, whether executed before or after the effective date of the Agreement;

(iv) maintain an action or actions for such unpaid amounts and interest thereon on a continuing basis as such amounts are payable, but not paid by such defaulting Joint-Operator, as if the obligation to pay such amounts and the interest thereon were liquidated demands due and payable on the relevant date such amounts were due to be paid, without any right or resort of such Joint-Operator to set-off or counter-claim;

(v) treat the default as an immediate and automatic assignment to the Operator of the proceeds of the sale of such Joint-Operator's share of petroleum substances produced hereunder. Service of a copy of this Operating Procedure upon a purchaser of such petroleum substances from such Joint-Operator, together with written notice from the Operator, shall constitute a written irrevocable direction by the Joint-Operator to any such purchaser to pay to the Operator the proceeds from any such sale up to the amount owed to the Operator by such Joint-Operator hereunder (including any accrued interest with respect thereto), and such purchaser is authorized by such Joint-Operator to rely upon the statement of the Operator as to the amount so owed to it by such Joint-Operator; and

(vi) enforce the lien referred to in Subclause (a) of this Clause by taking possession of or using free of charge all or any part of the interest of the defaulting Joint-Operator in the joint lands, in all or any part of the production therefrom and equipment thereon or in any production facilities and all rights, powers and privileges of such Joint-Operator in connection with such interest until such default is fully rectified. Notwithstanding the provisions of Clauses 601 and 2401, the Operator may sell and dispose of any Interest, production, equipment or production facility of which it has so taken possession, either in whole or in part or in separate parcels, at public auction or by private tender at a time and on whatever terms it shall arrange, having first given at least ten (10) days' prior written notice to such Joint-Operator of the time and place of the sale, provided that the Operator may only sell such interest, production, equipment or production facility to such person or persons for such price and on such conditions as the Operator determines are reasonable, having due regard, inter alia, to the possible recovery of funds for such Joint-Operator in excess of the amount owed by it hereunder. Such sale or other realization shall be without prejudice to the Operator's claim for deficiency and shall be free from any right of redemption on the part of such Joint-Operator (which right is hereby waived and released), and such Joint-Operator also waives all formalities prescribed by custom or by law with respect to such sale or other realization. The proceeds of the sale shall be first applied by the Operator in payment of any amount required to be paid by the defaulting Joint-Operator and not paid by it hereunder (including any accrued interest with respect thereto), and any balance remaining shall be paid to the defaulting Joint Operator after deducting reasonable costs of the sale. Any sale made as aforesaid shall be a perpetual bar both at law and in equity against the defaulting Joint-Operator and its assigns and against all other persons claiming an interest in such property or any portion thereof sold as aforesaid by, from, through or under the defaulting Joint-Operator or its assigns.

However, the Operator may not exercise the rights granted in paragraphs (iii) - (vi) of this Subclause with respect to such default until at least thirty (30) days following the issuance of a notice to such Joint-Operator specifying such default and requiring the same to remedied.

(c) The obligation to pay interest at the rate specified in Subclause (b) with respect to a default is to apply until such default is rectified and shall not merge into a judgement for principal and interest, or either of them. The parties waive the application of any Regulations to the contrary, insofar as such waiver is permitted by the Regulations.

(d) Books and records kept by the Operator for the joint account shall constitute prima facie proof of the existence of any financial default hereunder, subject, however, to the rights of inspection and audit provided for elsewhere in this Operating Procedure.

(e) If the Operator is the party which defaults in paying its share of any cost or expense incurred for the joint account, the other parties may appoint a party as representative ad hoc of those parties, pending the appointment of a new Operator pursuant to Article II. Such party thereupon shall be entitled to exercise any of the rights and remedies otherwise available to the Operator pursuant to this Operating Procedure, mutatis mutandis, in order to rectify such default.

506 REIMBURSEMENT OF OPERATOR – If the Operator has not received full payment of a Joint-Operator's share of the costs and expenses of joint operations within three (3) months following the date the payment was due, each other Joint-Operator, upon being billed therefor by the Operator, shall contribute a fraction of the unpaid amount, excluding interest thereon, which fraction shall have:

(i) as its numerator – the working interest of such Joint-Operator; and

(ii) as its denominator – the aggregate working interests of all parties except the defaulting Joint-Operator.

Thereupon, each such contributor shall be proportionately subrogated to the Operator's rights pursuant to Clause 505 and to the interest thereafter payable thereunder on the unrecovered portion of its contribution.

507 COMMINGLING OF FUNDS – The Operator may commingle with its own funds the moneys which it receives from or for the account of the Joint-Operators pursuant to this Operating Procedure. Notwithstanding that moneys of a Joint-Operator have been commingled with the Operator's funds, the moneys of a Joint-Operator advanced or paid to the Operator, whether for the conduct of operations hereunder or as proceeds from the sale of production under this Operating Procedure, shall be deemed to be trust moneys, and shall be applied only to their intended use and shall in no way be deemed to be funds belonging to the Operator, other than in its capacity as the Joint-Operators' trustee.

ARTICLE VI

OWNERSHIP AND DISPOSITION OF PRODUCTION

601 EACH PARTY TO OWN AND TAKE ITS SHARE – Each party shall own its proportionate share of the petroleum substances produced from wells operated for the joint account. The Operator shall measure and deliver into the possession of each party, as and when produced at the first point of measurement, the proportionate share of petroleum substances owned by that party, exclusive of production which has been unavoidably lost and production which may be used by the Operator in producing operations respecting the joint lands. Each party shall, at its own expense, have the right to take in kind and separately dispose of its proportionate share of such production. Each Joint-Operator shall provide the Operator with such information respecting such Joint-Operator's arrangements for the disposition of its share of production as the Operator may reasonably require to fulfil its obligations hereunder.

602 PARTIES NOT TAKING IN KIND --

(a) Notwithstanding Clause 601, to the extent that a Joint-Operator does not take in kind and separately dispose of its share of production hereunder or advises the Operator that it will not be fulfilling that obligation, the Operator shall have the authority, but not the obligation, to dispose of such portion of the non-taking party's share of production, as the agent of the non-taking party, pursuant to any of the following options:

(i) the Operator may sell such production at the same price which the Operator receives from a third party under an arm's length sale contract for its own share of production, and account to the non-taking party for the proceeds of the sale applicable to the production sold on its behalf, less all direct processing and transportation expenses pertaining thereto and the applicable marketing fee prescribed by Clause 604; or

(ii) the Operator may sell such production at a market price to a third party in an arm's length transaction, and account to the non-taking party for the proceeds of the sale, less all direct processing and transportation expenses pertaining to such production and the applicable marketing fee prescribed by Clause 604; or

(iii) the Operator may purchase such production for the Operator's own account (or the account of an Affiliate) at a market price.

Insofar as the Operator disposes of all or a portion of a non-taking party's share of production pursuant to this Subclause, the Operator shall advise that party of the option pursuant to which the Operator disposed of that party's production within one (1) month of the commencement of that disposition.

(b) The Operator may not purchase production pursuant to paragraph (a)(iii) of this Clause under any arrangement which has a term exceeding one (1) month, unless such arrangement is terminable at any time on not greater than one (1) month's notice by the non-taking party to the Operator without an early termination penalty or other cost. If, pursuant to paragraph (a)(i) or (ii) of this Clause, the Operator proposes to enter into a sales contract which either has a term greater than one (1) month or is not so terminable at any time on notice of one (1) month or less, the following shall apply:

(i) the Operator shall notify the non-taking party of such intention and provide it with a summary of the terms of the proposed contract in sufficient detail to enable the non-taking party to determine whether it wishes that portion of its share of production not being taken in kind and separately disposed of by it sold pursuant to the proposed contract;

(ii) the non-taking party shall notify the Operator within ten (10) days of the receipt of the Operator's notice whether it consents to having such production sold under such contract, provided that failure of the non-taking party to notify the Operator of its position within such period shall be deemed to be the consent of the non-taking party to the sale of such production pursuant to such contract;

(iii) if the non-taking party consents to having such production sold under such contract pursuant to the preceding paragraph, the Operator shall sell such production under such contract. If the non-taking party does not consent to having such production sold pursuant to such contract pursuant to the preceding paragraph, the non-taking party shall state in its notice whether it intends to commence taking such production in kind and separately disposing of the same, and, if so, it shall promptly supply the Operator with the information required by it pursuant to Clause 601; and

(iv) if the non-taking party does not consent to having such production sold under such contract pursuant to this Subclause and does not proceed to take such production in kind and separately dispose of the same, the Operator may dispose of such production pursuant to Subclause (a) of this Clause.

No contract described in this Subclause, however, shall have a term exceeding one (1) year without the consent of the non-taking party, unless that contract may be terminated by the Operator at any time on not greater than one (1) year's notice to the applicable purchaser.

(c) If a non-taking party proposes to commence to exercise its right to take in kind and separately dispose of its share of production hereunder, it shall give notice of such intention to the Operator and shall promptly supply the Operator with the information required by it pursuant to Clause 601. Such notice shall be effective either at the end of the term of any sale agreement pursuant to which such production is being sold by the Operator or at the date such agreement is terminated, if terminable by the Operator at an earlier date. However, such notice shall not be effective with respect to an agreement which is terminable by the Operator, unless the Operator has received such notice at least fifteen (15) days prior to any specified date upon which the Operator is required to serve notice to the applicable purchaser to terminate such agreement.

603 OPERATOR NOT TAKING IN KIND – To the extent that the Operator either is the party who does not take in kind and separately dispose of its proportionate share of production or the Operator does not intend to dispose of production not being taken in kind by another Joint-Operator pursuant to Clause 602, the Operator shall advise the other Joint-Operators, in a timely manner, of the information required by them to exercise their rights pursuant to this Clause 603. In such event, the Joint-Operators, or any one or more of them, shall have the same rights and obligations, mutatis mutandis, with respect to such share of production as the Operator has with respect to a Joint-Operator's share of production under Clause 602. Insofar as the provisions of this Clause are applicable and the Operator requires instructions respecting production and marketing to give effect to this Clause and, if applicable, Clause 602, the Operator shall follow the instructions which are given by the parties marketing production on behalf of the Operator and, if applicable, any other party hereunder. Two or more Joint-Operators exercising their rights under this Clause shall do so in proportion to their working interests, and shall attempt to coordinate their plans for the disposition of such production in such a manner that the instructions to be provided to the Operator with respect to such production shall be consistent. For so long as the Operator continues to be a non-taking party, it shall advise the other parties periodically when and how it proposes to take in kind and separately dispose of its share of production pursuant to Clause 601. If the Operator commences to take its share of production in kind and separately dispose of the same, the Operator thereupon shall have the right to sell a non-taking party's share of production pursuant to Clause 601 following the termination of any contract entered into on behalf of such non-taking party in accordance with Clauses 602 and 603.

604 MARKETING FEE – To the extent that a party fails to take in kind and dispose of all or a portion of its share of production and such production is disposed of either by the Operator pursuant to paragraph 602(a)(i) or (ii) or by another Joint-Operator pursuant to Clause 603, other than by way of a transaction described in paragraph 602(a)(iii), the party so marketing such production shall be entitled to charge the non-taking party the marketing fee in ALTERNATE ____ below (Specify A or B), namely:

ALTERNATE - A:

The party so marketing such production on behalf of a non-taking party may charge that party a marketing fee equal to 2.5% of the sale price of such production, calculated at the wellhead.

- OR -

ALTERNATE - B:

The party so marketing such production on behalf of a non-taking party may charge that party a marketing fee which is either a percentage of the sale price of such production, calculated at the wellhead, or a specified fee, being (specify one option for each item):

(a) in the case of petroleum, _________% or $ ________/m^3;

(b) in the case of natural gas, _________% or $ ________/10^3m^3;

(c) in the case of natural gas liquids and substances other than petroleum and natural gas (but not including sulphur), _________% or $ _________/m^3; and

(d) in the case of sulphur, _________% or $ _________/t.

605 PAYMENT OF LESSOR'S ROYALTY – Each party shall pay or cause to be paid the Lessor's royalty and all other payments required pursuant to the title documents which are attributable to its proportionate share of the production of petroleum substances hereunder. However, the party disposing of a non-taking party's share of production pursuant to Clause 602 or 603 may pay the royalty attributable to that share of petroleum substances directly to the Lessor on behalf of the non-taking party, in which case the amount so paid shall be deducted from amounts owing to the non-taking party pursuant to Clause 606.

606 DISTRIBUTION OF PROCEEDS – Subject to the foregoing provisions of this Article, a party that disposes of another party's share of production pursuant to Clause 602 or 603 shall forthwith pay the proceeds of such sale, less all direct processing and transportation expenses pertaining to such production (if known at such time) and any applicable marketing fee prescribed by Clause 604, to the party on whose behalf such production was sold, and shall include with such payment a statement showing the manner in which the amount was calculated. If the disposing party does not pay such amount within ten (10) days following its receipt or, if not previously deducted from the proceeds of such sale hereunder, the non-taking party does not pay the direct processing and transportation expenses applicable to such production within thirty (30) days of being invoiced therefor by the disposing party, the provisions of Subclause 505(b) shall apply, mutatis mutandis, between the non-taking party and the disposing party with respect to such outstanding amounts. Proceeds of sale of a party's share of production pursuant to Clause 602 or 603 and the applicable marketing fee prescribed by Clause 604 shall be determined by reference to the volume of production taken by each party in a month.

607 AUDIT BY NON-TAKING PARTY – To the extent only that a party sells all or a portion of the share of production of a party which does not take in kind and separately dispose of the same hereunder, the audit provisions of the Accounting Procedure shall apply, mutatis mutandis, with respect to such sale between the party who sold such production and the party on whose behalf such production was sold, provided that the party who sold such production shall not be required to provide the auditors with access to any contract described in paragraph 602(a)(i).

608 DISPOSING PARTY TO BE INDEMNIFIED – In the event a party does not take in kind and separately dispose of its share of production and another party disposes of such production on behalf of the non-taking party pursuant to this Article, the non-taking party shall indemnify the disposing party with respect to any injury, loss or damage which the disposing party may suffer with respect to such sale by virtue of defects in the non-taking party's title to such production.

ARTICLE VII

OPERATOR'S DUTIES RE CONDUCTING JOINT OPERATIONS

701 PRE-COMMENCEMENT REQUIREMENTS – If the Operator proposes to conduct a joint operation, the following conditions shall apply:

(a) The Operator shall submit an Authority for Expenditure for such operation to each Joint-Operator for its approval, if required by Clause 301. Such Authority for Expenditure shall be void unless it has been approved by all of the Joint-Operators within forty-five (45) days of being submitted to them by the Operator. The Operator shall promptly advise the Joint-Operators whether such Authority for Expenditure has been approved by all of the Joint-Operators.

(b) An Authority for Expenditure which was approved by the parties shall be void if the operation to which it relates is not commenced within the later of one hundred and twenty (120) days following the date the Authority for Expenditure was submitted to the other parties by the Operator or forty-five (45) days following the anticipated date of commencement specified therein with respect to such operation, as the case may be, provided that in no event shall such operation be commenced later than one hundred and eighty (180) days following the submission of such Authority for Expenditure to the parties by the Operator.

(c) Submission or approval of an Authority for Expenditure shall not preclude any party from giving an operation notice under Clause 1002 with respect to the operation proposed in the AFE. However, approval of the Authority for Expenditure by all parties before expiration of the response period provided in Clause 1002 with respect to that operation notice shall nullify such operation notice.

(d) If the operation is the drilling of a well for the joint account, the Operator shall submit to each Joint-Operator at least forty-eight (48) hours prior to the commencement of the well:

(i) written notice of intention to spud such well;

(ii) a copy of the plan of each well location survey, the application for the well licence and, when available, a copy of the well licence; and

(iii) a copy of the proposed program of drilling, coring, logging, testing and casing the well, and, subject to Article IX, a Joint-Operator shall be deemed to have approved the program, unless it notifies the Operator to the contrary within seven (7) days of receipt of such program.

702 DRILLING INFORMATION AND PRIVILEGES OF JOINT-OPERATORS – During the drilling of a well for the joint account, the Operator shall provide to each Joint-Operator:

(a) immediate notice of the spud date of the well;

(b) the surface elevation of the well;

(c) daily drilling and geological reports;

(d) access to the Operator's set of samples of the cuttings of formations penetrated and a complete sample description, or, if specifically requested by a Joint-Operator, a complete set of samples of the cuttings of the formations penetrated for its own retention;

(e) access to all cores taken and copies of any core analysis conducted for the joint account;

(f) immediate advice of any porous zones with showings of petroleum substances encountered and the proposed tests, if any, to be run on those porous zones;

(g) a reasonable opportunity for each Joint-Operator to have a representative present to witness and observe any tests conducted pursuant to Subclause (f) of this Clause;

(h) access to each well, including derrick floor privileges as set forth in Clause 307; and

(i) estimates of current and cumulative costs incurred for the joint account.

703 LOGGING AND TESTING INFORMATION TO JOINT-OPERATORS -- Upon a well being drilled for the joint account reaching total depth (or during the drilling of the well, if any such operations are to be conducted prior to the well reaching its projected total depth), the Operator shall:

(a) test it in accordance with the approved program;

(b) make such further tests as are warranted in the circumstances, of any porous zones with showings of petroleum substances encountered or indicated by any survey and provide each Joint-Operator with a reasonable opportunity to have a representative present to witness and observe any such tests;

(c) take representative mud samples and drillstem test fluid samples in order to obtain accurate resistivity, mud filtrate and formation water readings and supply each Joint-Operator with the information pertaining thereto in a timely manner;

(d) supply each Joint-Operator, in a timely manner, with copies of the drillstem test and service report on each drillstem test run, including copies of pressure charts; and

(e) run all log surveys agreed upon among the Joint-Operators, supply each Joint-Operator, in a timely manner, with copies of each log so run and provide each Joint-Operator with a reasonable opportunity to have a representative present to witness and observe any such surveys.

704 WELL COMPLETION AND PRODUCTION INFORMATION TO JOINT-OPERATORS – During any completion operation conducted for the joint account, the Operator shall:

(a) complete the well in accordance with the approved program and supply each Joint-Operator with current reports on all completion activities which, without restricting the generality of the foregoing, shall include:

(i) a summary of the casing program;

(ii) the location and density of perforations;

(iii) details of formation treatment and stimulation;

(iv) results of back pressure tests;

(v) daily completion reports; and

(vi) estimates of current and cumulative costs incurred for the joint account; and

(b) promptly provide each Joint-Operator with all relevant information pertaining to any formation tests and production tests conducted on the well and daily advice as to the nature, rate and amount of petroleum substances and other fluids produced from the well.

705 WELL INFORMATION SUBSEQUENT TO COMPLETION – Subsequent to the completion of any well completed for the joint account, the Operator shall supply to each Joint-Operator:

(a) copies of any directional, temperature, caliper or other well surveys conducted for the joint account;

(b) copies of any petroleum, natural gas, water or other substance analyses made with respect to the well, provided that if the Operator does not make analyses of water and petroleum substances, representative samples of water and petroleum substances (other than natural gas) recovered from each test shall be supplied;

(c) a complete summary of the drilling and completion of the well;

(d) written notice of the commencement of production of any of the petroleum substances from the well; and

(e) initial production rates and the nature, kind, and quality of petroleum substances and any other substances produced from the well.

706 DATA SUPPLIED IN ACCORDANCE WITH ESTABLISHED STANDARDS -- The Operator shall supply all data to be provided to the Joint-Operators hereunder in accordance with established industry standards.

707 ADDITIONAL TESTING BY LESS THAN ALL JOINT-OPERATORS – After giving written notice to each of the other Joint-Operators of its intention to do so, any Joint-Operator may, at its sole risk and expense (including rig costs), conduct such other or additional tests of its choosing in a well to which it is entitled to have access hereunder, unless the Operator advises such Joint-Operator that, in the Operator's opinion, the hole is not in satisfactory condition for that purpose. Subject always to Article IX and Clauses 1017 and 1801, the Joint-Operator so conducting any such tests shall retain all rights thereto and shall not be required to make the results thereof available to any other Joint-Operator pursuant to this Operating Procedure.

708 APPLICATION OF ARTICLE VII WHEN OPERATION CONDUCTED BY LESS THAN ALL PARTIES -- If an operation hereunder is not conducted for the joint account, the provisions of this Article VII shall apply, mutatis mutandis, among those parties participating therein.

ARTICLE VIII

ENCUMBRANCES

801 RESPONSIBILITY FOR ADDITIONAL ENCUMBRANCES – If the working interest of a party is or becomes encumbered by any royalty, overriding royalty, production payment or other charge of a similar nature, other than the royalties payable to the grantor of the title documents and any charge to be borne for the joint account pursuant to either the Agreement or the agreement of the parties, such party shall be solely responsible for such additional encumbrance. In the event of any surrender, forfeiture or production penalty provided for in this Operating Procedure, such surrendered, forfeited or affected interest shall be freed of any such additional encumbrance caused, suffered or created by or through such party (or its predecessor in interest) at the sole cost and expense of such party, and such party shall indemnify the other parties for any losses they may suffer as a result of the failure of such party to fulfill the obligation to remove such additional encumbrance.

802 EXCEPTION TO CLAUSE 801 – Notwithstanding the preceding Clause (but subject to the provisions of the Agreement), the obligation to remove an additional encumbrance and to indemnify the other parties with respect thereto shall not apply, insofar as such additional encumbrance is created pursuant to the provisions of the Agreement or is specifically acknowledged therein to be a charge applicable to a party's working interest which shall continue to apply to such working interest following the application of the surrender, forfeiture or production penalty provisions hereof to such working interest.

ARTICLE IX

CASING POINT ELECTION

901 AGREEMENT TO DRILL NOT AUTHORITY TO COMPLETE – Agreement by the parties to drill or deepen a well for the joint account shall not be deemed to include agreement by any Joint-Operator to participate in the setting of production casing, the attempted completion of the well or any completion program set forth in the Authority for Expenditure submitted pursuant to Subclause 701(a).

902 ELECTION BY JOINT-OPERATORS RE CASING AND COMPLETION –

(a) The Operator shall immediately notify the Joint-Operators when a well being drilled for the joint account has been drilled to the authorized total depth and the logs and tests conducted pursuant to Article VII have been run. The Operator shall also notify the Joint-Operators at such time of the Operator's proposed program for completing the well and forthwith provide an AFE therefor.

(b) Subject to Subclause 1002(c), each Joint-Operator shall have a period of twenty-four (24) hours after both the logs and results of the tests in which it participated and the Operator's proposed completion program respecting the well have been made available to it, to inform the Operator whether it wishes to participate in the setting of production casing and a completion attempt. Failure to reply to the notice from the Operator within such period shall be deemed to be an election by a party to participate in such completion attempt. If a party which elects to participate in the completion attempt fails to object to the Operator's proposed completion program by notice to the Joint-Operators within such period, that party shall be deemed to concur with that program. If the Operator proposes to alter the proposed completion program materially as a result of a party's objection to the Operator's proposed program, the Operator shall immediately notify all parties, and each party shall have the right for twelve (12) hours following the receipt of such notice to re-elect to participate in such completion attempt. Notwithstanding the foregoing portion of this Subclause, if Alternate 903A applies and a party's objection to the Operator's proposed completion program is that such party wishes to limit its participation in such operation to the setting of production casing and the suspension of the well, that party may so limit its participation in such operation. In such event, the cost recovery prescribed by Alternate 903A with respect to such party's limited participation shall apply only to that portion of the costs of such completion attempt not assumed by such party, if one or more of the other parties proceed to conduct such completion attempt at such time.

(c) If one or more Joint-Operators elect to participate in the completion attempt, the participating parties shall proceed to run production casing and attempt to complete the well for the taking of petroleum substances. If none of the Joint-Operators elect to participate in the completion attempt, the Operator shall abandon the well.

(d) Notwithstanding the foregoing Subclauses of this Clause and Clause 903, in the event the Operator's proposed program pursuant to this Clause is the setting of production casing in the well and the suspension of the well, so that the well may be re-entered at some unspecified later date for the conduct of an unspecified completion program, the approval of a Joint-Operator to participate in such program shall not constitute the approval of that Joint-Operator to participate in the attempted completion of such well at such time as it may be conducted, and Clause 1008 shall apply to such subsequent re-entry and completion attempt.

903 LESS THAN ALL PARTIES PARTICIPATE -- If one or more, but not all, of the parties elect to set production casing and attempt to complete the well and the well is completed for the taking of petroleum substances in paying quantities, ALTERNATE ______ below (Specify A or B) shall apply, namely:

ALTERNATE - A:

The setting of production casing and the completion attempt shall be considered an independent operation under the provisions of Article X (including the provisions of Clause 1009 if the well is abandoned before the penalty in Clause 1007 is recovered), as if the independent operation were with respect to a development well or an exploratory well, as the case may be, provided that the drilling costs of the well shall not be considered when calculating the amount recoverable pursuant to paragraph 1007(a)(iv).

- OR -

ALTERNATE - B:

Each party not participating in the setting of production casing and the completion attempt shall assign to the parties that paid such non-participating party's share of such costs, all of the assignor's interest in the spacing unit of the well, insofar only as it relates to the zone in which the well is so completed, subject to Clause 1015. The assignees shall forthwith pay to the assignors the latter's share of the estimated salvage value of the material and equipment placed in or on the well prior to commencement of the completion attempt.

904 ABANDONMENT OF WELL – If one or more, but not all, of the parties elect to set production casing and attempt to complete the well pursuant to Clause 903 and the participating parties in such completion attempt then propose to abandon the well within six (6) months of the expiry of the twenty-four (24) hour period provided in Clause 902, they shall so notify the non-participating parties. Such abandonment shall be for the joint account, except that:

(a) the participating parties in the completion attempt shall bear all extra costs of the abandonment incurred by reason of the completion attempt; and

(b) income received by the participating parties from the sale of petroleum substances produced from the well within such six (6) month period and any amounts received from the sale of salvable material and equipment shall firstly be applied to abate costs incurred by those parties in the completion attempt, and the excess, if any, shall be a credit for the joint account.

If the well is not abandoned within such six (6) month period, the participating parties in the setting of production casing and, if applicable, the completion attempt shall be solely responsible for the costs of abandoning the well, subject, if applicable, to the reacquisition of participation in the well by a non-participating party pursuant to Clause 1007 or 1008, as the case may be.

905 PROVISIONS OF ARTICLE X TO APPLY – The provisions of Article X shall apply, mutatis mutandis, to operations conducted pursuant to this Article by one or more, but not all, of the parties, except to the extent that those provisions would conflict with those contained in this Article IX.

ARTICLE X

INDEPENDENT OPERATIONS

1001 DEFINITIONS – In this Article, the following words and phrases shall have the following respective meanings, namely:

(a) "independent operation" means an operation to be conducted hereunder by less than all of the parties.

(b) "non-participating party" means a party which does not participate in an independent operation.

(c) "operation notice" means a notice of intention to conduct an independent operation.

(d) "participating party" means a party which participates in an independent operation.

(e) "proposing party" means the party or parties which issue an operation notice.

(f) "receiving party" means a party which receives an operation notice.

1002 PROPOSAL OF INDEPENDENT OPERATION –

(a) The parties normally shall consult with respect to decisions to be made for the exploration, development and operation of the joint lands. Whether or not such consultation has occurred or has been requested, a party may at any time become a proposing party and give to the other parties an operation notice for an operation on or with respect to the joint lands or the construction or installation of a production facility, including therein or therewith:

(i) the nature of the operation;

(ii) the proposed location of the operation;

(iii) the anticipated time of commencement and estimated duration of the operation;

(iv) the classification, if applicable, of the operation as a development well or exploratory well and the application of Clause 1010 thereto, if any; and

(v) an Authority for Expenditure, provided that an Authority for Expenditure otherwise submitted hereunder shall not in itself be construed as an operation notice unless it is specifically part of an operation notice served pursuant to this Article X.

(b) A receiving party shall be deemed to have elected not to participate in the operation proposed in an operation notice unless, within thirty (30) days after receipt of such operation notice, that receiving party has given notice to the proposing party that it elects to participate in the operation. However, if the operation notice states that the operation is to be conducted for the purpose of evaluating lands specified therein which either have been offered for public tender by a governmental authority or which it is known will be so offered within sixty (60) days after receipt of the operation notice, such thirty (30) day period shall be reduced to fifteen (15) days, provided that no operation shall be considered as being conducted for such evaluation if none of the lands proposed to be evaluated are within 1.6 kilometres of the location of the proposed well. Notwithstanding the foregoing portion of this Subclause, if the operation notice pertains to a proposed deepening, plugging back, whipstocking, re-entry and completion of a suspended well, recompletion or reworking pursuant to Clause 1008, the drilling or service rig to be used in such operation is then at the location thereof and the operation notice states that such rig is so located, such thirty (30) or fifteen (15) day response period shall be reduced to forty-eight (48) hours, during which period all incremental expenses accruing as a consequence of the issuance of such operation notice, including, without restricting the generality of the foregoing, standby time, shall be for the account of the proposing party and, if conducted, the other participating parties.

(c) The participating parties shall have the right to participate in the independent operation in the proportions that their respective working interests bear one to the other, and a participating party which does not elect to limit its participation in such operation shall be deemed to have elected to participate to the extent of its working interest, increased by its proportionate share of the unassumed percentage of participation respecting such operation. A proposing party, in the operation notice, and a receiving party, in its response thereto, may elect to participate in the independent operation only to the extent of its working interest or only to the extent of its working interest increased by its proportionate share of the unassumed percentage of participation respecting such operation, with a limitation as to the maximum amount of such increased participation such party is prepared to accept. If there remains an unassumed percentage of participation respecting such operation following those elections, the proposing party shall be deemed to have withdrawn the operation notice, unless the participating parties otherwise agree to assume such unassumed percentage of participation within five (5) days of the completion of such process if the response period applicable to the operation notice is greater than forty-eight (48) hours and within twelve (12) hours of the completion of such process if the response period applicable to the operation notice is forty-eight (48) hours or less.

(d) Once the applicable response period prescribed by Subclause (b) above has expired or upon receipt of the responses of all of the receiving parties to the operation notice, whichever first occurs, the proposing party shall forthwith give notice to the parties specifying how the costs, risks and benefits of the operation will be shared hereunder.

(e) A party may become a proposing party with respect to more than one operation at any given time, and may serve as many operation notices as it so wishes and proceed to conduct operations pursuant thereto. However, no single operation notice shall relate to more than one well, and the receiving parties shall not be required to respond to an operation notice pertaining to a well unless and until each operation notice previously served by that proposing party respecting a well located within 3.2 kilometres of the proposed well has expired, been withdrawn or the operation proposed thereunder has been completed and the information therefrom has been provided to the receiving parties, to the extent required by Clauses 1018 and 1019. If a party serves more than one (1) operation notice at one time, it shall, subject to the foregoing provisions of this Subclause, state the order in which the operation notices are deemed to be received by the receiving parties, provided that if it fails to specify the order, the operation notices shall be deemed to be received in accordance with Clause 2201.

1003 TIME FOR COMMENCING THE OPERATION -- The proposing party may begin the operation without waiting for the applicable response period prescribed by Clause 1002 to lapse, provided that the proposing party shall not be obligated to supply any information with respect thereto to a receiving party until such time as it elects to participate in such operation. However, the proposing party shall not commence the operation more than ninety (90) days after the operation notice is deemed to be received by the receiving parties, unless the operation is the construction or installation of a production facility, in which case the operation shall not be commenced more than one hundred and fifty (150) days following such receipt. In the event the operation is not commenced within the applicable period, such operation notice thereupon shall be void, unless and to the extent that the receiving parties consent to the delay of the commencement of the operation. If the operation notice lapses in such manner, the proposing party may serve a new operation notice for the operation within or after the expiration of such period.

1004 OPERATOR FOR INDEPENDENT OPERATIONS -- Notwithstanding anything to the contrary contained in this Operating Procedure, the proposing party shall be the Operator with respect to any operation proposed as an independent operation, unless the parties otherwise agree or the proposing party would be disqualified from serving as Operator pursuant to Subclause 202(a). If the Operator is a participating party, but not the proposing party, with respect to a well proposed as an independent operation, the Operator shall succeed the proposing party as Operator with respect to such operation at the completion of such operation or, if agreed by the proposing party and the Operator, at the completion of a particular phase of the operation.

1005 SEPARATE ELECTION WHERE WELL STATUS DIVIDED –

(a) If the proposed independent operation is the drilling of a well which would be in part a development well and in part an exploratory well, the proposing party shall identify the respective portions of the well in the operation notice. The proposing party shall also estimate the costs separately for each portion of the well in the operation notice. For the purposes of such allocation of costs, the costs of the development well shall only be those costs which would be anticipated to be incurred if the well were being drilled and, if applicable, completed as a development well only, and all additional costs anticipated to be incurred as a consequence of the well also being drilled as an exploratory well (including, without restricting the generality of the foregoing, the utilization of any special equipment or casing to enable the well to be drilled to such depth) shall be allocated to that portion of the well which will be an exploratory well.

(b) Each receiving party electing to participate in a well described in the preceding Subclause shall elect to participate to the extent only that it is a development well or to the extent that it is both a development well and an exploratory well. However, a party which elects to participate in such well without specifying the extent of its participation shall be deemed to have elected to participate in the entire well.

(c) If the participation in the well varies between the well as a development well and the well as an exploratory well, the following shall apply:

(i) If the well is capable of producing petroleum substances in paying quantities from at least one (1) zone in each of the development well and the exploratory well portions of the well and such petroleum substances can be produced simultaneously from all such zones through the well, the Operator for the participating parties in the deepest producing zone shall operate the well. It shall apportion the operating costs of the well to each zone on an equitable basis, and deliver to the Operator for the participating parties in each productive zone the total share of production from such zone. Each such Operator shall account for such production to the respective participating parties in accordance with Clause 1007, as if a separate operation had been conducted with respect to each producing zone.

(ii) Notwithstanding anything to the contrary contained in paragraph (i) of this Subclause, if the well is capable of producing petroleum substances in paying quantities from at least one (1) zone in each of the development well and the exploratory well portions of the well, but such petroleum substances cannot be produced simultaneously from all such zones through the well, the participating parties in the exploratory well portion of the well shall have the pre-emptive right to complete the exploratory well portion of the well. However, if those participating parties exercise such pre-emptive right, they shall promptly reimburse the participating parties in the development well portion of the well all costs incurred by them in drilling and, if applicable, completing the well as a development well. Thereafter, the well shall be deemed to be a single operation, ab initio, involving the drilling of an exploratory well only and conducted by the participating parties in the exploratory well portion of the well pursuant to this Article X. However, for the purposes of the application of Clause 1007 between the participating parties in the exploratory well portion of the well and the participating parties in the development well portion of the well, the costs so reimbursed to the latter shall be deemed to be operating costs and included as a charge under paragraph 1007(a)(ii), and the amount prescribed by paragraph 1007(a)(iv) with respect to those parties shall exclude the costs of drilling and, if applicable, completing the well as a development well.

1006 ABANDONMENT OF INDEPENDENT WELL -- If an independent operation is the drilling of a well and the well is not capable of production of petroleum substances in paying quantities, the participating parties shall abandon the well in a timely manner.

1007 PENALTY WHERE INDEPENDENT WELL RESULTS IN PRODUCTION -- If an independent operation proposed in an operation notice is the drilling of a well, the following shall apply with respect thereto:

(a) If such well is completed for the production of petroleum substances from one or more zones, the participating parties shall be entitled to retain possession of the well and all production from such zones through the well until the gross proceeds (calculated at the wellhead) from the sale of such production equals the aggregate of:

(i) one hundred percent (100%) of the Lessor's royalty and any overriding royalties or other encumbrances thereon which otherwise would have been borne for the joint account which are paid with respect to such production, subject to Subclause 1007(b);

(ii) one hundred percent (100%) of the operating costs applicable to the well;

(iii) two hundred percent (200%) of the equipping costs of the well; and

(iv) a multiple of the drilling costs and completion costs of the well as a development well or an exploratory well, as the case may be, being _____% with respect to a development well and _____% with respect to an exploratory well, provided that if such well was in part a development well and in part an exploratory well and such well was completed for production only as an exploratory well, all of the drilling costs and completion costs of such well shall be deemed to have been incurred solely with respect to an exploratory well, except that, subject to paragraph 1005(c)(ii), the costs of drilling and, if applicable, attempting to complete the well as a development well shall be excluded for the purposes only of determining the amount prescribed by this paragraph with respect to a party which was only a participating party with respect to the development well portion of the well.

The Operator for the participating parties shall notify the non-participating parties upon recovery of the proceeds prescribed by paragraphs (i) to (iv) of this Subclause not later than thirty (30) days following such recovery. Subject to Subclause I02I(b), each non-participating party shall have thirty (30) days following receipt of such notice within which to elect to accept or refuse participation in the well, the applicable zones and the production therefrom, provided that failure of a non-participating party to make an election within such period shall be deemed to be an election to accept such participation to the extent of its working interest in the spacing unit of the well. Subject to Clause 1015, if a non-participating party refuses participation as above provided, it shall be deemed to have forfeited its right of participation in and to the well and to the spacing unit of the well, insofar only as it relates to the applicable zones and the production therefrom, to the participating parties therein. If a non-participating party elects to accept participation in the well, the applicable zones and the production therefrom as above provided, its participation shall be equal to its working interest, and shall be effective as of the time when the gross proceeds of production from the well equalled the aggregate of the amounts prescribed by paragraphs (i), (ii), (iii) and (iv) of this Subclause, whereupon the accounts of the parties shall be adjusted accordingly. Thereafter, the well shall be held for the account of the parties then participating therein, and shall be operated by the Operator if it is one of the parties so participating, or an Operator appointed pursuant to Clause 1004 if the Operator has elected to forfeit its interest in the well.

(b) Notwithstanding the preceding Subclause, in the event the working interest of one or more of the parties is encumbered by an encumbrance not borne for the joint account which falls within the exception in Clause 802, the following shall apply to such additional encumbrance for the purposes of the calculation in Paragraph 1007(a)(i):

(i) if a participating party's working interest is encumbered by such an additional encumbrance, amounts paid by that participating party with respect to the application of such additional encumbrance to the production from the relevant well shall not be included in paragraph 1007(a)(i), subject to paragraph (ii) of this Subclause; and

(ii) if a non-participating party's working interest is encumbered by such an additional encumbrance, the participating parties shall make the required payments with respect to the application of such additional encumbrance to the production from the relevant well. As between only that non-participating party and those participating parties receiving the assignment of the production attributable to that non-participating party's working interest pursuant to this Clause, one hundred and fifty percent (150%) of the amounts so paid on behalf of that non-participating party shall be included in paragraph (a)(i).

(c) Throughout the period that the participating parties are retaining production from a well pursuant to Subclause (a) of this Clause, the proceeds from such production shall be applied on a current basis and in order, to paragraphs (i), (ii), (iii) and (iv) of that Subclause.

(d) If any cash contributions are received by the participating parties pursuant to Clause 1802 with respect to the release of information respecting a well drilled as an independent operation, the contribution shall be credited to paragraph (a)(iv) of this Clause to reduce the cost thereof for the calculation of the penalty relating thereto.

(e) Notwithstanding anything to the contrary contained in this Article, no cash payments, incentives, grants, credits, waivers, exemptions, abatements or other benefits received by (or available to) the participating parties pursuant to the Regulations with respect to an independent operation shall be taken into account when calculating any of the items set forth in paragraphs (a)(i) to (iv) inclusive of this Clause, provided that this Subclause shall not entitle the participating parties to include in the amounts to be recovered under paragraph 1007(a)(i) any amount which is not paid by the participating parties.

1008 INDEPENDENT DEEPENING, PLUGGING BACK, WHIPSTOCKING, RE-ENTRY AND COMPLETION, RECOMPLETION, REWORKING OR EQUIPPING –

(a) No operation notice for a deepening, plugging back, whipstocking, recompletion or reworking operation may be given with respect to a well producing or capable of producing petroleum substances in paying quantities. No operation notice may be given for a deepening of a well below its authorized total depth if one or more parties propose to attempt to complete the well at or above that depth pursuant to Article IX, unless and until either those parties no longer propose to attempt such completion or such completion has been conducted without resulting in the production of petroleum substances in paying quantities.

(b) A non-participating party with respect to a well may not propose any operation in the well unless and until (and only to the extent that) it has regained the right to share in production from the well.

(c) If an independent operation is a deepening, plugging back, whipstocking, re-entry and completion of a suspended well, recompletion, reworking or equipping operation which results in the production of petroleum substances in paying quantities from one or more zones, the provisions of Subclauses 1007 (a), (b), (c), (d) and (e) shall apply, mutatis mutandis, to such formations, the production therefrom, the operation and the recovery of costs of the operation (including the penalty provided therein), to the extent that such operation and production relates to the well as a development well or an exploratory well, as the case may be.

(d) If an independent operation is a deepening, plugging back, whipstocking, re-entry and completion of a suspended well, recompletion, reworking or equipping operation and within six (6) months of receipt of the operation notice by the receiving parties, the participating parties elect to terminate the operation or propose to abandon the well, they shall so notify the non-participating parties. Effective as of the date of issuance of that notice, the participating parties shall be deemed to have returned the well and the zones to the parties that held participating interests therein at the time such operation was proposed, and all further operations with respect thereto, including abandonment, shall, subject to Clause 904, be deemed to be proposed for the account of the parties then holding participating interests therein, except that:

(i) the salvable materials and equipment placed in and on the well by the participating parties shall be salvaged by and for the account of the participating parties; and

(ii) the participating parties shall bear all extra costs of abandonment incurred by reason of the operation.

If the participating parties do not propose termination of the operation or abandonment of the well within such six (6) month period, they shall forthwith thereafter pay to each non-participating party, its proportionate share of the net salvage value of the materials and equipment located in and on the well at the time the operation notice was received by the non-participating parties. The amounts so paid to those non-participating parties shall be deemed to be operating costs and included as a charge under paragraph 1007(a)(ii). Thereafter, a non-participating party shall have no legal responsibility with respect to the well, including the abandonment thereof, unless and until (and only to the extent that) it has resumed participation in the well and the production therefrom.

1009 WHERE WELL ABANDONED BEFORE PENALTY RECOVERED –

(a) If an independent operation is the drilling of a well and the well is to be abandoned before the gross proceeds of production therefrom equal the aggregate of the amounts prescribed by paragraphs 1007(a)(i) to (iv) inclusive, the participating parties shall abandon the well, record as a credit to the well the net salvage value of the materials and equipment recoverable from the well, as if such amount were proceeds from production, and report that credit in the monthly statement provided for in Clause 1013. If the gross proceeds from production from the well then exceed the aggregate of paragraphs 1007(a)(i) to (iv) inclusive, the excess amount shall be a credit for the joint account.

(b) Subject to Subclause (d) of Clause 1008, if an independent operation is the deepening, plugging back, whipstocking, re-entry and completion, recompletion, reworking or equipping of a well pursuant to Clause 1008 and the well is to be abandoned before the gross proceeds of production received therefrom by the participating parties after commencement of the operation equal the aggregate of the costs and penalties to be recovered by the participating parties pursuant to Subclause 1008(c), the participating parties shall abandon the well, record as a credit to the well the net salvage value of the materials and equipment recoverable from the well, as if such amount were proceeds from production, and report that credit in the monthly statement provided for in Clause 1013. If the gross proceeds of production from the well then exceed the aggregate of the amounts chargeable to the well pursuant to Clause 1008, the excess amount shall be a credit for the joint account.

1010 EXCEPTION TO CLAUSE 1007 WHERE WELL PRESERVES TITLE –

(a) In this Clause, the following terms shall have the meanings hereby assigned to them, namely:

(i) "common preserved lands" means that portion of the preserved lands with respect to which a subsequent title preserving well would have been a title preserving well had the title preserving well not been drilled, completed or recompleted.

(ii) "preserved lands" means any joint lands which would have been forfeited pursuant to a particular title document had a title preserving well not been drilled, completed or recompleted at the time and in the manner prescribed herein, subject to the designation of preserved lands pursuant to Subclause 309(d).

(iii) "subsequent title preserving well" means a well which is drilled, completed or recompleted hereunder at such time and in such manner that such well would have been a title preserving well with respect to all or a portion of the preserved lands had the title preserving well not been drilled, completed or recompleted.

(iv) "title preserving well" means a well which is drilled, completed or recompleted hereunder, where the failure to conduct such operation would result in the forfeiture of all or a portion of the joint lands contained in a title document and such operation is to be commenced not earlier than _____ days prior to the date such forfeiture would occur pursuant to such title document.

(b) Notwithstanding Clauses 903, 1007 and 1008, a non-participating party with respect to a title preserving well shall forfeit:

(i) upon completion of such operation, one hundred percent (100%) of its working interest in such well and the spacing unit for such well to the participating parties in the title preserving well, insofar only as such spacing unit pertains to the preserved lands; and

(ii) at the date the preserved lands otherwise would have been forfeited pursuant to the relevant title document, one hundred percent (100%) of its remaining working interest in the balance of the applicable preserved lands to the participating parties in the title preserving well, subject to Subclauses (c) and (d) of this Clause.

(c) The following shall apply with respect to a subsequent title preserving well:

(i) a non-participating party with respect to the title preserving well which participates in the subsequent title preserving well shall not forfeit its working interest in any common preserved lands pursuant to paragraph (b)(ii) of this Clause;

(ii) a non-participating party with respect to the title preserving well which is also a non-participating party with respect to the subsequent title preserving well shall, if the subsequent title preserving well is located on a spacing unit of preserved lands, forfeit one hundred percent (100%) of its working interest in the subsequent title preserving well and the common preserved lands included in the spacing unit for such well to the participating parties in the subsequent title preserving well, rather than to the participating parties in such title preserving well pursuant to paragraph (b)(ii) or Subclause (d) of this Clause; and

(iii) a participating party in the title preserving well which is a non-participating party with respect to the subsequent title preserving well shall be subject to the production penalty prescribed by Clause 903, 1007 or 1008 with respect to the subsequent title preserving well and the spacing unit for such well, provided that if the subsequent title preserving well preserves lands in addition to those preserved by the title preserving well, that party shall be subject to the forfeiture of one hundred percent (100%) of its working interest in such additional preserved lands pursuant to paragraph (b)(ii) of this Clause.

(d) Subject at all times to paragraphs (b)(i), (c)(i) and (c)(ii) of this Clause, the working interest to be forfeited by a party in any common preserved lands shall be allocated equally to the title preserving well and the applicable subsequent title preserving well, to be then apportioned among the respective participating parties pursuant to Clause 1016.

(e) In the event of a dispute as to the classification of a well as a title preserving well or the determination of either the preserved lands or the common preserved lands, a party may, by notice to the other parties, refer the matter to arbitration under the provisions of the Arbitration Act or Ordinance of the province, state or territory where the joint lands are situated not later than forty-five (45) days after the date at which the preserved lands otherwise would have been forfeited pursuant to the applicable title document. The parties to such dispute thereupon shall diligently attempt to complete such arbitration in a timely manner.

1011 INDEPENDENT GEOLOGICAL OR GEOPHYSICAL OPERATION -- Nothing in this Operating Procedure shall be interpreted to preclude a party from conducting a geological or geophysical operation on or with respect to the joint lands for its own account, provided that such operation shall not interfere with other joint operations. The parties not participating in such operation shall not be entitled to any information or data with respect thereto, unless such operation was the subject of an operation notice. In such event, any non-participating party may, prior to the end of the calendar year following the calendar year in which such operation was completed, pay to the participating parties two hundred percent (200%) of what its share of the cost of such operation would have been had the operation been conducted for the joint account. If a non-participating party makes that payment, it shall be entitled to a copy of all basic data obtained from the operation for its own use, but it shall not obtain any trading rights respecting that data or any interpretations of such data made by or for the participating parties, or any of them. The types and formats of data supplied to a non-participating party hereunder shall be consistent with established industry practice in data sales.

1012 USE OF BATTERY AND OTHER EQUIPMENT FOR INDEPENDENT WELL -- To the extent that capacity is available with respect to production facilities operated for the joint account, the participating parties in an independent operation shall be permitted to make use of and to share them in the same manner as if the operation had been conducted for the joint account, provided that a reasonable allocation of operating costs is made with respect to such sharing of such production facilities. However, to the extent that such production facilities are not adequate to accommodate both the independent operation and wells operated for the joint account, the latter shall have priority with respect to the utilization of such production facilities.

1013 ACCOUNTS AND AUDIT DURING PENALTY RECOVERY --

(a) Subject to Clauses 305 and 1018, the Operator for an independent operation shall supply all parties with a monthly statement showing the status of the recovery of costs and penalties pursuant to this Article during the period of recovery of such costs and penalties. The provisions of the Accounting Procedure relating to the audit of accounts shall apply, mutatis mutandis, to the audit of accounts with respect to such recovery of costs and penalties by the participating parties.

(b) If it is determined that the recovery of the costs and penalties prescribed by this Article with respect to an independent operation has occurred and that the participating parties either have not issued the non-participating parties notice of such recovery or have issued the notice to the non-participating parties later than thirty (30) days following such recovery, each non-participating party shall have the right to elect, within thirty (30) days following receipt of such notice or the discovery by it that such notice had not been issued, to obtain participation in such operation in the manner provided in this Article, effective as of the date of such recovery. The accounts of the parties shall retroactively be adjusted accordingly if one or more of the non-participating parties elect to obtain participation in the well. If a non-participating party retroactively obtains participation in such operation and amounts are owing to the non-participating party as a result of such election, the non-participating party may charge the participating parties which assumed its share of costs of such operation interest on the amount so owing on the same basis as is provided in paragraph 505(b)(i).

1014 PARTICIPANT'S RIGHTS AND DUTIES RE INDEPENDENT OPERATIONS -- Subject to the provisions of this Article, the provisions of this Operating Procedure relating to the rights, duties and obligations of the Operator and the Joint-Operators (including the provisions of Article IX) shall apply, mutatis mutandis, among the participating parties with respect to the conduct of the independent operation and, if applicable, to the operation of any well during the prescribed recovery of costs and penalties with respect thereto.

1015 REVERSION OF ZONE UPON ABANDONMENT -- If a geological zone or the right to production therefrom was (or is to be) assigned to the participating parties by the non-participating parties as a result of an independent operation respecting a well and such well is subsequently abandoned in such zone, each non-participating party shall reacquire the interest so assigned (or to be assigned) by it with respect to such zone, effective at the completion of such abandonment, provided that in no event shall the non-participating parties assume any responsibility for the costs or risks associated with such abandonment. However, nothing in this Clause shall apply to any assignment of a working interest by a non-participating party pursuant to Clause 1010.

1016 BENEFITS AND BURDENS TO BE SHARED – Any resultant assignment of production or forfeiture of any interest in the joint lands by a non-participating party pursuant to this Article shall be allocated among the participating parties in the proportions in which those parties have borne that share of the cost of the independent operation which would have been applicable to the non-participating party had the operation been conducted for the joint account. Except as provided in the preceding sentence, the benefits and burdens relating to an independent operation shall be shared by the participating parties in the proportions of their participating interests therein.

1017 INDEMNIFICATION OF NON-PARTICIPATING PARTIES – The participating parties in an independent operation shall:

(a) be liable to the non-participating parties with respect thereto for any losses, costs, damages and expenses whatsoever (whether contractual or tortious) which those non-participating parties suffer, sustain, pay or incur; and

(b) in addition, indemnify and hold harmless those non-participating parties and their Affiliates, directors, officers, servants, consultants, agents and employees against all actions, causes of action, proceedings, claims, demands, losses, costs, damages and expenses whatsoever which may be brought against or suffered by those non-participating parties, their Affiliates, directors, officers, servants, consultants, agents and employees or which they may sustain, pay or incur;

insofar as they are a direct result of or directly attributable to any act or omission (whether negligent or otherwise) of the participating parties or their Affiliates, directors, officers, servants, consultants, agents, employees, independent contractors, licencees or invitees with respect to such independent operation.

1018 NON-PARTICIPATING PARTY DENIED INFORMATION -- If an independent operation is the drilling of a well or is conducted on a well which has been drilled, the following shall apply with respect thereto:

(a) if the independent operation is the drilling of a well, a non-participating party shall not be entitled to access to the wellsite or any information with respect to the well, including monthly statements and audit privileges as provided in Clause 1013, until the earlier of the date it becomes a participating party or ninety (90) days after the date of the release of the drilling rig used to drill the well; or

(b) if the independent operation is conducted on a well which has been drilled, a non-participating party shall not be entitled to access to the wellsite or any information with respect such operation, including monthly statements and audit privileges as provided in Clause 1013, until the earlier of the date it becomes a participating party or one hundred and twenty (120) days after the date the operation notice is deemed to be received by it.

Once a non-participating party is entitled to access to the wellsite and such information, such party shall be provided with the rights and information to which it is entitled in a timely manner. However, if a non-participating party is required to make an assignment of such well pursuant to Clause 1010 with respect to such independent operation, such party shall not be entitled to access to the wellsite or any information with respect to the well pursuant to this Operating Procedure at any time.

1019 NO JOINT OPERATIONS UNTIL INFORMATION RELEASED -- If the participating parties are temporarily withholding well information from a non-participating party pursuant to Clause 1018, no participating party shall propose or conduct any operation pertaining to a well on the joint lands within 3.2 kilometres of such well (except regular production and maintenance operations on producing wells) until it has released such information to the non-participating party.

1020 POOLING OR UNITIZATION PRIOR TO RECOVERY – If an independent operation is the drilling of a well (or is conducted with respect to a well which has been drilled) to which the forfeiture in Clause 1010 does not apply, the participating parties may include the well and its spacing unit in a pooling agreement or unit with the consent of the non-participating parties, which consent shall not be unreasonably withheld. If the well and the spacing unit are included in a pooling agreement or unit, the participating parties shall retain the production allocated to the spacing unit until they have recovered all costs and penalties to which they are entitled pursuant to this Article X. The credits and debits accruing to the participating parties under a pooling or unit agreement with respect to any adjustment of investment for well costs paid and equipment supplied by them shall be allocated to the payout account of the well by the participating parties in accordance with the principles in Clauses 1007 and 1008, and shall be recorded in the monthly statement referred to in Clause 1013.

1021 NON-PARTICIPATION IN INSTALLATION OF PRODUCTION FACILITY – The parties normally shall consult with respect to the construction, acquisition or installation of production facilities and attempt to negotiate either an individual agreement respecting the construction, acquisition or installation of a production facility or the fee to be charged to a party which wishes to utilize such production facility, but does not wish to participate in such construction, acquisition or installation. Whether or not such consultation has occurred or been requested, a party may at any time become a proposing party and give to the other parties an operation notice respecting a production facility.

A party which receives an operation notice respecting the construction, acquisition or installation of a production facility shall, pursuant to Clause 1002, elect: to participate in such proposed operation; not to participate in such operation, but to take in kind, before the inlet of such proposed production facility, its share of any petroleum substances which would otherwise utilize such production facility for production, processing, treatment, storage or transmission; or not to participate in such operation and to incur a penalty with respect to such operation on the basis provided in this Clause. Failure of a party to make an election with respect to such operation notice within the period prescribed by Clause 1002 shall be deemed to be an election by such party not to participate in such operation and to take in kind, before the inlet of such proposed production facility, its share of any petroleum substances which would otherwise utilize such production facility.

If a production facility is constructed, acquired or installed as an independent operation, the following shall apply between the participating parties and those non-participating parties which did not elect to take in kind, before the inlet of such production facility, their share of petroleum substances which otherwise would utilize such production facility:

(a) If the wells on the joint lands to which such operation pertains are held for the joint account, the participating parties shall be entitled to retain possession of the production facility and all production from such wells which would utilize such production facility (and a non-participating party's share of any other hydrocarbon substances as that party and the participating parties may otherwise agree), excluding any such production owned or attributable to any party which has elected not to participate in such operation, but to take in kind such share of such production at the inlet of such production facility, until the gross proceeds (calculated at the wellhead) from the sale of such production equals the aggregate of:

(i) one hundred percent (100%) of the Lessor's royalty and any overriding royalties or other encumbrances thereon which otherwise would have been borne for the joint account which are paid with respect to such production, subject to Subclause (c) of this Clause;

(ii) one hundred percent (100%) of the operating costs incurred with respect to such production facility and its utilization for the production, processing, treatment, storage or transmission of petroleum substances; and

(iii) two hundred percent (200%) of the cost of the acquisition, construction and installation of such production facility.

The Operator for the participating parties shall notify those non-participating parties subject to the penalty upon recovery of the proceeds prescribed by paragraphs (i), (ii) and (iii) of this Subclause (a), not later than thirty (30) days following such recovery. Each such non-participating party shall have thirty (30) days following receipt of such notice within which to elect to accept or refuse participation in the production facility, provided that failure of such a non-participating party to make an election within such period shall be deemed to be an election to accept participation in such production facility. If such a non-participating party refuses participation as above provided, it thereby shall be deemed to have forfeited its right of participation in and to the production facility, and may thereafter only use such production facility with respect to its share of production from the joint lands for such fee as may be agreed from time to time with the parties which own such production facility, and failing agreement, in accordance with Subclause (d) of this Clause. If such a non-participating party elects to accept participation in the production facility, its participation in the production facility shall be equal to its working interest, and shall be effective as of the time the proceeds prescribed by paragraphs (i), (ii) and (iii) above have been recovered, whereupon the accounts of the participating parties and those non-participating parties so acquiring an interest in the production facility shall be adjusted accordingly. Thereafter, the production facility shall be held for the account of the parties participating therein, and shall be operated under the provisions of this Operating Procedure by the Operator if it is one of the parties so participating or by an Operator appointed pursuant to Clause 1004 if the Operator does not have a working interest in the production facility.

(b) Insofar as Clause 1007 applies to a well to which such operation pertains prior to the recovery of the amounts prescribed by Subclause 1007(a), Subclause (a) of this Clause shall apply immediately following the recovery of the amounts prescribed by Subclause 1007(a), such that a non-participating party with respect to the well may not resume participation in such well until the recovery of the additional amounts prescribed by Subclause (a) of this Clause.

(c) Except to the extent modified in this Clause, Subclauses 1007(b), (c), (d) and (e) shall apply, mutatis mutandis, to this Clause.

(d) To the extent that a party which elected to take in kind, before the inlet of such production facility, its share of petroleum substances which would otherwise utilize such production facility, does not take such petroleum substances in kind, the parties owning such production facility may, on behalf of such party, produce, process, treat, store or transmit that share of petroleum substances so delivered to such production facility. In such event (but subject always to any individual agreement negotiated by the parties owning such production facility and such other party respecting the utilization of such production facility), the parties owning such production facility shall, in addition to any marketing fee applicable pursuant to Article VI, be entitled to charge such other party a fee sufficient to cover the cost of producing, processing, treating, storing or transmitting, as the case may be, such other party's share of petroleum substances so utilizing such production facility, which fee shall also include a reasonable rate of return on capital investment in accordance with the principles in Clause 1404.

1022 NON-PARTICIPATION IN EXPANSION OF PRODUCTION FACILITY – Subject to Clause 1408, the provisions of Clause 1021 shall apply, mutatis mutandis, to an expansion of or an addition to an existing production facility, except that:

(a) Participation in such operation shall be limited to those parties holding a working interest in such production facility at the time such operation is proposed;

(b) A party holding a working interest in a production facility which receives an operation notice respecting such operation shall elect either to participate in such operation or to be subject to the recovery of the costs associated with such operation on the basis provided in Subclause 1021(a);

(c) A party holding a working interest in a production facility which is a non-participating party with respect to such operation shall acquire its working interest in the portion of the production facility resulting from such operation following the recovery of costs prescribed in Clause 1021; and

(d) If such operation is to be conducted prior to the recovery of costs prescribed by Subclause 1021(a) with respect to the construction or installation of such production facility, the costs of such operation shall be added to the costs to be recovered pursuant to that Subclause with respect to those non-participating parties subject to such cost recovery, provided that the proceeds of production to be applied against such costs shall be applied firstly to the penalty prescribed by Clause 1021 with respect to the construction, acquisition or installation of such production facility.

ARTICLE XI

SURRENDER AND QUIT CLAIM OF JOINT LANDS

1101 INITIATION OF SURRENDER PROPOSAL AND QUIT CLAIM OF INTERESTS --

(a) Not later than sixty (60) days before a rental date or other obligation date with respect to the joint lands affected (except an obligation to pay royalty or a drilling obligation not being enforced under the title documents), a party who proposes that some or all of the joint lands be surrendered to the grantor under the applicable title documents shall give notice to such effect to the other parties, subject to Subclause (b) of this Clause. Not later than thirty (30) days before the next ensuing rental date or other obligation date under the respective title documents included in the surrender notice, the parties receiving the notice shall each give notice to all other parties stating whether or not they wish to join in the proposed surrender. Failure to respond to such notice shall be deemed to be an election not to join in the surrender. Any party giving notice of the proposed surrender or giving notice of its intention to join in the proposed surrender may, by notice to the other parties, revoke its notice of intention to surrender at any time up to, but not later than, thirty (30) days before the next ensuing rental date or other obligation date under the respective title documents.

(b) Notwithstanding the preceding Subclause, the joint lands proposed for surrender must be of such dimensions that the grantor of the title documents to which such lands are subject would be obligated to accept the surrender pursuant to the title documents, and a party may not propose the surrender of a portion of the joint lands while an obligation exists with respect to such lands which cannot be avoided by the surrender or quit claim of those lands to the grantor of the title documents to which they are subject.

1102 SURRENDER BY ALL PARTIES -- Subject always to the provisions of Articles IX and X, if all parties join in a surrender under Clause 1101, the Operator shall proceed forthwith to salvage for the joint account all salvable material, equipment upon the lands to be surrendered, and, if applicable, any production facilities serving solely wells located upon the lands to be surrendered. The parties shall promptly execute and deliver to the Operator all documents necessary to effect the surrender, which documentation shall be prepared by the Operator. The Operator shall thereafter deliver all such documents to the grantor of the applicable title documents in order to effect the surrender properly.

1103 SURRENDER BY LESS THAN ALL PARTIES – If less than all parties join in the surrender, the parties not joining in the surrender shall (unless the Operator is one of them) promptly appoint an Operator pro tem for the parties retaining the applicable lands and interests. Such Operator shall be responsible for taking the necessary steps to ensure payment of rentals or the meeting of any other obligation to maintain such lands and interests in good standing for the benefit of the retaining parties.

1104 ASSIGNMENT OF SURRENDERED INTEREST --

(a) Effective as of 2400 hours on the day before the rental or other obligation referred to in Clause 1101 is required to be paid or met with respect to a title document included in the surrender notice, the parties which elected to surrender shall assign all of their interest in the joint lands and interests which were the subject of the proposed surrender notice to the retaining parties, in proportion to the retaining parties' working interests in the joint lands or in such proportions as the retaining parties may otherwise agree. Within thirty (30) days after receipt of the assignment, the parties shall determine, in accordance with the Accounting Procedure, the assignors' pre-surrender working interest share of the net salvage value of the recoverable material and equipment on the lands so assigned less the assignors' pre-surrender working interest share of the estimated cost of abandoning each well on the lands so assigned. The accounts of the parties shall be adjusted accordingly within thirty (30) days of such determination, and the provisions of Subclause 505(b) shall apply, mutatis mutandis, in the event the parties have not adjusted their accounts by such time.

(b) Upon the assignment described in the preceding Subclause, a party which so assigned its interest with respect to the applicable portion of the joint lands shall be released from all obligations thereafter accruing with respect to such lands. Such release shall not apply to any obligation which had accrued, and any environmental damage which had occurred, with respect to those lands or production facilities prior to such assignment, provided that such obligation shall not extend to the obligation to abandon any well on such lands.

1105 RETAINING PARTIES TO MEET OBLIGATIONS -- In accepting the interests of the surrendering parties, the retaining parties shall be deemed to have covenanted to satisfy the obligation which prompted the surrender proposal if: (i) the obligation could have been avoided had all parties joined in the proposed surrender; and (ii) failure to satisfy the obligation would prejudice the title of the parties in any other portion of the joint lands. However, this covenant shall not require the retaining parties to conduct any operation on or with respect to such surrendered lands in order to maintain them in good standing.

1106 FAILURE TO SURRENDER AS AGREED -- Where all of the parties have agreed to effect surrender pursuant to this Article (and whether or not some or all of them have taken any action by way of release or assignment pursuant to an intention to join in the surrender), the lands and interests which are the subject of the surrender notice shall be deemed to be held for the joint account until the surrender has been irrevocably effected, including the termination of any right to reinstate any title document, so that all of the parties shall receive or have the right to participate in any benefits which might accrue during the period before the surrender is irrevocably effected. If, however, any party to whom any interest is conveyed or released for the purpose of effecting the surrender does not duly proceed with the surrender and thereby causes any further obligation to arise, that party shall be solely responsible for meeting the obligation and shall indemnify the other parties for any losses they may suffer with respect thereto.

ARTICLE XII

ABANDONMENT OF WELLS

1201 PROCEDURE FOR ABANDONMENT -- If a party proposes to abandon a well on the joint lands (except at casing point, when Article IX shall apply), it shall give notice of the proposed abandonment to the other parties. Within thirty (30) days of receipt of the notice, each of the other parties shall elect, by notice to the other parties, whether it wishes to take over the well. Failure by a party to respond to such notice shall be deemed to an election by that party to take over, or participate in the takeover, of the well. Subject to Clauses 1015 and 1202, the parties taking over the well shall be entitled to an assignment, without consideration or warranty, of the abandoning parties' working interests in the well and in the spacing unit of the well, insofar as it relates to the producing zone of the well. All such assignments shall be proportionate to the non-abandoning parties' respective working interests each to the other prior to any such takeover or assignment, unless the non-abandoning parties agree to a different allocation of the assigned working interests. If all parties elect to join in the abandonment, the well shall be abandoned for the joint account.

1202 ASSIGNMENT OF EQUIPMENT AND SURFACE RIGHTS -- If less than all parties elect to abandon a well under Clause 1201, the abandoning parties shall, without warranty, promptly transfer to the other parties the materials and equipment serving solely the well. Within thirty (30) days of such transfer, the parties shall determine, in accordance with the Accounting Procedure, the abandoning parties' working interest share of the net salvage value of such materials and equipment, less the abandoning parties' working interest share of the estimated cost of abandoning the well. The accounts of the parties shall be adjusted accordingly within thirty (30) days of such determination, and the provisions of Subclause 505(b) shall apply, mutatis mutandis, in the event the parties have not adjusted their accounts by such time. The abandoning parties shall also transfer to the other parties, without warranty or consideration, the surface rights appurtenant to the well. The parties receiving the assignment thereupon shall be responsible for all obligations accruing with respect to such well following such takeover, subject to Clause 1203.

1203 REVERSION OF ZONES UPON SUBSEQUENT ABANDONMENT -- If the parties that took over a well subsequently cease to maintain the well as a producer of petroleum substances from a zone which was assigned to them pursuant to Clause 1202, each of those parties shall re-assign to the applicable assignor all of the interest assigned to it by the assignor in that zone. Such interest thereupon shall be vested again in the assignor and included in the joint lands. However, nothing in this Clause shall be construed to affect the ownership of the well and the materials and equipment appurtenant thereto, as determined pursuant to Clauses 1201 and 1202, and the responsibility for the abandonment of the well, which shall be retained by the parties that took over the well.

ARTICLE XIII

OPERATION OF LANDS SEGREGATED FROM JOINT LANDS

1301 OPERATING PROCEDURE TO APPLY -- Where by reason of the operation of any provision hereof any portion of the joint lands ceases to be owned by the parties in the same percentages of interest as their working interests or ceases to be owned by all of the parties, the parties acquiring the different percentages of interest in such lands shall thereafter hold the same as if they are parties to a separate Operating Procedure, the terms of which are identical to the terms hereof, having regard only to the different ownership and percentages of ownership interest in those lands, and such portion of the joint lands shall cease to be "joint lands" hereunder. The parties holding working interests in the lands which cease to be joint lands under this Clause shall appoint one of them to be the initial Operator under the separate Operating Procedure, in accordance with the provisions of Article II thereof. This Clause shall apply, mutatis mutandis, to a production facility.

ARTICLE XIV

OPERATION OF JOINT PRODUCTION FACILITIES

1401 OWNERSHIP OF PRODUCTION FACILITIES -- Subject to Clauses 1021 and 1022, each Joint-Operator owns an undivided interest equal to its working interest in each production facility.

1402 COMMITMENT TO DELIVER -- Each Joint-Operator shall, subject to Clauses 1021 and 1022, utilize each production facility to produce, process, treat, store or transmit, as the case may be, its share of the petroleum substances produced from the joint lands.

1403 USE OF PRODUCTION FACILITIES -- Each production facility shall be used primarily for the production, processing, treatment, storage or transmission, as the case may be, of petroleum substances produced from the joint lands. If surplus capacity in any production facility is available at any time, any Joint-Operator may use all or a portion of such surplus capacity to produce, process, treat, store or transmit, as the case may be, other hydrocarbon substances which are produced from lands other than the joint lands (in this Article called "outside substances") and are owned by it, provided that:

(a) such outside substances are at all times and in all ways (including the manner and timing of the production and delivery thereof to such production facility) compatible with the design, nature and operation of such production facility and the petroleum substances produced from the joint lands (including the manner and timing of the production and delivery thereof to such production facility); and

(b) the production, processing, treatment, storage or transmission, as the case may be, of petroleum substances produced from the joint lands shall at all times take precedence respecting the use of such production facility, and to the extent that all or a portion of such surplus capacity is required for such purpose, the delivery of such outside substances shall be curtailed or shall cease, as required.

In the event that there is competition for surplus capacity, such surplus capacity shall be prorated to the Joint-Operators desiring to use the same, based on the percentage that each such Joint-Operator's interest in the production facility to which such surplus capacity relates, bears to the total combined interest in such production facility of all of the Joint-Operators seeking to utilize such surplus capacity. If a Joint-Operator is eligible to use more surplus capacity than such Joint-Operator desires to utilize pursuant to such calculation, such Joint-Operator shall be allocated only the desired capacity, whereupon such capacity shall be subtracted from the total surplus capacity available. The remaining surplus capacity shall then be prorated in such manner to the other Joint-Operators desiring to use the same, until all of the surplus capacity has been allocated.

1404 THIRD PARTY CUSTOM USAGE -- A production facility may only be utilized with respect to the production, processing, treatment, storage or transmission of outside substances owned by a third party with the approval of all of the Joint-Operators having an interest in such production facility. Any such arrangement to allow a third party to utilize a production facility shall be entered into by the Operator on behalf of all of the Joint-Operators having an interest in such production facility, on terms and conditions similar to those outlined in Clause 1403. All third party outside substances so produced, processed, treated, stored or transmitted shall be subject to a fee as agreed upon by such Joint-Operators. Such fee shall be composed of:

(a) a capital recovery component, so as to provide the Joint-Operators with a reasonable rate of return on their capital investment; and

(b) an operating cost component, which shall be calculated and assessed in accordance with the provisions of Clause 1405 on the same basis that the Joint-Operators bear and pay operating costs with respect to the applicable production facility.

The capital recovery component of all fees received from a third party under any such arrangement shall be allocated to and distributed among the Joint-Operators in accordance with their interests in such production facility. The operating cost component of any such fees shall be applied against the operating costs for the production facility.

1405 ALLOCATION OF COSTS -- Each Joint-Operator shall reimburse the Operator for a portion of the operating costs incurred with respect to any production facility. This reimbursement shall either be in that proportion which the volume of petroleum substances and outside substances delivered to such production facility by or on behalf of such Joint-Operator bears to the total volume of all petroleum substances and outside substances delivered to such production facility or on such other basis as the Operator, with the approval of the parties pursuant to the Accounting Procedure, may determine is appropriate. Notwithstanding the foregoing sentence, to the extent that there is a significant variation in the composition of the various streams of petroleum substances and outside substances being delivered to such production facility, the Operator shall advise the other Joint-Operators, who shall meet with the Operator to attempt to determine an equitable method of allocating the operating costs incurred with respect to such production facility. Subject to Clauses 1021 and 1022, each Joint-Operator having an interest in a production facility shall bear a share of the capital costs subsequently incurred respecting such production facility, equal to its interest in such production facility. Notwithstanding anything to the contrary contained herein, the Operator shall be entitled to deny any outside substances entry into any production facility, if the Operator, in its sole discretion, believes that the cost to process, treat, store or transport such outside substances, as the case may be, would be significantly higher than the average cost to process, treat, store or transport the petroleum substances.

1406 ALLOCATION OF PRODUCTS -- Subject to Clauses 1021 and 1022, each Joint-Operator shall be entitled to and allocated a share of any products produced from the processing or treatment of petroleum substances or outside substances at any production facility, when produced from such production facility, in that proportion which the volume of petroleum substances and outside substances delivered to such production facility by or on behalf of such Joint-Operator bears to the total volume of all petroleum substances and outside substances delivered to such production facility. Notwithstanding the foregoing sentence, if there is a significant variation in the composition of the various streams of petroleum substances and outside substances being delivered to such production facility at any time, the Operator shall advise the other Joint-Operators, who shall meet with the Operator to attempt to determine an equitable method of allocating the products produced from such production facility.

1407 ALLOCATION OF LOSSES AND SHRINKAGE -- The Operator shall have the right to flare any petroleum substances, outside substances or any product obtained from the processing or treatment thereof, at any time and from time to time, at its sole discretion, in the event of an emergency or operational problem. With respect to any production facility, each Joint-Operator utilizing such production facility shall bear a share of any losses or gains actually incurred with respect to petroleum substances, outside substances or any products obtained from the processing or treatment thereof, due to evaporation, leakage, spills, flaring, handling, measurement or use as facility fuel, in that proportion which the volume of petroleum substances and outside substances delivered to such production facility by or on behalf of such Joint-Operator bears to the total volume of all petroleum substances and outside substances delivered to such production facility. Notwithstanding the foregoing sentence, if the Operator is able to identify the actual owner of any such gain or loss, such owner shall bear such loss or share such gain in proportion to its ownership thereof.

1408 EXPANSION OF PRODUCTION FACILITIES -- If any proposed expansion of or addition to a production facility would result in such production facility no longer being used primarily for the production, processing, treatment, storage or transmission, as the case may be, of petroleum substances produced from the joint lands, such proposal shall not be subject to the provisions hereof. Upon the commencement of any construction relating to such proposal, such production facility shall cease to be a production facility and shall no longer be subject to the provisions hereof, provided that nothing contained herein shall affect the application of such provisions to the period during which such facility had been held as a production facility hereunder.

1409 REFERENCE TO ARBITRATION -- If there is a dispute between or among the parties with respect to: (i) the approval of a facility usage fee for a production facility pursuant to either Clause 1021 or 1404; (ii) the allocation of operating costs pursuant to Clause 1405; or (iii) the allocation of products utilizing a production facility, a party may, by notice to the other parties, cause the matter to be referred to arbitration under the provisions of the Arbitration Act or Ordinance of the province, state or territory where the production facility is located.

ARTICLE XV

RELATIONSHIP OF PARTIES

1501 PARTIES TENANTS IN COMMON -- The rights, duties, obligations and liabilities of the parties hereunder shall be separate and not joint or collective, nor joint and several, it being the express purpose and intention of the parties that their interests in the joint lands and in the wells, equipment, production facilities and property thereon held for the joint account shall be held as tenants in common, subject to the modification of the incidents thereof that are provided in this Operating Procedure. Nothing contained herein shall be construed as creating a partnership, joint venture or association of any kind or as imposing upon any party, any partnership duty, obligation or liability to any other party.

ARTICLE XVI

FORCE MAJEURE

1601 DEFINITION OF FORCE MAJEURE -- For the purposes of this Article, "force majeure" means an occurrence beyond the reasonable control of the party claiming suspension of an obligation hereunder, which has not been caused by such party's negligence and which such party was unable to prevent or provide against by the exercise of reasonable diligence at a reasonable cost and includes, without limiting the generality of the foregoing, an act of God, war, revolution, insurrection, blockage, riot, strike, a lockout or other industrial disturbance, fire, lightning, unusually severe weather, storms, floods, explosion, accident, shortage of labour or materials or government restraint, action, delay or inaction.

1602 SUSPENSION OF OBLIGATIONS DUE TO FORCE MAJEURE -- If any party is prevented by force majeure from fulfilling any obligation hereunder, the obligations of the party, insofar only as its obligations are affected by the force majeure, shall be suspended while the force majeure continues to prevent the performance of such obligation and for that time thereafter as that party may reasonably require to commence to fulfill such obligation. A party prevented from fulfilling any obligation by force majeure shall promptly give the other parties notice of the force majeure and the affected obligations, including reasonably full particulars in respect thereof.

1603 OBLIGATION TO REMEDY -- The party claiming suspension of an obligation as aforesaid shall promptly remedy the cause and effect of the applicable force majeure, insofar as it is reasonably able so to do, and such party shall promptly give the other parties notice when the force majeure ceases to prevent the performance of the applicable obligation. However, the terms of settlement of any strike, lockout or other industrial disturbance shall be wholly in the discretion of such party, notwithstanding Clause 1601, and that party shall not be required to accede to the demands of its opponents in any strike, lockout or industrial disturbance solely to remedy promptly the force majeure thereby constituted.

1604 EXCEPTION FOR LACK OF FINANCES -- Notwithstanding anything contained in this Article, lack of finances shall not be considered a force majeure, nor shall any force majeure suspend any obligation for the payment of money due hereunder.

ARTICLE XVII

INCENTIVES

1701 INCENTIVES TO BE SHARED -- Any drilling or other well incentives, geophysical incentive credits or grouping rights which accrue collectively to the parties under the Regulations with respect to any operation conducted on the joint lands shall be shared by the parties which participate in such operation, in proportion to their participating interests therein.

ARTICLE XVIII

CONFIDENTIAL INFORMATION

1801 CONFIDENTIALITY REQUIREMENT - Each party entitled to information obtained hereunder or pursuant to the Agreement may use such information for its sole benefit. However, the parties shall take such measures with respect to operations and internal security as are appropriate in the circumstances to keep confidential from third persons all such information, except information which the parties have expressly agreed among themselves to release and information disclosed by a party:

(a) when and to the extent required by the Regulations and securities laws applicable to such party, provided that such party shall invoke any confidentiality protection permitted by such Regulations and securities laws;

(b) to an Affiliate, provided that such party shall be deemed to have required such Affiliate to maintain the confidential status of the disclosed information in accordance with this Article XVIII, that such Affiliate shall be deemed to have accepted such obligation and that such party shall be liable for any loss suffered by the parties, or any of them, because of the failure of such Affiliate to maintain such information confidential;

(c) to a third person to which such party has been permitted to assign a portion of its interest hereunder, provided that a binding covenant is obtained from such third person prior to disclosure which provides, inter alia, that none of such information shall be disclosed by it to any other third person;

(d) to the technical, financial or other professional consultants of such party which require such information to provide their services to such party or to a bank or other financial institution from which such party is attempting to obtain financing, provided that a binding covenant is obtained from such consultant or financier, as the case may be, prior to such disclosure, which provides, inter alia, that none of such information shall be disclosed by it to any other third person or used for any purposes other than advising such party or providing financing to such party, as the case may be; and

(e) as and when required to any recognized association within the petroleum industry, of which such party is a member, that engages in the exchange of factual information relating to the type of operations conducted pursuant to this Agreement, unless and to the extent that the information pertains to a well drilled hereunder which a party had requested to be given tight hole status, provided that such party shall invoke any confidentiality protection permitted by such association with respect to such disclosed information.

However, the confidentiality obligation in this Clause shall not extend to information to the extent it is in the public domain, provided that specific items of information shall not be considered to be in the public domain merely because more general information is in the public domain.

1802 DISCLOSURE OF INFORMATION FOR CONSIDERATION - Notwithstanding Clause 1801, a party which proposes to disclose information obtained hereunder or pursuant to the Agreement for cash, in exchange for other information or for other consideration shall notify each other party having a proprietary interest in such information of the details of such proposed transaction. Within fifteen (15) days following receipt of such notice, each of those parties shall, by notice, advise the party which proposes to make such disclosure whether it approves of such disclosure on the terms specified in such notice, provided that failure of a party to respond within such period shall be deemed to be the approval of such party to the disclosure of such information on such terms. Unless the party which proposes to disclose such information obtains such approvals from all of those other parties, the proposed disclosure of such information shall be prohibited. In the event such approvals are obtained, the consideration to be received for such disclosure shall be shared by the applicable parties in the proportions of their proprietary interests in such information.

1803 CONFIDENTIALITY REQUIREMENT TO CONTINUE - Notwithstanding the foregoing provisions of this Article, any party which otherwise ceases to be bound by the provisions of this Operating Procedure shall nevertheless remain bound by the provisions of this Article with respect to information obtained hereunder or pursuant to the Agreement until and to the extent that such information is in the public domain.

ARTICLE XIX

DELINQUENT PARTY

1901 CLASSIFICATION AS DELINQUENT PARTY -- If a party changes its address and does not provide the other parties with notice of its changed address for service and subsequently cannot readily be located, or if any party becomes inactive or is struck off the corporate register or otherwise consistently refuses or neglects to answer communications addressed to it at its address for service, the Operator may send notice, by registered mail to that party at its last address for service hereunder, advising such party that it shall thereafter be considered a delinquent party within the meaning of this Article.

1902 EFFECT OF CLASSIFICATION AS DELINQUENT PARTY – From the fifteenth (15th) day after the Operator has forwarded the notice described in Clause 1901, the delinquent party shall thereafter:

(a) not be entitled to any further notices or communications from the Operator or any other party with respect to any matter hereunder, including information from operations;

(b) be deemed to have elected not to participate in any operation thereafter proposed to be conducted for the joint account; and

(c) be deemed to have elected to join, proportionate to its working interest, with the Operator in the joint lands affected, in all farmouts, assignments, surrenders and abandonments proposed and effected hereunder by the Operator for its own account, and any such dispositions effected by the Operator, or by any of the parties at the direction of the Operator, shall be binding on the delinquent party.

However, the proceeds of the sale of the delinquent party's share of petroleum substances and any other funds accruing to the working interest of the delinquent party shall be retained in trust by the Operator for the account and benefit of the delinquent party, after deducting the delinquent party's proportionate share of operating costs and all other relevant costs and expenses incurred for the joint account and any marketing fee applicable to the delinquent party's share of such petroleum substances pursuant to Article VI.

1903 RESTORATION OF STATUS – If a delinquent party subsequently communicates with the Operator, pays all amounts owing by it hereunder, satisfies all of its other obligations hereunder and undertakes in writing to comply from that time with the provisions of this Operating Procedure, such party's rights and obligations hereunder shall be restored to it, provided that such party shall be deemed to have ratified all actions taken pursuant to this Article, including, without restricting the generality of the foregoing, any elections or transactions made on its behalf pursuant to Clause 1902.

1904 LIEN NOT AFFECTED – Nothing in this Article shall derogate from the enforcement of the lien of the Operator and the other parties pursuant to Clauses 505 and 506.

ARTICLE XX

WAIVER

2001 WAIVER MUST BE IN WRITING – No waiver by any party of any breach (whether actual or anticipated) of any of the covenants, provisos, conditions, restrictions or stipulations herein contained shall take effect or be binding upon that party unless the same is expressed in writing under the authority of that party. Any waiver so given shall extend only to the particular breach so waived and shall not limit or affect any rights with respect to any other or future breach.

ARTICLE XXI

FURTHER ASSURANCES

2101 PARTIES TO SUPPLY – Each party shall from time to time and at all times do all such further acts and execute and deliver all further deeds and documents as may be reasonably required in order fully to perform and carry out the terms of this Operating Procedure.

ARTICLE XXII

NOTICE

2201 SERVICE OF NOTICE -- Whether or not so stipulated herein, all notices, communications and statements (herein called "notices") required or permitted hereunder shall be in writing, subject to the provisions of this Clause. Any notice to be given hereunder shall be deemed to be served properly if served in any of the following modes:

(a) personally, by delivering the notice to the party on whom it is to be served at that party's address for service. Personally served notices shall be deemed received by the addressee when actually delivered as aforesaid, if such delivery is during normal business hours, on any day other than a Saturday, Sunday or statutory holiday. If a notice is not delivered during the addressee's normal business hours, such notice shall be deemed to have been received by such party at the commencement of the day next following the date of delivery, other than a Saturday, Sunday or statutory holiday; or

(b) by telecopier or telex (or by any other like method by which a written and recorded message may be sent) directed to the party on whom it is to be served at that party's address for service. A notice so served shall be deemed received by the respective addressees thereof: (i) when actually received by them, if received within the normal business hours on any day other than a Saturday, Sunday or statutory holiday; or (ii) at the commencement of the next ensuing business day following transmission thereof if such notice is not received during such normal business hours; or

(c) by mailing it first class (air mail if to or from a location outside of Canada) registered post, postage prepaid, directed to the party on whom it is to be served at that party's address for service. Notices so served shall be deemed to be received by the addressees at noon, local time, on the earlier of the actual date of receipt or the fourth (4th) day (excluding Saturdays, Sundays and statutory holidays) following the mailing thereof. However, if postal service is interrupted or operating with unusual or imminent delay, notice shall not be served by such means during such interruption or period of delay.

However, where this Operating Procedure provides for a notice period of forty-eight (48) hours or less, the applicable notice shall be given in accordance with Subclause (a) or (b) of this Clause, provided that notices of twenty-four (24) hours or less under Article IX may be made by telephone and shall be deemed to be received at the conclusion of the conversation if: the telephone conversation is between representatives of the parties who are specifically authorized to accept such notice; such representatives are officially on duty at the time of such conversation; and such telephone conversation and notice are then confirmed pursuant to Subclause (a) or (b) of this Clause.

2202 ADDRESSES FOR NOTICES -- The address for service of notices hereunder of each of the parties shall be as follows:

2203 RIGHT TO CHANGE ADDRESS – Any party may change its address for service by notice to the other parties, and such changed address for service thereafter shall be effective for all purposes of this Operating Procedure.

ARTICLE XXIII

NO PARTITION

2301 WAIVER OF PARTITION OR SALE -- No party shall exercise any right to apply for any partition of the joint lands or any production facility or sale thereof in lieu of partition.

ARTICLE XXIV

DISPOSITION OF INTERESTS

2401 RIGHT TO ASSIGN, SELL OR DISPOSE -- Other than as required and allowed one party to another elsewhere in this Operating Procedure and subject to Clause 2402, a party shall not dispose of any of its working interest, whether by assignment, sale, trade, lease, sublease, farmout or otherwise, without first complying with the provisions of ALTERNATE ____ below (Specify A or B):

ALTERNATE - A:

The party wishing to make the disposition shall, by notice, advise the other parties of its intention to make the disposition, including in such notice a description of the working interest proposed to be disposed and the identity of the proposed assignee, and request their written consent to such disposition, which consent shall not be unreasonably withheld. Failure of a party to reply to the request for consent within twenty (20) days of its receipt shall be deemed to be the consent of such party to such disposition. It shall be reasonable for a party to withhold its consent to a disposition hereunder if it reasonably believes that the disposition would be likely to have a material adverse effect on it, its working interest or operations to be conducted hereunder, including, without limiting the generality of all or any part of the foregoing, a reasonable belief that the proposed assignee does not have the financial capability to meet prospective obligations arising out of this Operating Procedure.

ALTERNATE - B:

(a) The party wishing to make the disposition (in this Article called "the disposing party") shall, by notice, advise each other party (in this Article called an "offeree") of its intention to make the disposition, including in such notice a description of the working interest proposed to be disposed, the identity of the proposed assignee, the price or other consideration for which the disposing party is prepared to make such disposition, the proposed effective date and closing date of the transaction and any other information respecting the transaction which the disposing party reasonably believes would be material to the exercise of the offerees' rights hereunder (such notice in this Article called "the disposition notice").

(b) In the event the consideration described in the disposition notice cannot be matched in kind and the disposition notice does not include the disposing party's bona fide estimate of the value, in cash, of such consideration, an offeree may, within seven (7) days of the receipt by the offerees of the disposition notice, request the disposing party to provide such estimate to the offerees, whereupon the disposing party shall provide such estimate in a timely manner and the election period provided herein to the offerees shall be suspended until such estimate is received by the offerees.

(c) In the event of a dispute as to the reasonableness of an estimate of the cash value of the consideration described in the disposition notice or provided pursuant to Subclause (b), as the case may be, the matter shall be referred to arbitration under the provisions of the Arbitration Act or Ordinance of the province, state or territory where the joint lands are situated within seven (7) days of the receipt of such estimate. The disposing party and the applicable offeree shall thereupon diligently attempt to complete such arbitration in a timely manner. The equivalent cash consideration determined in such arbitration shall thereupon be deemed to be the sale price for the working interest described in the disposition notice.

(d) Within the later of: i) thirty (30) days from the receipt of the disposition notice, as modified by any suspension pursuant to Subclause (b) of this Alternate B; or ii), if applicable, fifteen (15) days from receipt of notice of the arbitrated value determined pursuant to the preceding Subclause, an offeree may give notice to the disposing party that it elects to purchase the working interest described in the disposition notice for the applicable price (in this Article called a "notice of acceptance"). A notice of acceptance shall create a binding contractual obligation upon the disposing party to sell, and upon an offeree giving a notice of acceptance to purchase, for the applicable price, all of the working interest included in such disposition notice on the terms and conditions set forth in the disposition notice. However, if more than one offeree gives a notice of acceptance, each such offeree shall purchase the working interest to which such notice of acceptance pertains in the proportion its working interest bears to the total working interest of such offerees.

(e) In the event that the working interest described in the disposition notice is not disposed of to one or more of the offerees pursuant to the preceding Subclause, the disposition to the proposed assignee shall be subject to the consent of the offerees. Such consent shall not be unreasonably withheld, and it shall be reasonable for an offeree to withhold its consent to the disposition if it reasonably believes that the disposition would be likely to have a material adverse effect on it, its working interest or operations to be conducted hereunder, including, without limiting the generality of all or any part of the foregoing, a reasonable belief that the proposed assignee does not have the financial capability to meet prospective obligations arising out of this Operating Procedure. However, an offeree shall be deemed to have consented to the disposition to the proposed assignee, unless, within the time period prescribed in Subclause (d), the offeree advises the other parties, by notice, that it is not prepared to consent to such disposition.

(f) If the working interest described in the disposition notice is not disposed of to one or more of the offerees pursuant to Subclause (d), the disposing party may, subject to obtaining the consents prescribed by the preceding Subclause, dispose of such working interest at any time within one hundred and fifty (150) days from the issuance of such disposition notice, provided that such disposition is not on terms that are more favourable to such purchaser than those offered in the disposition notice.

(g) Following a disposition herein or one hundred and fifty (150) days following the issuance of a disposition notice from which a disposition did not result, as the case may be, the provisions of this Alternate shall once again apply to the working interest described in the disposition notice.

2402 EXCEPTIONS TO CLAUSE 2401 – Clause 2401 shall not apply in the following instances, namely:

(a) An assignment made by way of security for the assignor's present or future indebtedness, or liabilities (whether contingent, direct or indirect and whether financial or otherwise), the issuance of the bonds or debentures of a corporation, or the performance of the obligations of the assignor as a guarantor under a guarantee, provided that in the event the security is enforced by sale or foreclosure, Clause 2401 shall apply.

(b) A disposition to an Affiliate of the assignor, or in consequence of a merger or amalgamation of the assignor with another corporation or pursuant to an assignment, sale or disposition made by a party of its entire working interest to a corporation in return for shares in that corporation or to a registered partnership in return for an interest in that partnership.

(c) A disposition made by the assignor of all, or substantially all, or of an undivided interest in all or substantially all, of its petroleum and natural gas rights in the province, state or territory where the joint lands are situated, and for the purposes of this Subclause, "substantially all" means a percentage of ninety percent (90%) or more of the net hectares held by such party in that province, state or territory.

(d) A disposition by a party in which the net hectares being disposed of by that party in the joint lands represent less than five percent (5%) of the total net hectares being disposed of by that party pursuant to that disposition.

However, a party making such a disposition pursuant to Subclause (b), (c) or (d) of this Clause shall advise the other parties of such disposition in a timely manner.

2403 MULTIPLE ASSIGNMENT NOT TO INCREASE COSTS -- If any assignment of working interest is made to multiple assignees so as to increase the expenses or duties of the Operator, the Operator may require the assignees (and the assignor if it retains a working interest) to appoint one of their number as representing all of them for the purposes of this Operating Procedure, unless arrangements satisfactory to the Operator are made to compensate the Operator for the increased expenses or duties.

2404 RECOGNITION UPON ASSIGNMENT – Other than as required and allowed one party to another elsewhere in this Operating Procedure, a party which proposes that an assignment of a working interest, or a corresponding interest in the Agreement and this Operating Procedure, shall be effective against the parties who are not parties to the assignment (in this Clause called the "other parties") shall first comply with the provisions of ALTERNATE ______ below (Specify A or B):

ALTERNATE - A:

The assignment of a working interest or a corresponding interest in the Agreement and this Operating Procedure shall only be effective against the other parties if:

(i) notice of the assignment has been served on each of the other parties in accordance with Clause 2401, if applicable; and

(ii) the assignor and assignee have entered into an agreement with the other parties, which is acceptable to the other parties, to ensure the assumption of and compliance with the obligations of the assignor by the assignee with respect to the interest assigned to the assignee.

- OR -

ALTERNATE - B:

The assignment of a working interest or a corresponding interest in the Agreement and this Operating Procedure shall only be effective against the other parties if:

(i) notice of the assignment has been served on each of the other parties in accordance with Clause 2401, if applicable; and

(ii) the assignor and the assignee have entered into an agreement with the other parties, to ensure the assumption of and compliance with the obligations of the assignor by the assignee with respect to the interest assigned to the assignee, provided that the other parties shall be deemed to have executed that agreement, unless, within ninety (90) days of the receipt of that agreement, one (1) or more of the other parties have advised the parties, by notice, that they are not prepared to execute that agreement and the reasonable objections they have to that agreement.

The assignor shall forthwith give notice to the parties respecting the status of that agreement upon the earliest of: execution of that agreement by the other parties; the receipt of notices of one or more of the other parties that they are not prepared to execute that agreement; or the expiry of such ninety (90) day period, as the case may be.

The following conditions shall be applicable to the ALTERNATE which is specified:

(a) Subject to Subclause (b) of this Clause, if an assignment is effected in the manner prescribed in this Clause, the assignment shall be effective against the other parties at the time specified in the agreement provided to the other parties pursuant to the Alternate specified in this Clause.

(b) Until the agreement provided to the other parties pursuant to the Alternate specified in this Clause has been executed, or, if applicable, deemed to have been executed by the other parties, the assignor shall continue to remain liable to the other parties for performance of the obligations applicable to the assigned interest under the Agreement and this Operating Procedure. The other parties may also rely on the assignor as being trustee for and authorized agent of the assignee in all matters relating to the assigned interest during such period.

(c) This Clause 2404 shall in no event operate to affect or impede an assignment described in Subclause 2402(a).

ARTICLE XXV

LITIGATION

2501 CONDUCT OF LITIGATION – Litigation with respect to the title documents, the joint lands or any joint operation shall be conducted for the joint account on behalf of all parties, unless and to the extent that such litigation is among the parties. Each party shall notify the other parties of any process served upon it, or of any process it intends to serve, in any action involving the title documents, the joint lands or any joint operation. The parties then shall decide whether an action for the joint account shall be handled by the solicitors of the parties or by joint counsel mutually selected by the parties. However, nothing contained in this Clause shall preclude a party from also acting on its own (and at its own expense) if, in its opinion, it considers such action advisable or necessary to protect its particular interest hereunder, provided that a party so acting on its own behalf shall not pursue a course of action contrary to litigation then being conducted for the joint account.

ARTICLE XXVI

PERPETUITIES

2601 LIMITATION ON RIGHT OF ACQUISITION -- Notwithstanding anything to the contrary contained herein, the right of any party to acquire any interest in the joint lands hereunder shall not extend beyond the period prescribed by the applicable perpetutities Regulations or, in the absence of such Regulations, twenty-one (21) years after the lifetime of the last survivor of the lawful descendants now living of Her Majesty Queen Elizabeth II.

ARTICLE XXVII

UNITED STATES TAXES

2701 UNITED STATES TAXES -- If for purposes of the United States Internal Revenue Code of 1986, as amended, ("the Code") this Operating Procedure or the relationship established thereby constitutes a partnership as defined in Section 761(a) of the Code, each of the parties who are entitled under such Section to elect, hereby elects to have such partnership excluded from the application of Subchapter K of Chapter 1 of Subtitle A of the Code, or such portion thereof as the Secretary of the Treasury of the United States, or his delegate, shall permit by election to be excluded therefrom. The Operator is authorized to execute such election on behalf of the parties who are entitled to make such election and to file the election with the proper United States government office or agency. The Operator is further authorized and directed to execute and file such additional and further evidence of such election as may be required, all at the expense solely of those parties subject to the Code. However, if the Operator is not subject to the Code with respect to the joint lands, the obligations of the Operator under this Clause shall be fulfilled by the party who is subject to the said Code with respect to the joint lands and who, among those parties subject to the Code, holds the greatest working interest.

ARTICLE XXVIII

MISCELLANEOUS

2801 SUPERSEDES PREVIOUS AGREEMENTS -- Except for the Agreement (other than to the extent that the Agreement by its terms becomes ineffective when this Operating Procedure is made effective), this Operating Procedure supersedes all other agreements, documents, writings and verbal understandings among the parties relating to the joint lands and any production facilities, and expresses all of the terms and conditions agreed upon by the parties with respect to the joint lands and any production facilities.

2802 TIME OF ESSENCE -- Time shall be of the essence in this Operating Procedure.

2803 NO AMENDMENT EXCEPT IN WRITING -- Except as otherwise provided in this Operating Procedure, no amendment or variation of the provisions of this Operating Procedure shall be binding upon any party unless and until it is evidenced in writing executed by the parties.

2804 BINDS SUCCESSORS AND ASSIGNS -- Subject to the provisions of Article XXIV, this Operating Procedure shall enure to the benefit of and shall bind the parties, their respective successors and assigns and the heirs, executors, administrators and assigns of natural persons who are or become parties.

2805 LAWS OF JURISDICTION TO APPLY -- This Operating Procedure shall for all purposes be construed and interpreted according to the laws of the jurisdiction within which the joint lands are situated and the laws of Canada applicable therein. The courts having jurisdiction with respect to matters relating to this Operating Procedure shall be the courts of that jurisdiction.

2806 USE OF NAME -- Each party agrees that it will not use, suffer or permit to be used, directly or indirectly, the name of any other party for the purpose of, or in connection with, the financing, in whole or in part, of any operation hereunder, in connection with the offering for sale of shares of stock or any other securities or for the formation or promotion of any business enterprise, without, in each instance, first obtaining the written consent of that other party.

2807 WAIVER OF RELIEF -- The parties acknowledge that any default, forfeiture or assignment provisions contained in this Operating Procedure are, in view of the risks inherent in the exploration for petroleum substances, reasonable and equitable. Each party waives any and all rights which it may have at law, in equity or by the Regulations, against default, forfeiture or penalty if such provisions are invoked.

ARTICLE XXIX

TERM

2901 TO CONTINUE DURING ANY JOINT OWNERSHIP – Subject to Clause 1803, this Operating Procedure shall terminate when no portion of the joint lands and no production facility is owned jointly by two or more parties or at that later date upon which, joint ownership continuing, all title documents have terminated, all wells on the joint lands have been abandoned, all equipment relating thereto salvaged and a final settlement of accounts has been made among the parties, provided that those provisions relating to audit, liability, indemnity, disposal and salvage of material and enforcement on default shall survive for six (6) years thereafter.

THIS IS EXHIBIT "E" REFERRED
TO IN THE AFFIDAVIT OF
NEELY NOOR-ALI
SWORN THE 30 DAY OF
APRIL, 2018

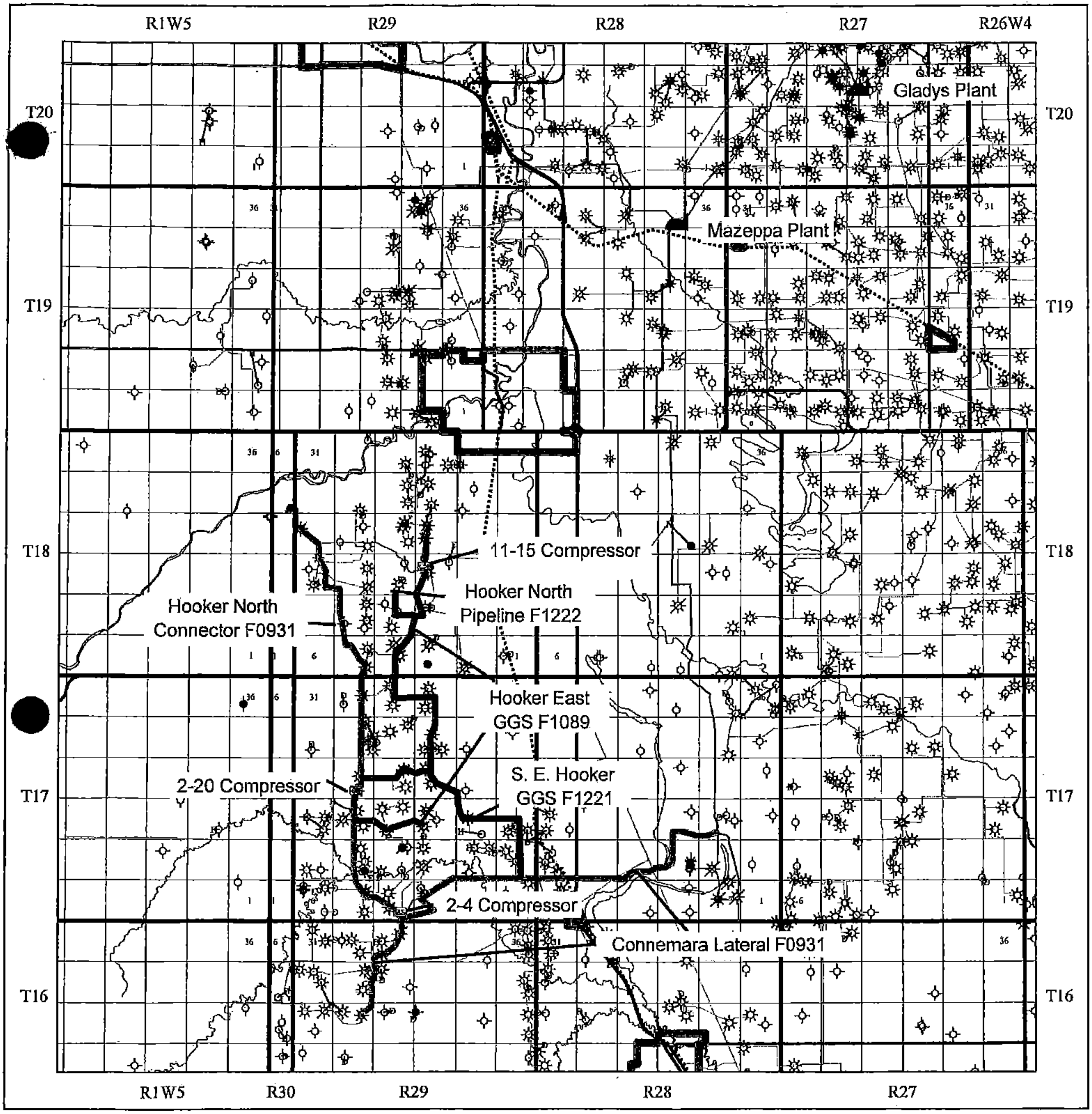
A Commissioner for Oaths/Notary Public
In and for the Province of Alberta

JAMES G. HANLEY
Barrister & Solicitor
A Commissioner for Oaths
in and for Alberta

Agreements

Agreements

Agreements



WELL LEGEND	
Bottom Hole Locations:	
Location	Suspended
Service or Drain	Oil
Gas	Dry & Abandoned
Suspended Oil	Abandoned Oil
Suspended Gas	Abandoned Gas
Abandoned Service	Injection
Surface Hole Locations:	
Directional	Horizontal

STD. PIPELINES LEGEND
Pipeline Substances:
Pipes - Gas (Natural)
Pipes - Oil Well Effl
Pipes - Gas (Sour)

ExxonMobil or an Affiliate

Mazeppa (High River/Hooker) Compton Processing Agreement

Created in AccuMap™
Product of IHS
Datum: NAD27
Vol. 23 No. 07, Jul 23 2013
(403) 770-4646

Author: wgs
Date: August 22, 2013
File: Compton - Mazeppa Process. & T
Scale: 1 : 210000
Projection: Stereographic
Center: N50.52708 W113.84368

Grid Information:
DLS: IHS Enhanced Grid
NTS: Theoretical Grid
FPS: Theoretical Grid
US: IHS US Grid

DLS Version Information:
AB: ATS 2.6
BC: PRB 2.0
SK: STS 2.5
MB: MLI07

Scale 1:210000

0 Kilometers 9

0 Miles 5

PETROLEUM JOINT VENTURE ASSOCIATION

AGREEMENT FOR THE CONSTRUCTION, OWNERSHIP AND OPERATION OF THE HOOKER GAS GATHERING SYSTEM

Agreement for the Construction, Ownership and Operation of the Hooker Gas Gathering System

TABLE OF CONTENTS

HEAD DOCUMENT

Agreement for the Construction, Ownership and Operation of the Hooker Gas Gathering System

HEAD DOCUMENT

This Agreement is dated as of the first day of August 1, 2000 among:

EXXONMOBIL CANADA ENERGY AS SUCCESSOR IN INTEREST BY CHANGE OF NAME TO MOBIL OIL CANADA, a general partnership having an office in the City of Calgary, in the Province of Alberta (hereinafter referred to as Mobil);

COMPTON PETROLEUM CORPORATION, a body corporate having an office in the City of Calgary, in the Province of Alberta (hereinafter referred to as Compton);

DYNEGY CANADA INC., a body corporate having an office in the City of Calgary, in the Province of Alberta (hereinafter referred to as Dynegy);

WHEREAS the Owners desire to enter into an agreement to provide for the construction, ownership and operation of the Facility to gather, transport and compress Inlet Substances.

The Owners hereby agree as follows;

ARTICLE I

INTERPRETATION

101. Definitions

All capitalized terms used herein shall have the meaning assigned in the Operating Procedure and, in addition, the following words and phrases shall have the following respective meanings, namely:

(a) "Effective Date" means the 1st day of August, 2000;

(b) "Owner's Substances" means an Owner's working interest or royalty interest (taken in kind) share of raw gas volumes producing to the Facility. For clarity if a Midstream Company exercises a lien provision provided for herein, the Midstream Company cannot because of exercising the said lien be considered to have produced Owners Substances;

(c) "Conversion" means a sale by a Midstream Company of its Ownership in a Functional Unit to an Owner (other than a Midstream Company) producing Owners Substances or a Midstream Company that produces Owner Substances to a Functional Unit;

(d) "Customer Substances" means a non-Owners share of working interest or royalty interest (taken in kind) share of raw gas volumes utilizing the Capacity of a Midstream Company in a Functional Unit;

(e) "Midstream Company" means Dynegy Canada Inc. or successor Owner that gathers and compresses Customer Substances using it's Capacity Ownership but does not produce Owner Substances to a Functional Unit;

(f) "Inlet Substances" means Owner's Substances, Customer Substances and Outside Substances;

(g) "Operating Procedure" means Exhibit "A" hereto, excluding the Appendices; and

(h) "Outside Substances" means those Inlet Substances which are not Owner's Substances or Customer Substances.

102. Headings

The headings of the Articles and Clauses of this Agreement have been inserted for convenience of reference only and shall not affect the interpretation hereof.

103. References

Unless otherwise expressly stated the words "hereinbefore", "hereinafter", "hereunder", "herein", and "hereof" in the Head Document refer to the provisions of this Head Document and references to Articles, Clauses, Subclauses or Paragraphs in the Head Document refer to Articles, Clauses, Subclauses or Paragraphs of this Head Document.

104. Conflicts

If any provision contained in this Head Document conflicts with a provision contained in Exhibit "A", the provision in the Head Document shall prevail. If any provision contained in an Appendix conflicts with a provision contained in the Operating Procedure, the provision in the Operating Procedure shall prevail, except when using a defined term in the Appendix titled "ACCOUNTING PROCEDURE", in which case the meaning assigned to that term in the Appendix titled "ACCOUNTING PROCEDURE" shall prevail for the purposes of the Appendix titled "ACCOUNTING PROCEDURE". If there is a conflict between any provision in this Agreement and the Regulations, the Regulations shall govern, except that the allocation of responsibility for losses as provided herein (including, without restricting the generality of the foregoing, Article V of the Operating Procedure) shall govern the relationship of the Owners. If there is a conflict as provided above, the Head Document, the Operating Procedure or the Appendix, as the case may be, shall be modified accordingly to the extent necessary to resolve such conflict and, as so modified, shall continue in full force and effect.

ARTICLE II

EXHIBIT "A"

201. Exhibit "A"

Exhibit "A", being the Operating Procedure and a series of Appendices, which sets forth certain business and technical matters relating to Joint Operations, is attached hereto and forms part of this Agreement. Only the following Appendices, as indicated below, are part of this Agreement:

		FORMS PART OF THIS AGREEMENT AS APPENDIX NO.:
(a)	**"FACILITY AND FUNCTIONAL UNIT PARTICIPATION"** which describes the Facilities that are subject to this Agreement and the ownership of such Facility;	I
(b)	**"DESCRIPTION OF FACILITY AND FUNCTIONAL UNITS AND MAP "** which provides the descriptions that are necessary to identify the location of the Facility, the Functional Units and shall include a map of the Facilities;	II
(c)	**"ACCOUNTING PROCEDURE"** which describes the costs and related credits the Operator is allowed to bill the Owners, in respect to Joint Operations conducted hereunder, the Operator has incurred on behalf of the Owners and certain other rights, obligations and limitations related to the Joint Account;	III
(d)	**"STRUCTURE AND SHARING OF THE JOINT ACCOUNT"** which describes the structure of the Joint Account and sets forth the basis of sharing costs among the Owners and the distribution of the fee income among the Owners;	IV

(e)	**"CAPACITY USAGE AND FEES"** which describes, pursuant to Clause 604; nominal capacities, the priority to use capacity and the fees related to excess capacity usage by Owners and non-Owners;	V
(f)	**"INSURANCE"** which describes; the types, limits, responsibilities for carrying and similar insurance management matters pertaining to the Facilities and Joint Operations;	VI
(g)	**"SPECIFICATIONS OF INLET SUBSTANCES FACILITY PRODUCTS AND OPERATING CONDITIONS"** which describes the specifications of Inlet Substances and Facility Products;	VII
(h)	**"FACILITY PRODUCT ALLOCATION PROCEDURE"** which, subject to Articles VII and VIII of the Operating Procedure, describes the procedure for allocating Facility Products;	VIII
(i)	**"MEASUREMENT"** which, subject to Article VII of the Operating Procedure, describes the procedures and responsibilities for measurement where such procedures and responsibilities are specific to measuring Inlet Substances, components of Inlet Substances and Facility Products within the respective Functional Unit, at the Functional Unit Inlet and at the Functional Unit Outlet;	IX
(j)	**"INVESTMENT VALUES"** which is a record of historical Facility Capital Costs borne by the Owners;	X
(k)	**"ENLARGEMENT AND NEW CAPITAL"** which describes the terms and conditions by which the Owners agree to an Enlargement of the Facilities;	XI
(l)	**"DISPUTE RESOLUTION"** which describes the dispute resolution and arbitration processes to be followed by the Owners;	XII
(m)	**"WELLS"** which is a list of Wells which are served by the Facility;	XIII
(n)	**"ENVIRONMENTAL MATTERS"** which sets out the rights of the Owners and the responsibility of Operator to identify, report and react to environmental matters; and	XIV

202. Amendment of Operating Procedure and Appendices

(a) Subject to Subclause 202(c) hereto, and Subclause 204(h) of the Operating Procedure, the Operating Procedure and the Appendices may only be revised, amended or replaced by the unanimous agreement of the Owners.

(b) An affirmative vote of Owners having a combined Facility Participation of one hundred percent (100%) and conducted in accordance with Clause 204 of the Operating Procedure, excepting thereout Subclause 204(b) therein, shall be deemed to constitute unanimous agreement between all of the Owners and each Owner, whether such Owner voted or was deemed to have voted, shall be bound thereby.

(c) The operation of this Clause shall not restrict the Operator from revising Appendices as provided for under this Agreement, and when required, to accurately reflect routine consequential changes, such as Facility Participations and amalgamations.

(d) Operator shall provide each Owner with one copy ofany revision, amendment or replacement in a timely manner.

ARTICLE III

PURPOSE OF THIS AGREEMENT AND THE FACILITY

301. Agreement Purpose

The purpose of this Agreement is to document the terms of ownership of the Facility, to allocate Facility costs and to provide terms for the construction and operation of the Facility for each Person delivering Inlet Substances to the Facility.

302. Facility Purpose

The purpose of the Facility is to gather, transport and compress Inlet Substances.

ARTICLE IV

BASIS OF PARTICIPATION

401. Initial Participation

The Owners of each Functional Unit agree that, as of the Effective Date, the initial Facility Participation has been expressed as a percentage in the proportion that each Owner's investment value in all Functional Units bears to the aggregate investment value of all Owners investment value in all Functional Units and such percentages are set forth in Appendix I of Exhibit "A" to the Operating Procedure.

402. Investment Values

Investment value, as of the Effective Date, shall be expressed in dollars and calculated by Operator. The investment value for the Facility or each Functional Unit has been determined by calculating the specific installed costs of the Facility or Functional Unit. The common costs of each Functional Unit have been allocated to each Functional Unit on the basis that the specific installed cost each Functional Unit bears to the aggregate of the specific installed costs of the Functional Units.

403. Future Participation

The basis of participation in an Enlargement of the Facility or any Functional Unit shall be determined pursuant to Exhibit "A", under the Appendix titled "ENLARGEMENT".

ARTICLE V

COMMITMENT TO DELIVER TO THE FACILITY

501. Commitment to Deliver to the Facility

(a) Alternate E immediately below shall apply:

ALTERNATE A. Owner's Substances are hereby dedicated to the Facility.

ALTERNATE B. Owner's Substances produced from the wells listed under the Appendix titled "WELLS" are hereby dedicated to the Facility.

ALTERNATE C. Owner's Substances produced from the ____________ zone in the wells listed under the Appendix titled "WELLS" are hereby dedicated to the Facility.

ALTERNATE D. The Owners agree that there is no commitment to deliver Owner's Substances to the Facility.

ALTERNATE E. The Owners agree that this Agreement does not commit the delivery of Owner's Substances nor Customer Substances to the Facility. For clarity, this Agreement does not amend any commitment to deliver gas which an Owner may have pursuant to any other agreement.

(b) Subject to the provisions of this Agreement, and unless excused by the Operating Committee or otherwise precluded from delivery under the Regulations, each Owner shall only be committed to deliver or cause to be delivered in accordance with alternate A, B, C or E of Clause 501(a) all of its Owner's Substances, up to Alternate N/A immediately below:

ALTERNATE A. such Owner's share of Functional Unit Capacity,

ALTERNATE B. the overall available surplus Functional Unit Capacity in the Facility,

and the Operator shall accept all Owner's Substances if delivered within the specifications as set out in the Appendix titled "SPECIFICATIONS OF INLET SUBSTANCES AND FACILITY PRODUCTS".

ARTICLE VI

OPERATIONS AND OPERATORSHIP

601. Initial Operator

The Owners hereby designate Dynegy Canada Inc. as the initial Operator and Dynegy Canada Inc. accepts such designation.

602. Construction and Operation of the Facility

The Facility shall be constructed and operated according to the terms of this Agreement.

603. Ownership

Each Owner shall own an undivided percentage interest in each Functional Unit equal to its Functional Unit Participation. Operator shall hold such interests in trust for the Owners subject to the provisions of this Agreement.

604. Capacity

(a) Each Owner shall have the right to use their Capacity Ownership. The Capacity and terms and conditions related to the use of Capacity shall be as set forth in the Appendix titled "CAPACITY USAGE AND FEES".

(b) All Customer Substances shall use the Capacity of the Midstream Company. If at any time the Midstream Company produces Owner Substances or disposes of its working interest in a Functional Unit to an Owner (other than a Midstream Company), it shall lose its right to gather and compress any new Customer Substances and only existing Customer Substances can utilize a Midstream Company's Capacity. As of the effective date of disposition or production of Owner Substances by a Midstream Company, any production from any new well or new producing zone (not owned by an Owner) delivering to a Functional Unit shall be treated as an Outside Substance and no new Customer Substances shall utilize a Midstream Companys Capacity.

(c) The Facility is designed for, and is deemed to have, an initial Capacity (on a Functional Unit basis) as set forth in Table I of the Appendix titled "CAPACITY USAGE AND FEES" The foregoing capacity may be redetermined under this Agreement and set forth in the Appendix titled "CAPACITY USAGE AND FEES ".

ARTICLE VII

EFFECTIVE DATE

701. Effective Date

This Agreement shall be effective on the Effective Date.

ARTICLE VIII

PRIOR COMMITMENTS

801. Prior Commitments

The Owners hereby acknowledge that prior to the execution of this Agreement, Operator may have contracted with various parties for the design and construction of the Facility. Subject to Clause 802, the Owners hereby acknowledge that any commitments, expenditures, covenants, obligations, duties, responsibilities, rights and agreements of Operator made, arising or incurred as a result thereof have been made, incurred or performed by the Operator on behalf of the Owners and the Owners hereby ratify and confirm the same and agree to be responsible for them in accordance with each Owner's Facility Participation or Functional Unit Participation, as the case may be, except to the extent that they arise from the Gross Negligence of the Operator.

802. Existing Conditions

Any existing commitments or expenditures made by an Owner on behalf of the Parties to this Agreement shall be chargeable for Joint Operations.

ARTICLE IX

OPERATING AND ACCOUNTING PROCEDURES

901. Operating Procedure

The Operating Procedure is the Operating Procedure contained in the 1999 PJVA Model Construction, Ownership and Operating Agreement and has not been modified except as specifically noted in Exhibit "A".

902. Accounting Procedure

The Accounting Procedure is the 1996 PASC Accounting Procedure and has not been modified except as specifically noted in the Appendix titled "Accounting Procedure".

903. Prevailing Provisions

In the event that modifications are made to either the Operating Procedure or the Accounting Procedure and such modifications are not appropriately noted pursuant to Clauses 901 and 902 then the applicable provisions in the standard Operating Procedure and Accounting Procedure named in Clauses 901 and 902 are deemed to prevail.

ARTICLE X

NO AMENDMENT EXCEPT IN WRITING

1001. No Amendment Except in Writing

No amendment or variation of the provisions of this Head Document shall be binding upon any Owner unless and until it is evidenced in writing and executed by each of the Owners.

ARTICLE XI

AGREEMENT EXECUTION

1101. Execution in Counterpart

This Agreement may be executed in as many counterparts as are necessary and all executed counterparts shall constitute one Agreement.

The Operator shall promptly supply each Owner with copies of a full set of counterpart execution pages.

IN WITNESS WHEREOF the Owners have executed this Agreement each on the date shown above its execution hereof.

DATE: March 12, 2001

OWNER: ExxonMobil Canada Energy as successor in interest by change of name to Mobil Oil Canada

MOBIL COPY

PER:

NAME: R.P. (Rob) Lesage

TITLE: Joint Venture Manager

PER: ______________________

NAME: ______________________

TITLE: ______________________

MOBIL	
J.V.	
Law	
Tax	
Cont.	

ADDRESS FOR SERVICE:

ExxonMobil Canada Energy
P.O. Box 800
237 – 4th Avenue S.W.
Calgary, Alberta
T2P-2J7

Fax No.: ______________________

E-mail: ______________________

This is the Execution Page of the Agreement for the
Construction, Ownership and Operation of the Hooker Gas Gathering Sytem

IN WITNESS WHEREOF the Owners have executed this Agreement each on the date shown above its execution hereof.

DATE: **November 28, 2013**

OWNER: **Compton Resource Partnership**

PER: ______________________

NAME: **Floyd Krukoff**

TITLE: **Vice President, Engineering**

PER: ______________________

NAME: **Gord Harvey**

TITLE: **Manager, Joint Ventures**

ADDRESS FOR SERVICE:

400, 1035 – 7th Avenue SE

Calgary, Alberta

T2P 3E9

Fax No.: **(403) 205-8234**

E-mail: **GHarvey@comptonpetroleum.com**

This is the Execution Page of the Agreement for the
Construction, Ownership and Operation of the
Hooker Gathering System

IN WITNESS WHEREOF the Owners have executed this Agreement each on the date shown above its execution hereof.

DATE: MAR 29/2001

OWNER: **Compton Petroleum Corporation**

PER: [signature]

NAME: MURRAY J. STODALKA

TITLE: VP ENG + OPERATIONS

PER: ________________

NAME: ________________

TITLE: ________________

ADDRESS FOR SERVICE:

Compton Petroleum Corporation
Suite 3100, 150 – 6th Avenue S.W.
Calgary, Alberta
T2P-3Y7

Fax No.: 237-9410

E-mail: swyzykoski@comptonpetroleum.com

This is the Execution Page of the Agreement for the
Construction, Ownership and Operation of the Hooker Gas Gathering Sytem

IN WITNESS WHEREOF the Owners have executed this Agreement each on the date shown above its execution hereof.

DATE: March 26, 2001

OWNER: **Dynegy Canada Inc.**

PER:

NAME: R. Shawn Paterson

TITLE: Vice President, NGL Supply and Marketing

PER: ______________________

NAME: ______________________

TITLE: ______________________

ADDRESS FOR SERVICE:

Dynegy Canada Inc.
Suite 2200, 350 - 7th Avenue S.W.
Calgary, Alberta
T2P-3N9

Fax No.: 403-213-6224

E-mail: shawn.paterson@dynegy.com

This is the Execution Page of the Agreement for the
Construction, Ownership and Operation of the Hooker Gas Gathering Sytem

IN WITNESS WHEREOF the Owners have executed this Agreement each on the date shown above its execution hereof.

DATE: April 4, 2001

OWNER: Border Midstream Services, Ltd.

PER: Robert A. Hill

NAME: Robert A. Hill

TITLE: President

PER: ______________________

NAME: ______________________

TITLE: ______________________

ADDRESS FOR SERVICE: Border Midstream Services, Ltd.
1830, 520 – 5th Avenue S. W.
Calgary, Alberta
T2P 3R7

Fax No.: 403-263-7265

E-mail: merlespence@bordermidstream.com

This is the Execution Page of the Agreement for the
Construction, Ownership and Operation of the Hooker Gas Gathering System

IN WITNESS WHEREOF the Owners have executed this Agreement each on the date shown above its execution hereof.

EXHIBIT "A" to

AGREEMENT FOR THE CONSTRUCTION, OWNERSHIP AND OPERATION OF THE HOOKER GAS GATHERING SYSTEM

OPERATING PROCEDURE

Petroleum Joint Venture Association
1999

EXHIBIT "A" to

AGREEMENT FOR THE CONSTRUCTION, OWNERSHIP AND OPERATION OF THE HOOKER GATHERING SYSTEM

Elections and Modifications to the 1999 Operating Procedure

(a) The following clauses of the Operating Procedure include the following elections, alternates, options or values:

101(k) Enlargement: combined part (i) and (ii)

204 Voting Procedures:

- (b) Negative Vote: fifty five percent (55%); fifty five percent (55%)
- (e)(i) General Vote: two (2) or more Owners; seventy five percent (75%)
- (e)(ii) General Vote: two (2) or more Owners; seventy five percent (75%)
- (e)(iii) General Vote: two (2) or more Owners; seventy five percent (75%)
- (f) Removal of Operator: two (2) or more Owners; ninety percent (90%)
- (f)(i) Removal of Operator: ninety percent (90%)
- (g) Replacement of Operator: two (2) or more Owners; ninety percent (90%)
- (h)(i) Amendment of Appendices: Appendices VI, XII, XIII and XIV
  - (1) Amendment of Appendices: two (2) or more Owners; seventy five percent (75%)
  - (2) Amendment of Appendices: two (2) or more Owners; seventy five percent (75%)
  - (3) Amendment of Appendices: two (2) or more Owners; seventy five percent (75%)
- (i) Termination: two (2) or more Owners; ninety percent (90%)
- (l) Affirmative vote of 50% or more of the Owners with each Owner able to cast a single vote.

602(b)(iii) Set-off: Alternate _A__

805 Distribution of Proceeds: Alternate _A__

(Complete one only of the following for the Alternate chosen for 805 above).

A: two point five (2.5%)

B: __________ (\$___/m³); __________ (\$___/10³m³); __________ (\$___/t)

C: __________ (\$___)

901 Disposal of Interest: Alternate _B__

902 Unrestricted Disposal:

(d) shall _X__/ shall not ___apply

(e) shall _X__/ shall not ___apply

1109 Statute of Limitations: four (4) Years

(b) The Operating Procedure is modified as follows:

- Subclause 101(e) add the wording "Table I of the Appendix titled "CAPACITY USAGE AND FEES"
- Subclause 101(h) referred the definition to the Head Document
- Subclause 101(j) modified
- Subclause 101(r) amended clause to include "and if applicable decommissioning, abandonment and reclamation costs of a Functional Unit;"
- Subclause 101(s) add the wording "in accordance with the Appendix III of Exhibit A"
- Subclause 101(bb) replaced "Operator" with "Owners"
- Subclause 101(cc) referred the definition to the Head Document
- Subclause 101(gg) new definition
- Subclause 101(kk) placed in the Head Document
- Subclause 101(nn) referred the definition to the Head Document
- Subclause 102(b) inserts the word "partnership" line 2.
- Subclause 204(h)(i) deleted
- Subclause 204(l) new clause added <u>Votes on Matters Relating to Environment, Health and Safety</u>
- Subclause 304(c) delete all the wording after "Article IX" in the 4th line and add the following "the Owners cannot agree as to whom should be Operator, the Owner with the largest Functional Unit Participation shall become Operator."
- Clause 401 insert the following wording after the word "Operations" in line 3. "Operator is required to obtain approval of all Owners before changing operating conditions in a Functional Unit that would adversely affect existing well flow rates of Owner Substances or Customer Substances already connected to the Facility, by more than ten (10) percent. If approval to change operating conditions is not obtained from the Owners, the Operator shall take corrective action to ensure that existing wells connected to a Functional Unit are not affected by greater than the said percentage, after one (1) calendar week of stabilized flow. When determining how much existing well flow rates are affected by changes in operating conditions, the baseline for calculating the said affects shall be the stabilized producing rates of connected wells prior to the changes in operating conditions."
- Subclause 501(a) add the wording "and their respective" or "or their respective" after the word "Affiliates" in lines 3,6 and 9.
- Subclause 501(b) adds the wording "and their respective" after the word "Affiliates" in line 3.
- Clause 502 add the wording "and their respective" or "or their respective" after the word "Affiliates" in lines 2, 5 and 7.
- Clause 504 adds the wording "other than environmental liabilities" in line 4.
- Clause 505 inserted the word "environmental" in the 1st line and delete everything after the word "Owner" in the third line.
- Clause 801 Change title by adding the wording "and non-Owner" also add this after the word "Owner" in the first and second lines.
- Clause 802 delete everything after the word "Month" in the third line and replace with "The allocation of the losses will be based upon the proportionate share that each Owner's and non-Owners volume of Inlet Substances delivered to a Functional Unit bears to the total volume of all Inlet Substances delivered to the said Functional Unit. Notwithstanding the above, if Operator is able to identify a discreet stream for the said

losses, the ownership of the lost volumes shall be borne by the Owners and non-Owners of the said stream in proportion to their ownership of the lost volumes." Also deleted reference to the Appendix.

- Clause 803 delete everything after the word "Owner" in the second line and replace with "and non-Owner based upon the proportionate share that each Owner's and non-Owners volume of Inlet Substances delivered to a Functional Unit bears to the total volume of all Inlet Substances delivered to the said Functional Unit." after the word "Owner".
- Clause 902 new subclause (f)
- Clause 905 new subclause (c)
- Clause 1001 deletes the entire wording after the word "survive" in the 5th line.
- Clause 1119. Restrictions new clause.

(c) If any provision contained in the Operating Procedure conflicts with a provision contained in this Elections and Modifications Form, the provision in the Elections and Modifications Form shall prevail.

Agreement for the Construction, Ownership and Operation of the Hooker Gas Gathering System

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1999 OPERATING PROCEDURE

ARTICLE I

INTERPRETATION

101. Definitions

All capitalised terms used herein shall have the meaning assigned in the Head Document and the Accounting Procedure, and, in addition, the following words and phrases shall have the following respective meanings, namely:

(a) "Accounting Procedure" means the Appendix titled "ACCOUNTING PROCEDURE";

(b) "Affiliate" means, with respect to any Owner, any other Person which is affiliated with such Owner, and for the purposes hereof:

(i) two Persons will be considered to be affiliated with one another if one (1) of them controls the other, or if both of them are controlled by a common third Person, and

(ii) one (1) Person will be considered to control another Person if it has the power to direct or cause the direction of the management and policies of the other Person, whether directly or indirectly, through one (1) or more intermediaries or otherwise, and whether by virtue of the ownership of shares or other equity interests, the holding of voting rights or contractual rights, or otherwise;

(c) "Agreement" means the Head Document together with the Operating Procedure and the Appendices;

(d) "Appendix" means any of the appendices (as amended) attached to the Operating Procedure, as indicated in Article II of the Head Document;

(e) "Capacity" means, with respect to any Functional Unit, the daily volumetric handling capability of such Functional Unit, as set forth in Table I of the Appendix titled "CAPACITY USAGE AND FEES" and as may be redetermined under this Agreement;

(f) "Capacity Ownership" means an Owner's share of Capacity equal to its Functional Unit Participation;

(g) "Capital Costs" means all expenditures incurred in connection with the Initial Construction of the Facility (including commissioning and testing immediately after Initial Construction), any Modification or Enlargement and any other expenditures so designated by the Operating Committee;

(h) "Customer Substances" has the meaning ascribed to it in the Head Document;

(i) "Day" means a period commencing at 0800 hours on any calendar day and ending at 0800 hours on the immediately next succeeding calendar day, or at such other time as may hereinafter be set by the Operating Committee;

(j) Effective Date" has the meaning ascribed to it in the Head Document;

(k) "Enlargement" means an expansion, addition or enhancement to the Facility that:

(i) increases the Capacity of an existing Functional Unit and is required to process, treat or handle, as the case may be, additional volumes of Inlet Substances or the components thereof, in excess of an Owner's Capacity Ownership in an existing Functional Unit, or

(ii) adds a new Functional Unit to the Facility that duplicates the function of an existing Functional Unit or adds a new function to the Facility;

(l) "Exhibit "A" means this Operating Procedure and the Appendices;

(m) "Facility" means all real and personal property of every nature and kind attached to, forming part of or used in connection with Joint Operations, maintained and held by Operator in accordance with this Agreement and as described under the Appendix titled "DESCRIPTION OF FACILITY AND FUNCTIONAL UNITS AND MAP";

(n) "Facility Inlet" means the point at which Inlet Substances first enter the Facility;

(o) "Facility Outlet" means the point at which Facility Products leave the Facility;

(p) "Facility Participation" means the percentage voting interest of each Owner as set forth opposite such Owner's name under the Appendix titled "FACILITY AND FUNCTIONAL UNIT PARTICIPATION";

(q) "Facility Products" means all substances recovered from the processing or handling of Inlet Substances in the Facility, which are available for delivery from the Facility, excluding such substances as are unavoidably lost, consumed as fuel or flared in Joint Operations;

(r) "Fixed Operating Costs" means those Operating Costs that do not vary with production or throughput volume, such as, but not limited to, property taxes, insurance, surface lease rentals and if applicable decommissioning, abandonment and reclamation costs of a Functional Unit;

(s) "Forecast" means a written statement, initiated by Operator, of the Joint Operations which are anticipated to be conducted during the Forecast Period in accordance with Appendix III of Exhibit A, together with a written statement of the estimated expenditures to be made in connection with such Joint Operations;

(t) "Forecast Period" means a period of one (1) Year, provided that if this Agreement does not come into effect as of the beginning of a Year, the first such period for the Year in which this Agreement comes into effect shall comprise the portion of such Year remaining after this Agreement comes into effect;

(u) "Functional Unit" means a separate component of the Facility described under the Appendix titled "DESCRIPTION OF FACILITY AND FUNCTIONAL UNITS AND MAP" (and means the whole of the Facility if there is no separation into Functional Units), and all real and personal property of every nature and kind attached to, forming part of or used in connection with the operation thereof;

(v) "Functional Unit Inlet" means with respect to any Functional Unit, the point where Functional Unit Products, Inlet Substances or any portion thereof, first enter such Functional Unit;

(w) "Functional Unit Outlet" means, with respect to any Functional Unit, the point where Functional Unit Products leave such Functional Unit;

(x) "Functional Unit Participation" means, with respect to any Functional Unit, the percentage interest ownership of each Owner in such Functional Unit as set forth opposite such Owner's name under the Appendix titled "FACILITY AND FUNCTIONAL UNIT PARTICIPATION";

(y) "Functional Unit Products" means all substances recovered from the processing or handling of Inlet Substances or products of other Functional Units in a Functional Unit, which are available for delivery from the Functional Unit, excluding such substances as are unavoidably lost, consumed as fuel or flared in Joint Operations;

(z) "Gross Negligence" means:

(i) a marked and flagrant departure from the standard of conduct of a reasonable person acting in the circumstances at the time of the alleged misconduct, or

(ii) such wanton and reckless conduct or omissions as constitutes in effect an utter disregard for harmful, foreseeable and avoidable consequences,

provided that Gross Negligence shall not include any act or omission, insofar as it was done or omitted to be done in accordance with the instructions or express concurrence of the Operating Committee;

(aa) "Head Document" means the agreement to which this Exhibit "A" is attached;

(bb) "Initial Construction" means construction of the Facility completed by the Owners pursuant to Article IV prior to the first Day of the Month in which the Facility commences operation and is capable of delivering specification Facility Products to the Facility Outlet for an uninterrupted period of thirty (30) Days;

(cc) "Inlet Substances" has the meaning ascribed to it in the Head Document;

(dd) "Joint Account" means the account set up pursuant to Clause 601 showing the charges paid and credits received as a result of Joint Operations and which are to be shared by the Owners in accordance with the terms of this Agreement;

(ee) "Joint Operations" means all activities resulting in Capital Costs (including, if applicable, Initial Construction), Operating Costs and all other activities undertaken in connection with the Facility, where such activities are conducted for the Joint Account under the terms of this Agreement;

(ff) "Market Price" means the price at which Facility Products are to be sold pursuant to Article VIII if an Owner does not take its share of Facility Products in kind and separately dispose of the same, which price is not unreasonable having regard to market conditions applicable to similar production in arm's length transactions at the time of such disposition, including, without restricting the generality of the foregoing, such factors as the volumes available, the kind and quality of Facility Products to be sold, the effective date of the sale, the term of the sale agreement, the point of sale of the Facility Products and the type of transportation service available for the delivery of the Facility Products to be sold;

(gg) "Midstream Company" has the meaning ascribed to it in the Head Document;

(hh) "Modification" means an expansion, addition or enhancement to the Facility that is not an Enlargement;

(ii) "Month" means a calendar month, commencing at the beginning of the first Day thereof and ending at the last Day thereof, or at such other times as may hereafter be set by the Operating Committee;

(jj) "Non-Operator" means an Owner other than Operator;

(kk) "Operating Committee" means the committee composed of the duly authorised representatives of each of the Owners, established pursuant to Article II of the Operating Procedure;

(ll) "Operating Costs" means all costs and expenses, except Capital Costs, incurred in connection with the testing, operation, repair and maintenance of the Facility

(mm) "Operator" means the Owner so designated under the Head Document or such other Owner as subsequently may be designated by the Operating Committee;

(nn) "Outside Substances" has the meaning ascribed to it in the Head Document;

(oo) "Owner" means a party to this Agreement;

(pp) "Owner's Substances" has the meaning ascribed to it in the Head Document;

(qq) "Person" means an individual, firm, body corporate, partnership or other legal entity, as the case may be;

(rr) "Regulations" means all statutes, laws, rules, orders and regulations in effect from time to time (including any amendments thereto or replacements thereof) and made by governments or governmental boards or agencies having jurisdiction over the Facility or Joint Operations;

(ss) "Surplus Capacity" means with respect to any Functional Unit, that portion of the Capacity which is available from time to time, but which is not being utilized by the Owner(s) entitled to use such Capacity;

(tt) "Variable Operating Costs" means those Operating Costs that remain after excluding Fixed Operating Costs and that vary with throughput volume of Inlet Substances; and

(uu) "Year" means a calendar year, commencing at the beginning of the first Day of January and ending at the last Day of December, or at such other times as may hereafter be set by the Operating Committee.

102. References

Unless otherwise expressly stated:

(a) the words "hereinbefore", "hereinafter", "hereunder", "herein", and "hereof" in the Operating Procedure refer to the provisions of this Operating Procedure, and references to Articles, Clauses, Subclauses or Paragraphs in the Operating Procedure refer to Articles, Clauses, Subclauses or Paragraphs of this Operating Procedure;

(b) whenever the singular, masculine or neuter is used in this Agreement, the same shall be construed as meaning plural or feminine or body politic, partnership or corporate or vice versa, as the context so requires;

(c) all times referred to in this Agreement are in respect of time for the applicable time zone or legislated method of determining time for the area in which the Facility is located;

(d) all references to "dollars" or "$" in this Agreement shall mean the lawful currency of Canada, and all payments and receipts shall be made and recorded in lawful currency of Canada;

(e) wherever the phrase "within" or "at least" is used with reference to a specific number of Days herein, the Day of receipt of the relevant notice or the Day of the relevant event shall be excluded in determining the applicable time period. However, if the time for doing any act expires on a Saturday, Sunday or statutory holiday in either the Province of Alberta or Canada, the time for doing that act shall be extended to the next normal business Day, except as prescribed in the Accounting Procedure with respect to the payment of billings; and

(f) All conversions between Imperial units and Systems International (metric) units required to be made pursuant to this Agreement shall be conducted utilising the conversion factors prescribed in the publication entitled "Metric Practice Guide for the Petroleum and Natural Gas Industry and Services, Fifth Edition, 1989", as may be amended or supplemented from time to time.

103. Derivatives

If a term is defined, a derivative of that term shall have a corresponding meaning unless the context otherwise requires.

104. Correction of Appendices

If Operator becomes aware of a mistake or mechanical error in the Operating Procedure or an Appendix, Operator shall prepare a corrected Operating Procedure or Appendix and supply each Owner with a copy thereof.

105. Revision of Exhibit "A"

(a) This Operating Procedure may be revised, amended or replaced by a vote of the Operating Committee in accordance with Clause 202 of the Head Document.

(b) Appendices shall be revised by Operator as provided for under this Agreement, and when required, to accurately reflect routine consequential changes, such as Facility Participations and amalgamations.

106. Effective Time of Exhibit "A"

Except as otherwise expressly provided in this Agreement:

(a) subject to Subclause 106 (b), any revised Operating Procedure or Appendix shall be effective in its revised or amended form as of the time specified by the provision of this Agreement allowing such revision or amendment, or if no such time is specified, such revised or amended Operating Procedure or Appendix shall be effective as of the first Day of the Month next following the date that all required documentation was received by Operator or on such other date or time as directed by the Operating Committee; and

(b) any Appendix which is corrected pursuant to Clause 104, to rectify an error therein, shall, unless otherwise directed by the Operating Committee, be effective in its corrected form as of the date on which the incorrect version of the Appendix would have been effective, and the incorrect version of the Appendix shall be deemed conclusively never to have been effective.

107. Revised Appendices Deemed Correct

Subject to the provision set forth in Subclause 106 (b), each Appendix, and each revised or corrected version thereof, shall for purposes of this Agreement be deemed conclusively to be correct and binding on the Owners from the time at which it becomes effective until the time at which a revised or corrected version thereof becomes effective.

108. Identification of Revised Appendices

Revised and corrected versions of Appendices shall be numbered consecutively, shall indicate the date on which they become effective, shall reference the ballot issued to the Operating Committee for approval, if applicable, and shall indicate whether they are revised or corrected versions of an Appendix, or both.

109. Preparation and Distribution of Revised Appendices

Each time that an Appendix is to be revised or corrected pursuant to this Agreement, Operator shall effect the required revisions or corrections in a timely and diligent manner and shall provide each Owner with one (1) copy of the revised or corrected version of the Appendix.

ARTICLE II

SUPERVISION AND CONTROL OF JOINT OPERATIONS

201. Operating Committee

The Owners shall form an Operating Committee composed of their duly appointed representatives to supervise and control all Joint Operations. As soon as possible after the Effective Date, each Owner shall notify Operator in writing of the names and addresses of its primary representative and one (1) or more alternate representatives. The representative of an Owner shall be deemed to have full power and authority to represent and bind such Owner with respect to all matters within the power of the Operating Committee, and all acts done by such representative in such capacity shall be deemed to be the acts of the Owner appointing such representative. An alternate representative shall have full power to act for an Owner in the absence of the primary representative. An Owner may change any of its representatives from time to time by written notice to Operator. Two (2) or more Owners may appoint the same Person as their representative, who shall in such cases, cast a separate vote for each Owner being represented.

202. Chairman

The representative of the Operator shall be the chairman of the Operating Committee.

203. Powers

The Operating Committee shall, in accordance with the terms of this Agreement, exercise overall supervision and control of and shall determine all matters of importance relating to Joint Operations, except for those matters:

(a) specifically designated in this Agreement to be within the exclusive jurisdiction and control of Operator; or

(b) specifically excluded in this Agreement from the jurisdiction and control of the Operating Committee.

204. Voting Procedure

Subject to Clause 208, the Operating Committee shall determine all matters properly coming before it by vote, in accordance with the following voting procedure:

(a) Voting Interest

For the purpose of determining the number of Owners having voted or deemed to have voted on any matter pursuant to this Article II, Owners who are Affiliates of each other and who vote the same in respect of a matter hereunder shall be deemed to be one (1) Owner only.

Except as may otherwise be provided in this Agreement, each Owner shall have a voting interest equal to:

(i) its Facility Participation, if the matter materially affects or involves the entire Facility;

(ii) its Functional Unit Participation in a specific Functional Unit, if the matter relates to such Functional Unit and does not materially affect or involve any other Functional Unit; and

(iii) its aggregate weighted interest in the applicable Functional Units, if the matter affects or involves more than one (but less than all) of the Functional Units, with this interest calculated by adding the percentages obtained after multiplying the applicable Functional Unit Participations by the relative weightings of Functional Unit Participations set forth in the Appendix titled "FACILITY AND FUNCTIONAL UNIT PARTICIPATION".

Any dispute as to whether a matter materially affects or involves more than one (1) Functional Unit shall be decided by a vote in accordance with Paragraph 204 (e) (i) hereof.

Notwithstanding Subclause 204 (c), if an Owner is precluded from voting pursuant to Paragraph 602 (b) (ii), the voting interest of each non-defaulting Owner shall be revised so as to bear the same ratio to the other as do their Functional Unit Participations or Facility Participations, so that the voting interests of all non-defaulting Owners equals one hundred percent (100%).

(b) Negative Vote

Notwithstanding Subclause 204 (e) and (h), but subject to Subclauses 204 (f), (g) and (i), no single Owner shall be able to defeat a vote on a matter, unless such Owner's voting interest with respect to such matter is greater than fifty five percent (55%), and if a single Owner with a voting interest of fifty five percent (55%) or less is the only Owner voting negatively on a matter, such Owner shall be shown to have voted negatively in recording the results of the vote, but such matter shall be conclusively deemed carried in the affirmative.

(c) Deemed Vote

Subject to Subclauses 204 (f), (g) and (i), an Owner who does not vote or abstains from voting on any matter shall be conclusively deemed to have voted in the affirmative on the matter. In recording the result of a vote, such Owner shall be shown as having abstained from voting, been absent from the meeting in which such vote was taken, if applicable, or otherwise having failed to vote on such matter, as the case may be.

(d) Effect of Vote

A determination of a matter by the vote of the Owners in accordance with the provisions of this Agreement shall be binding upon all of the Owners, except as otherwise provided in this Agreement.

(e) General Vote

Except as otherwise provided herein, a matter being voted on by the Operating Committee shall be decided by the affirmative vote of:

(i) two (2) or more Owners having a combined Facility Participation of seventy five percent (75%) or more, if such matter materially affects or involves the entire Facility;

(ii) two (2) or more Owners having a combined Functional Unit Participation in the applicable Functional Unit of seventy five percent (75%) or more, if such matter relates to one (1) Functional Unit and does not materially affect or involve any other Functional Unit; and

(iii) two (2) or more Owners having a combined aggregate weighted interest of seventy five percent (75%) or more in the applicable Functional Units, if the matter affects or involves more than one (but less than all) of the Functional Units, with this interest calculated by adding the percentages obtained after multiplying the applicable Functional Unit Participations by the relative weightings of Functional Unit Participations set forth in the Appendix titled "FACILITY AND FUNCTIONAL UNIT PARTICIPATION".

(f) Vote for Removal of Operator

Operator may be removed by the affirmative vote of two (2) or more Owners having a combined Facility Participation of ninety percent (90%) or more of the remaining Facility Participation, after excluding the Facility Participations of Operator and its Affiliates, provided that:

(i) subject to Clause 303 and Subclause 602 (e), Operator may not be removed by a vote of the Operating Committee if Operator and its Affiliates collectively hold Facility Participations totalling ninety percent (90%) or more, and

(ii) the provisions of Subclauses 204 (b) and (c) shall not apply to a vote taken under this Subclause 204 (f).

(g) Vote for Replacement Operator

A successor Operator that consents to assume all the duties and obligations of Operator shall be appointed by an affirmative vote of two (2) or more Owners having a combined Facility Participation of ninety percent (90%) or more. In voting on the appointment of a successor Operator, the departing Operator and its Affiliates shall not be entitled to vote to have the departing Operator or any of its Affiliates succeed the departing Operator. In addition:

(i) should more than one (1) potential successor Operator be voted on, the potential successor Operator that receives the greatest combined Facility Participation vote shall be the successor Operator, and the requirement for the specified number of Owners voting in the affirmative and the provisions of Subclauses 204 (b) and (c) shall not apply; and

(ii) should two (2) or more potential successor Operators receive an equal Facility Participation voting percentage, the potential successor Operator holding the largest Facility Participation shall be the successor Operator.

(h) Amendment of Appendices

The Appendices may be revised, amended or replaced from time to time in the following manner:

(i) Appendices VI, XII, XIII and XIV at the direction of the Operating Committee by an affirmative vote of:

(1) two (2) or more Owners having a combined Facility Participation of seventy five percent (75%) or more, if such matter materially affects or involves the entire Facility;

(2) two (2) or more Owners having a combined Functional Unit Participation in the applicable Functional Unit of seventy five percent (75%) or more, if such matter relates to one (1) Functional Unit and does not materially affect or involve any other Functional Unit; and

(3) two (2) or more Owners having a combined aggregate weighted interest of seventy five percent (75%) or more in the applicable Functional Units, if the matter affects or involves more than one (but less than all) of the Functional Units, with this interest calculated by adding the percentages obtained after multiplying the applicable Functional Unit

Participations by the relative weightings of Functional Unit Participations set forth in the Appendix titled "FACILITY AND FUNCTIONAL UNIT PARTICIPATION".

(i) Vote for Termination of Agreement

Subject to the provisions of Article X, this Agreement may be terminated by the affirmative vote of two (2) or more Owners having a combined Facility Participation of ninety percent (90%) or more; provided that the provisions of Subclauses 204 (b) and (c) shall not apply to a vote taken under this Subclause.

(j) Vote by Proxy

An Owner may appoint a proxy to attend any meeting on its behalf. Such proxy appointment shall be by written instrument signed by the Owner, setting forth the extent of the authority granted to the proxy holder. A proxy appointment shall not be effective unless such instrument is deposited with the chairman of the Operating Committee prior to or during the first meeting in respect of which such proxy has been appointed to attend. An Owner who has submitted an instrument appointing a proxy may revoke such instrument at any time prior to the commencement of or during any meeting to which the proxy appointed thereby is to attend, provided that the revocation of an appointment of proxy during a meeting shall not apply to any vote conducted during that meeting prior to the revocation of that appointment. In addition to revocation in any other manner permitted by law, an instrument appointing a proxy shall be deemed to be automatically revoked for a meeting to which the proxy appointment relates, insofar as the Operating Committee representative of the Owner who appointed the proxy attends that meeting.

(k) Vote by Notice

(i) An Owner not represented at a meeting may vote on any matter on the agenda by prior written notice to Operator, indicating the position of such Owner regarding such matter.

(ii) Operator may, without calling a meeting, call for a vote on any matter by submitting such matter, together with reasonable details regarding the same, to each Owner by mail ballot notice. Each Owner shall, by notice to Operator, cast its vote within fifteen (15) Days from the date of deemed receipt of such mail ballot notice by the Owners. Such vote shall be binding, unless, within seven (7) Days after sending such mail ballot notice, Operator calls a meeting or is requested to call a meeting to consider the matter in accordance with Clause 205. Operator shall promptly notify the Owners of the result of such vote after the expiry of such fifteen (15) Day period.

(iii) All mail ballots shall be numbered consecutively. Such numbering shall include the Year in which the mail ballot is issued.

(l) Matters relating to Environment, Health and Safety

Notwithstanding Subclause 204(b), (e) and (h), any health, safety or environmental matters to be voted on by the Operating Committee and in respect of which the Operator (acting reasonably) believes will negatively impact the Facility operations as it pertains to environment, health and safety issues, shall be decided by the affirmative vote of fifty percent (50%) or more of the Owners, with each Owner entitled to one (1) vote; for clarity the vote will be decided upon by the number of Owners and not on their Facility or Functional Unit Participation.

205. Meetings

The following procedures shall apply to meetings of the Operating Committee:

(a) The Operating Committee shall hold meetings whenever called by Operator. Operator may call a meeting at any time and from time to time on its own motion. One (1) or more Owners having Facility

Participations totalling five percent (5%) or more shall have the right to request the Operator to call a meeting to deal with specific stated items. Operator shall issue the notice of such meeting within ten (10) Days of receipt of a written request by an Owner, and the meeting shall be held within thirty (30) Days of receipt by Operator of such request.

(b) At least ten (10) Days' notice of each meeting shall be given to each Owner, unless all of the Owners agree in writing or by vote at a meeting, to waive or shorten such notice period. Notice of any meeting shall be accompanied by an agenda together with reasonable details of the matters on the agenda and any motions to be voted on at the meeting. Any Owner shall have the right to require Operator to place an item on the agenda for such meeting, provided such item and reasonable details sufficient to enable the Owners to consider beforehand the nature of such item shall be furnished to the other Owners by such Owner within five (5) Days of the date of deemed receipt of the notice of such meeting. A motion not contained in the agenda or an amendment to be made to a motion which is contained in the agenda shall not be voted on at a meeting unless all of the Owners, whether or not present at such meeting, agree to add or amend such motion; provided that if any motion principally relates to one (1) Functional Unit and does not materially affect or involve any other Functional Unit, such motion may be added to the agenda or amended if all of the Owners, including any Owner not present at the meeting, having Functional Unit Participations in the affected Functional Unit, agree to such addition or amendment.

(c) Motions voted on at a meeting shall be numbered in accordance with Paragraph 204 (k) (iii).

(d) A representative of any Owner attending a meeting of the Operating Committee may be accompanied by a reasonable number of advisors, and the chairman may be accompanied by such additional attendees as are required to record the minutes of the meeting or otherwise assist in the conduct thereof.

(e) All meetings of the Operating Committee shall be held at the office of the Operator or at such other place as the Operating Committee may decide.

206. Minutes

Operator shall keep minutes of the proceedings of each meeting of the Operating Committee and a copy thereof shall be forwarded to each Owner within thirty (30) Days of the date of such meeting. The minutes shall contain the names of all Owners' representatives present at the meeting, indicating their capacity and the Owners that they represent, a description of the matters reviewed, the result of any vote and any dissenting Owner opinion. The minutes for any Operating Committee meeting shall be deemed to be correct as written and distributed, unless an Owner receiving the minutes gives Operator notice of an error or omission regarding such minutes within thirty (30) Days of the date upon which such minutes were sent to the Owners. Upon receiving such a notice:

(a) Operator shall promptly correct and re-issue the minutes if Operator agrees with the claim of an error or omission; or

(b) Operator shall promptly submit the matter to the Operating Committee for resolution by a vote in accordance with Subclause 204 (e) if Operator does not agree with the claim of an error or omission.

Any revised version of the minutes shall be deemed to replace all prior versions of the same and shall be deemed correct as written and distributed, subject to the terms of this Clause, which shall apply to such revised version of the minutes as if they were the original version of the same.

207. Reduction in Owners

Subject to Clause 208, if the number of Owners having a Facility Participation or Functional Unit Participation decreases after the Effective Date to a level equal to or less than the minimum number of Owners required to determine a matter under Subclause 204 (e), (f), (g), (h) or (i), the minimum number of Owners required to determine a matter shall always be one less than the number of Owners entitled to vote.

208. Unanimous Approval

If and for so long as there are only two Owners for voting purposes, Subclauses 204(b), (e), (f), (g), (h) and (i) shall not have any effect, and all matters coming before the Operating Committee shall be determined by the unanimous approval of the representatives of the Owners. At any time where unanimous approval cannot be reached in respect of any matter, either Owner may invoke the provisions of the Appendix titled "DISPUTE RESOLUTION", to resolve such matter.

209. Subcommittees

The Operating Committee may from time to time establish subcommittees to deal with defined mandates as provided by the Operating Committee. Any such subcommittee shall not have any powers of supervision or control, but shall only be entitled to report and make recommendations to the Operating Committee.

210 Enlargement

Any Enlargement shall be approved and conducted in accordance with the Appendix titled "ENLARGEMENT".

211. Environmental Matters

The Appendix titled "ENVIRONMENTAL MATTERS" shall only be effective from the first Day of the Month next following execution of this Agreement by one hundred percent (100%) of the Owners, and shall not apply prior to such date.

ARTICLE III

APPOINTMENT AND REPLACEMENT OF OPERATOR

301. Assumption of Duties of Operator

Operator named in the Head Document, and any succeeding Operator appointed hereunder, shall assume the duties and obligations of Operator hereunder and shall have all the rights of Operator hereunder.

302. Resignation of Operator

Operator may resign as Operator on giving each of the Owners a minimum of ninety (90) Days' notice of its intention to do so, provided that such resignation shall be effective at the end of a Month.

303. Replacement of Operator

Operator shall immediately cease to be Operator in the circumstances described in Subclauses (a) and (b)below and in all circumstances described in this Clause a replacement Operator be appointed pursuant to Clause 304, if:

(a) Operator becomes bankrupt or insolvent, commits or suffers any act of bankruptcy or insolvency, is placed in receivership or a receiver/manager or Person filling that role is appointed with respect to its property, seeks debtor relief protection under applicable legislation (including, without restricting the generality of the foregoing, the Bankruptcy and Insolvency Act of Canada and the Companies' Creditors Arrangement Act of Canada) or permits any judgement to be registered against its interest in the Facility or any portion thereof, and without restricting the generality of the foregoing, an Operator shall be deemed insolvent for the purposes of this Clause if it is unable to pay its debts as they fall due in the usual course of business;

(b) subject to Clauses 307 and 402, Operator assigns or attempts to assign its general powers and responsibilities of supervision and management as Operator hereunder, unless such assignment is to an Affiliate of Operator who is also an Owner;

(c) the Operating Committee votes pursuant to Subclause 204 (f) to remove Operator and such motion is carried;

(d) Operator ceases to be an Owner; or

(e) Operator resigns pursuant to this Article.

304. <u>Appointment of Successor Operator</u>

(a) Interim Operator

Upon Operator resigning or otherwise ceasing to be Operator and until a replacement Operator is appointed, the Owner with the largest Facility Participation, excluding the Facility Participation of the departing Operator and any Affiliate of the departing Operator, shall automatically become the interim Operator. The interim Operator shall immediately cease to be interim Operator upon the appointment of a replacement Operator.

(b) Appointment

If an Operator resigns or otherwise ceases to be Operator, a successor Operator shall be appointed by the Operating Committee. An interim Operator is not disqualified from being elected as the successor Operator.

(c) Two Party Agreement

Notwithstanding Subclauses 204 (g), 304 (a) and (b), if there are only two (2) Owners and Operator resigns or otherwise ceases to be Operator, the Owner who was not Operator previously shall automatically become Operator effective the date that the previous Operator ceases to be Operator, unless, in the case of an assignment by Operator of its Facility Participation pursuant to Article IX, the Owners cannot agree as to whom should be Operator, the Owner with the largest Facility Participation shall become Operator.

(d) Consent

Subject to Subclauses 304 (a) and (c), no Owner shall be appointed as Operator unless it has given its written consent to the appointment.

(e) Re-appointment

No provision of this Article shall be construed to re-appoint as next-succeeding Operator an Operator who has ceased to be Operator or any Affiliate of that former Operator, except with the unanimous consent of the Owners.

(f) Effective Time

Except as otherwise determined by the Operating Committee, the appointment of a successor Operator (including an automatic appointment as Operator pursuant to the terms of this Article), shall be effective immediately upon the previous Operator ceasing to be Operator.

305. Transfer of Property on Change of Operator

At the effective date of the resignation or replacement of an Operator as provided in this Article, Operator being replaced shall immediately deliver to the successor Operator possession and control of:

(a) the Facility;

(b) any and all funds held for the Joint Account;

(c) any and all Inlet Substances and Facility Products, if any, which have not been delivered in kind;

(d) all Material held for the Joint Account;

(e) copies of books of account and records kept for the Joint Account; and

(f) all documents, agreements and other papers relating to property transferred hereunder.

Upon compliance with such obligation, the departing Operator shall be released and discharged from, and the successor Operator shall assume, all duties and obligations of Operator, except those unsatisfied duties and obligations of the departing Operator which had accrued prior to the effective date of the change of Operator, for which the departing Operator shall continue to remain liable. If the departing Operator holds any real or personal property on behalf of the Owners, such property shall continue to be held by the departing Operator in trust for the Owners until title and possession of such property has been transferred to the successor Operator in trust for the Owners.

306. Inventory and Audit of Accounts on Change of Operator

Subject to Clause 307, within ninety (90) Days after the successor Operator commences to act as Operator, the Operating Committee may cause an audit to be made of the books of account and records kept for the Joint Account and may cause an inventory of Controllable Material to be taken. The cost of the audit and inventory shall be for the Joint Account.

307. Assignment of Operatorship

If Operator wishes its assignee to replace it as Operator after having disposed of all or a portion of its Facility Participation to such assignee pursuant to Article IX, such assignee shall have the right to become Operator if it is an Affiliate of Operator or, if it is not an Affiliate of Operator, if the Operating Committee approves that it shall become Operator.

ARTICLE IV

FUNCTIONS AND DUTIES OF OPERATOR

401. Control and Management of Joint Operations

Operator shall consult with the Operating Committee from time to time with respect to decisions to be made for the conduct of Joint Operations, and Operator shall keep the Owners informed in a timely manner with respect to changes in operating conditions or significant Joint Operations. Operator is required to obtain approval of all Owners before changing operating conditions in a Functional Unit that would adversely affect existing well flow rates of Owner Substances or Customer Substances already connected to the Facility, by more than ten (10) percent. If approval to change operating conditions is not obtained from the Owners, the Operator shall take corrective action to ensure that existing wells connected to a Functional Unit are not affected by greater than the said percentage, after one (1) calendar week of stabilized flow. When determining how much existing well flow rates are affected by changes in operating conditions, the baseline for calculating the said affects shall be the stabilized producing rates of connected wells prior to the changes in operating conditions. Operator is hereby delegated the management of the Facility on behalf of the Owners and shall, subject to the direction of the Operating Committee, conduct or cause to be conducted all Joint Operations diligently, in a good and workmanlike manner, in accordance with good oil field and environmental practice, the Regulations and the terms of this Agreement. In the absence of specific instructions from the Operating Committee, Operator shall conduct or cause to be conducted, all Joint Operations, as would a prudent operator under the same or similar circumstances. Without limiting the generality of any of the foregoing provisions of this Clause, Operator shall conduct and oversee all Joint Operations, and in particular shall:

(a) make and file all reports as required by governmental authorities relating to Joint Operations;

(b) maintain in the Province of Alberta complete and accurate accounts, books, records and documents in relation to the Facility and Joint Operations and provide each Owner with reasonable access thereto;

(c) provide Owners with reports as required and on a frequency and containing the information about Joint Operations as directed by the Operating Committee;

(d) on behalf of the Owners, complete all applications and obtain all licenses and approvals required by Regulations to conduct Joint Operations;

(e) promptly pay and discharge all expenses and taxes (other than income taxes) incurred in connection with Joint Operations and keep the Facility free and clear from all adverse claims and liens occasioned by Joint Operations, except claims or liens created under or pursuant to this Agreement or being contested in good faith;

(f) acquire and maintain all necessary surface rights, Material and services required to conduct Joint Operations and where Operator deems appropriate, use its own equipment and facilities to serve such operations, subject to the Accounting Procedure;

(g) procure and maintain for the Joint Account the insurance set forth in the Appendix titled "INSURANCE" and use reasonable efforts to require contractors and subcontractors to procure and maintain such insurance as Operator deems necessary;

(h) comply with and, where applicable, require its agents, contractors and their subcontractors to comply with Regulations governing Joint Operations;

(i) subject to Clause 402, subcontract such portion of Joint Operations as Operator deems appropriate;

(j) furnish each Owner as soon as practicable with written notice of:

 (i) physical damage to the Facility in excess of Operator's expenditure limit as provided in the Accounting Procedure; and

 (ii) any environmental, health, safety or other occurrence which is required to be reported under any Regulation and which either requires remediation costs exceeding the single expenditure limit set forth in the Accounting Procedure or could result in a punishable offence under the Regulations;

(k) extend to each Owner, at that Owner's sole risk and expense, the right to examine and inspect the Facility at all reasonable times in the presence of a representative of Operator and after giving Operator reasonable notice, except for portions of the Facility which are proprietary to a licensor to the extent that such licensor expressly prohibits examinations and inspection by such Owner;

(l) prepare and submit to the Operating Committee for approval the Forecasts provided for in Clause 605;

provided further that, during Initial Construction of the Facility or any Enlargement or Modification, Operator shall also:

(m) carry out or cause the construction of the Facility and any Enlargement or Modification;

(n) contract with such Persons as Operator may deem appropriate for the performance of such work or undertaking, or any portion thereof;

(o) supervise all work related to such construction;

(p) acquire all Material required for such construction and the commencement and continuation of Joint Operations;

(q) supervise and have direct charge of all matters regarding design, construction and installation of the Facility and any Enlargement or Modification; and

(r) provide Owners with reports as required and on a frequency, and containing the information about construction, a Modification or an Enlargement as directed by the Operating Committee;

402. Subcontracting

Provided that Operator is not in default or in the process of being replaced pursuant to Clause 303, Operator may subcontract all or substantially all of its duties and responsibilities to a reliable and competent third party subcontractor or an Affiliate of Operator, with the approval of and on terms approved by the Operating Committee, provided that Operator retains full control and supervision of such subcontractor or Affiliate and that any third party subcontractor is retained on a genuine arm's length basis. It shall be a condition of such subcontracting that the Owners have the right to audit the books and records of the third party subcontractor or Affiliate with respect to its subcontracting activities hereunder on the same terms and conditions as provided under the Accounting Procedure to audit Operator.

403. Operator as an Owner

Operator shall have all of the rights and obligations of an Owner with respect to its Facility Participation and Functional Unit Participation.

404. Independent Status of Operator

Operator is an independent contractor in conducting Joint Operations. Operator shall determine the number of employees and contractors respecting its operations, their selection, their hours of labour and their compensation hereunder. All employees and contractors used in its operations hereunder shall be the employees and contractors of Operator.

405. Title

Operator shall hold and maintain title to the Facility and all associated licenses and approvals required under the Regulations on behalf of the Owners. Operator shall perform all duties to maintain such licences and approvals in good standing. However, nothing in this Clause shall be construed to require or permit Operator to conduct any Joint Operations without the approval of the Operating Committee, if such approval is required pursuant to the terms of this Agreement.

ARTICLE V

INDEMNITY AND LIABILITY

501. Limit of Liability

(a) Notwithstanding Clause 404 and the obligation in Clause 401 to conduct Joint Operations diligently, in a good and workmanlike manner in accordance with good oilfield and environmental practice, Operator, its Affiliates, and their respective directors, officers, consultants, agents and employees shall not be liable to the other Owners, or any of them, for any loss, expense, injury, death or damage to Owners, whether contractual or tortious, suffered or incurred by the Owners resulting from or in any way attributable to or arising out of any act or omission, whether negligent or otherwise, of Operator or its Affiliates, or their respective directors, officers, consultants, agents, contractors or employees in conducting or carrying out Joint Operations, except when and to the extent that such loss, expense, injury, death or damage is a direct result of, or is directly attributable to the Gross Negligence of Operator or its Affiliates, or their respective directors, officers, consultants, agents, contractors or employees.

(b) To the extent that the Gross Negligence condition in Subclause (a) of this Clause applies, Operator shall be solely liable for such loss, expense, injury, death or damage and, in addition, shall indemnify and save harmless each other Owner, its Affiliates, and their respective directors, officers, consultants, agents and employees from and against the same and also from and against all actions, causes of action, suits, claims and demands by any Person in respect of such loss, expense, injury, death or damage, and any costs and expenses relating thereto. However, in no event shall the responsibility of Operator prescribed by this Clause 501 extend to losses suffered by the Owners respecting the loss of profits or other consequential or indirect losses, including, without restricting the generality of the foregoing, loss or delay of production.

502. Indemnification of Operator

Except as otherwise provided in Clause 501, the Owners indemnify and save harmless Operator, its Affiliates, and their respective directors, officers, consultants, agents and employees from and against any and all actions, causes of action, suits, claims, demands, costs, losses and expenses resulting from loss, expense, injury, death or damage respecting any Person (including the Owners), which may be brought against or incurred or suffered by Operator, its Affiliates, and their respective directors, officers, consultants, agents or employees or which Operator, its Affiliates, and their respective directors, officers, consultants, agents or employees may sustain, pay or incur by reason of, or which may be attributable to or arise out of, any act or omission of Operator or its Affiliates, or their respective directors, officers, consultants, agents, contractors or employees in conducting Joint Operations.

503. Burden of Responsibility

Except where Operator is to be held solely liable pursuant to the terms of Clause 501, all liabilities and indemnities arising from Joint Operations shall be for the Joint Account and shall be borne by the Owners in the proportions of their respective Functional Unit Participations in the Functional Unit to which such liabilities and indemnities relate. However, if it cannot be clearly determined as to which Functional Unit a liability or indemnity relates, and such liability or indemnity cannot be logically apportioned between the affected Functional Units, such liability or indemnity shall be borne by the Owners in the proportions of their respective Facility Participations.

504. Continuation of Legal Responsibilities

Notwithstanding the assignment by an Owner of all or a portion of its Functional Unit Participation in any Functional Unit, such Owner shall, as regards the other Owners and notwithstanding the terms of such assignment, remain liable for its proportionate share of any liabilities and indemnities which arose in respect of that Functional Unit, the

Facility or under this Agreement other than environmental liabilities, prior to the date that such Owner's assignee becomes an Owner with respect to the assigned interest pursuant to Article IX.

505. Environmental Responsibilities

Any Person who becomes an Owner shall be responsible for its proportionate share of environmental liabilities arising in relation to Joint Operations (and the associated indemnities, if any) whether they accrued before or after such Person became an Owner.

ARTICLE VI

ACCOUNTING MEASURES

601. Joint Account

Operator shall set up a Joint Account and administer it as set forth in the Accounting Procedure. All proper costs and expenses incurred by Operator in connection with Joint Operations shall be in accordance with the Accounting Procedure, or as otherwise permitted hereunder. Such costs and expenses shall be allocated to the Owners in accordance with the Appendix titled "STRUCTURE AND SHARING OF THE JOINT ACCOUNT."

602. Operator's Lien and Remedies

(a) Effective from the Effective Date, Operator shall have a lien and charge, which is first and prior to any other lien, charge, mortgage or other security interest, with respect to the Functional Unit Participations of each Owner in the Facility and such Owner's share of Facility Products, to secure payment of such Owner's proportionate share of the costs and expenses incurred by Operator for the Joint Account.

(b) If an Owner fails to pay or advance any of the costs or expenses incurred for the Joint Account which are to be paid or advanced by it within the time period prescribed by the Accounting Procedure, Operator may, without limiting Operator's other rights as contained in this Agreement or otherwise held at law or in equity:

(i) charge such Owner compound interest, as computed Monthly, with respect to such unpaid amount from the Day such payment is due until the Day it is paid, at the rate of two percent (2%) per annum higher than the rate designated as the prevailing prime rate for Canadian commercial loans by the principal Canadian chartered bank used by Operator, regardless of whether Operator has notified such Owner in advance of its intention to charge interest with respect to such unpaid amount;

(ii) withhold from such Owner any further information and privileges with respect to Joint Operations, including the right to vote pursuant to provisions of Article II, which information and privileges shall be conveyed or restored, as the case may be, to such Owner upon such default being fully rectified;

(iii) set-off against the amount unpaid by such defaulting Owner, any sums due or accruing to such Owner from Operator in accordance with ALTERNATE __A__, immediately below:

ALTERNATE A. pursuant to this Agreement;

ALTERNATE B. pursuant to this Agreement and from any other agreement between Operator and such Owner, whether executed before or after the Effective Date;

(iv) maintain an action or actions for such unpaid amounts and interest thereon on a continuing basis as such amounts are payable, but not paid by such defaulting Owner, as if the obligation to pay such amounts and the interest thereon were liquidated demands due and payable on the relevant date such amounts were due to be paid, without any right or resort of such Owner to set-off or counter-claim; and

(v) treat the default as an immediate and automatic assignment to Operator of the proceeds of the sale of such Owner's share of Facility Products. Service of a copy of this Agreement upon a purchaser of such Owner's share of Facility Products, together with written notice from Operator, shall constitute a written irrevocable direction by such defaulting Owner to any such purchaser to pay to Operator the proceeds from any such sale up to the amount owed to Operator by such defaulting Owner hereunder (including any accrued interest with respect thereto), and such purchaser is authorised by such defaulting Owner to rely upon the statement of Operator as to the amount so owed to it by such Owner.

However, Operator may not exercise the rights granted in Paragraphs (iii) - (v) of this Subclause with respect to such default until at least thirty (30) Days following the issuance of a notice to such Owner specifying such default and requiring the same to be remedied.

(c) The obligation to pay interest at the rate specified in Subclause (b) of this Clause with respect to a default is to apply until such default is rectified and shall not merge into a judgement for principal and interest, or either of them. The Owners waive the application of any Regulations to the contrary, insofar as such waiver is permitted or not prohibited by the Regulations.

(d) Books and records kept by the Operator for the Joint Account shall constitute proof of the existence of any financial default hereunder, subject, however, to the rights of inspection and audit provided for elsewhere in this Agreement.

(e) If Operator is the Owner which defaults in paying its share of any cost or expense incurred for the Joint Account, the other Owners may, subject to Subclause 304 (c), appoint an Owner pending the appointment of a successor Operator pursuant to Subclause 204 (g), to exercise any of the rights and remedies otherwise available to Operator pursuant to this Agreement in order to rectify such default.

603. Reimbursement of Operator

If Operator has not received full payment of an Owner's share of the costs and expenses of Joint Operations within three (3) Months following the date the payment was due, each other Owner, upon being billed therefor by Operator, shall contribute a fraction of the unpaid amount, excluding interest thereon, which fraction shall have:

(a) as its numerator, the applicable Functional Unit Participation of such Owner; and

(b) as its denominator, the aggregate applicable Functional Unit Participations of all Owners exceptthe defaulting Owner.

Thereupon, each such contributor shall be proportionately subrogated to Operator's rights pursuant to Clause 602 and to the interest thereafter payable thereunder on the unrecovered portion of its contribution. Notwithstanding the foregoing portion of this Clause, if the unpaid amount pertains to more than a single Functional Unit, the reimbursement obligation in this Clause shall be based on the Facility Participations or the aggregate weighted interests in the applicable Functional Units, as the case may be.

604. Commingling of Funds

Operator may commingle with its own funds the moneys, which it receives from or for the Joint Account pursuant to this Agreement. Notwithstanding that moneys of a Non-Operator have been commingled with Operator's funds, the moneys of a Non-Operator advanced or paid to Operator, whether for the conduct of Joint Operations or as proceeds from the sale of Facility Products, shall be deemed to be trust moneys and, subject to Clause 602, shall be applied only to their intended use and shall in no way be deemed to be funds belonging to Operator, other than in its capacity as the Non-Operator's trustee.

605. Forecasts

(a) As soon as practicable after the execution hereof, Operator shall submit to the Operating Committee for approval a Forecast for the Forecast Period. In each subsequent Year, Operator shall submit a Forecast for the Forecast Period to the Operating Committee for approval, on or before the end of the current Year. If the Operating Committee does not approve a Forecast, or any portion thereof, such Forecast or the portion thereof not approved, shall be revised by Operator in accordance with the instructions of the Operating Committee. A copy of each revised Forecast shall be promptly furnished to each Owner.

(b) Each Forecast shall include a detailed and specific description of expenditures therein, identifying Operating Costs and Capital Costs separately, and providing an estimate of Owner's Substances and Outside Substances to be handled by the Facility. Any single Operating Cost in excess of the single expenditure limit set forth in the Accounting Procedure for which the Operator requests approval through approval of the Forecast should be clearly and separately identified. Each Forecast shall also provide for comparison, a summary of the Forecast and a projection of expected final expenditures for the current Year.

(c) Approval of a Forecast shall constitute approval of all expenditures in accordance with this Agreement, except single Capital Cost expenditures in excess of the single expenditure limit set forth in the Accounting Procedure. If directed by the Operating Committee, separate approval for projects, categorized as Operating Costs, that have an estimated cost in excess of Operator's single expenditure limit set forth in the Accounting Procedure, shall be required.

ARTICLE VII

MEASUREMENT

701. Accuracy

(a) The metering facilities described under the Appendix titled "MEASUREMENT", shall be tested at reasonable intervals by Operator. If any question arises as to the accuracy of measurement, any meter shall be tested by Operator upon demand of an Owner and if found to be correct, or to be in error by not more than two percent (2%) with respect to gas measurement, or one and one-half percent (1.5%) with respect to equilibrium liquid product measurement or one-half of one percent (0.5%) with respect to liquid measurement (hereinafter called the "relevant percentage"), the expense of such testing shall be borne by the Owner demanding the test. The expense shall be for the Joint Account if a meter is found to be in error by more than the relevant percentage. An Owner, at its sole cost and risk, may witness any test.

(b) If, upon any test, the measuring equipment is found to be in error by not more than the relevant percentage, the previous readings of such equipment shall be considered correct in computing the volumes being metered, but such equipment shall be adjusted properly as soon as practicable to record accurately.

(c) If, upon any test, the measuring equipment is found to be inaccurate by more than the relevant percentage, any previous reading of such equipment shall, subject to applicable legal limitation periods, be corrected to zero (0) error for any period which is known definitely or agreed upon by the Operating Committee; however, if the period is not known definitely or agreed upon by the Operating Committee, such correction shall be for a period covering the last half of the time elapsed since the date of the last test.

(d) If the measuring equipment is out of service or requires repair, so that the volume being measured is not correctly indicated by the reading thereof, the volume attributable to the period shall be estimated and agreed upon on the basis of the best data available, using the most appropriate of the following methods:

(i) by using the readings from any other measuring equipment, if installed and accurately registering; or

(ii) by correcting the error if the percentage of error is ascertainable by calibrations, test or mathematical calculation; or

(iii) by estimating on the basis of actual volumes measured during the preceding periods under similar conditions when the meter was registering accurately.

(e) Operator shall preserve and make available for inspection by the Owners all original test and sample data, charts and other similar records for a period of at least seven (7) Years after the end of the Year to which they relate, or such further period required by the Operating Committee or the Regulations, as well as any records to which an audit query relates until all such queries are resolved.

702. Unit of Volume and Weight

The standards of measurements shall be governed by the following:

(a) the unit volume of gas for purposes of measurement shall be one thousand cubic metres (10^3m^3) of gas at a temperature of fifteen degrees Celsius (15°C) and an absolute pressure of one hundred one point three two five kilopascals (101.325 kPa);

(b) the unit of volume of liquids for purposes of measurement shall be one cubic metre (1 m^3) as defined in the Weights and Measures Act (Canada), as amended; and

(c) the unit of weight of solids for purposes of measurement shall be one tonne (1 t) being one thousand kilograms (1000 kg).

703. Determination of Volumes

(a) For purposes of measurement and meter calibration the atmospheric pressure at the point of measurement hereunder shall be assumed to be constant at the pressure stated in the Appendix titled "MEASUREMENT" irrespective of the actual elevation or location of any of the meters above sea level or variations in the atmospheric pressure from time to time.

(b) Volumes of gas measured by orifice meters shall be computed in accordance with the methods prescribed in the publication entitled "Orifice Metering of Natural Gas, Standard 2530, American National Standards Institute/American Petroleum Institute", including the Appendix thereto as updated in 1985, and as amended. Volumes of gas shall be suitably corrected for deviation from Boyle's Law in accordance with the Regulations.

(c) Volumes of liquids shall be computed taking into consideration the compressibility and specific gravity, if applicable, and volumes so measured shall be corrected to fifteen degrees Celsius (15°C).

704. Change of Measurement Methodology

Notwithstanding any provisions of this Agreement to the contrary, if in order to comply with, or by reason of, the Regulations, the basis or method of measurement hereunder must change, all charges incurred by Operator relating to changing the basis or method of measurement shall be charged to the Joint Account. Operator may change the basis or method of measurement in any manner approved by the Regulations, but if not required to do so, the charges incurred by Operator may be charged to the Joint Account only with the approval of the Operating Committee.

ARTICLE VIII

PRODUCTION AND FACILITY PRODUCTS

801. Owner's and non-Owner's Share of Facility Products

Each Owner and non-Owner shall own the Facility Products that are attributable to Inlet Substances delivered to the Facility by or on behalf of such Owner or non-Owner. Allocation of Facility Products will be in accordance with the Appendix titled "FACILITY PRODUCT ALLOCATION PROCEDURE".

802. Losses in Handling, Flaring and Operation of the Facility

Each Owner and non-Owner owning Inlet Substances shall bear a share of any volumes of those Inlet Substances and Facility Products that are lost as a result of rupture, release, flaring or handling in the Facility during each Month. The allocation of the losses will be based upon the proportionate share that each Owner's and non-Owner's volume of Inlet Substances delivered to a Functional Unit bears to the total volume of all Inlet Substances delivered to the said Functional Unit. Notwithstanding the above, if the Operator is able to identify a discreet stream for the said losses, the ownership of the lost volumes shall be borne by the Owners and non-Owners of the said stream in proportion to their ownership of the lost volumes.

803. Fuel Gas Usage

Operator shall be entitled to use a portion of the Inlet Substances for fuel in Joint Operations. Fuel gas usage shall be allocated to each Owner and non-Owner based upon the proportionate share that each Owner's and non-Owner's volume of Inlet Substances delivered to a Functional Unit bears to the total volume of all Inlet Substances delivered to the said Functional Unit.

804. Disposition of Facility Products

(a) Each Owner shall separately take in kind or dispose of its share of Facility Products at its own cost. To the extent that an Owner (hereinafter in this Article called "non-taking Owner") fails to take or otherwise adequately dispose of its share of Facility Products, then so long as such failure continues, Operator in its sole discretion, as agent and for the account and at the expense and risk of the non-taking Owner, may sell or purchase at Market Price or store all or any portion of the non-taking Owner's share of Facility Products in any reasonable manner Operator sees fit, subject to the provisions of this Clause.

Each Owner shall provide Operator with such information respecting such Owner's arrangements for the disposition of its share of Facility Products as Operator may reasonably require to fulfil its obligations hereunder. If an Owner fails to provide such information, or if any of the disposition arrangements specified are inadequately provided for or are otherwise unworkable or impracticable, Operator shall forthwith so notify such Owner, who shall be deemed to be a non-taking Owner.

(b) The authority of Operator to enter into contracts for the sale of the non-taking Owner's share of Facility Products shall be restricted to contracts that are only for such reasonable periods of time as are consistent with the minimum needs of the industry under the circumstances, provided that in no event shall the term thereof exceed one (1) Month, unless such term may be terminated without penalty on no more than one (1) Month's notice, or unless the non-taking Owner has otherwise agreed in writing. Such authority shall be revocable, subject to the terms of any existing contracts for the sale of the non-taking Owner's share of Facility Products and the terms hereof, at the will of the non-taking Owner. When Operator has so contracted, the non-taking Owner may take its share of Facility Products in kind upon the expiration of the current sales contract, if the non-taking Owner provides written notice to Operator of its intention to resume taking in kind at least thirty (30) Days in advance of the expiration of that arrangement. However, any such revocation shall only be effective so long as such Owner continues to take in kind and separately dispose of its share of Facility Products.

Notwithstanding the foregoing, if due to Regulations or shipping restrictions, arrangements to sell, store or otherwise dispose of Facility Products must be made prior to the date that the same are actually produced, then at the request of the Operator each Owner shall make such arrangements at its own cost prior to the date of production and shall give Operator notice of the same prior to the commencement of the actual Month of production. If any Owner fails to make such arrangements and give such notice, such Owner shall be deemed to have failed to take in kind or dispose of its share of Facility Products to be allocated to it at the actual time and place of production, and Operator shall be entitled to exercise its rights as aforesaid with respect to the non-taking Owner's share of Facility Products as of the date that the non-taking Owner was required to give notice as outlined above.

Insofar as Operator disposes of all or a portion of a non-taking Owner's share of Facility Products pursuant to this Subclause, Operator shall advise the non-taking Owner of the manner pursuant to which it has disposed of such Facility Products and other relevant information pertaining to the disposition within one (1) Month of the commencement of that disposition.

805. Distribution of Proceeds

Subject to the provisions of Clause 804, and unless otherwise agreed to by Operator, if Operator disposes of another Owner's share of Facility Products pursuant to Clause 804, Operator shall forthwith pay to that Owner the proceeds of such sale, less any costs associated with such sale and any other moneys payable with respect to the Facility to Operator by that Owner. Such costs shall, unless otherwise agreed to by Operator, include an administration fee to cover Operator's cost of arranging for and carrying out the sale of a non-taking Owner's share of Facility Products not taken in kind and disposed of by that Owner, as described by ALTERNATE __A__, immediately below:

ALTERNATE A. two point five percent **(2.5%)** of the gross proceeds of the sale of Facility Products;

ALTERNATE B. ________________________ dollars per cubic metre ($___/$m^3$) in the case of petroleum;

________________________ dollars per one thousand cubic metres ($___/$10^3m^3$) in the case of natural gas;

________________________ dollars per cubic metre ($___/$m^3$) in the case of natural gas liquids and substances other than petroleum and natural gas (but not including sulphur);

________________________ dollars per tonne ($___/t) in the case of sulphur;

ALTERNATE C. A flat fee of ________________________ dollars ($___) per Month.

Operator shall include with such payment a statement showing the manner in which the amount was calculated. If Operator does not pay such amount within thirty (30) Days following its receipt, the interest provisions of Subclause 602 (b) shall apply with respect to such outstanding amounts.

806. Audit by Non-Taking Owner

To the extent only that Operator sells all or a portion of the share of Facility Products of a non-taking Owner, the audit provisions of the Accounting Procedure shall, with the necessary changes, apply with respect to such sale between Operator and the non-taking Owner on whose behalf such Facility Products were sold, provided that Operator shall not be required to provide the auditors with access to any of Operator's proprietary marketing information and that the non-taking Owner shall bear all costs of such audit.

807. Operator to be Indemnified

If an Owner does not take in kind and separately dispose of its share of Facility Products and Operator disposes of such Facility Products on behalf of the non-taking Owner pursuant to this Article, the non-taking Owner shall indemnify Operator with respect to any injury, loss or damage which Operator may suffer with respect to such sale by virtue of defects in the non-taking Owner's title to such Facility Products.

808. Indemnification for Royalties and Other Payments

Each Owner shall pay or be responsible for the payment of and shall indemnify the other Owners against liability for any and all royalties, overriding royalties, production payments, taxes and any and all other payments chargeable against its share of Facility Products.

809. Warranty by Owners

Each Owner warrants that it has the right to produce its portion of the Inlet Substances and dispose of its portion of the Facility Products and agrees to indemnify and save harmless the other Owners from all actions, causes of actions, claims and demands that may be made by any Person who has or claims to have an interest in such Inlet Substances or Facility Products.

ARTICLE IX

DISPOSAL OF FACILITY INTEREST

901. Disposal of an Interest in the Facility

Except as provided in this Article IX, no Owner shall sell, transfer, assign, mortgage or otherwise dispose of all or part of its interest in the Facility or any Functional Unit. An Owner who intends to dispose of all or a part of its interest in the Facility or any Functional Unit (in this Article called "the Disposing Owner") shall comply with the provisions of ALTERNATE __B___ immediately below:

ALTERNATE A. The Disposing Owner shall be under no obligation to obtain the consent of the other Owners or to provide the other Owners with a right to acquire that Disposing Owner's interest in the Facility.

ALTERNATE B. The Disposing Owner shall obtain the consent of the other Owners, and shall provide them with information regarding the disposition, including the description of the Functional Unit Participation proposed to be disposed and the identity of the proposed assignee. Such consent shall not be unreasonably withheld, and it shall be reasonable for an Owner to withhold its consent to the disposition if it reasonably believes that the disposition would be likely to have a material adverse effect on its Functional Unit Participation or Joint Operations, including, without limiting the generality of all or any part of the foregoing, a reasonable belief that the proposed assignee does not have the financial capability to meet prospective obligations arising out of this Agreement, provided that an Owner which withholds its consent shall include in its notice its reasons for withholding consent. However, an Owner shall be deemed to have consented to the disposition to the proposed assignee, unless, within twenty (20) Days, the Owner advises the other Owners, by notice, that it is not prepared to consent to such disposition.

ALTERNATE C.

(a) The Disposing Owner shall, by notice, advise each other Owner (in this Article called an "Offeree") of its intention to make the disposition, including in such notice a description of the Functional Unit Participation proposed to be disposed, the identity of the proposed assignee, the price or other consideration for which the Disposing Owner is prepared to make such disposition, the proposed effective date and closing date of the transaction and any other information respecting the transaction which the Disposing Owner reasonably believes would be material to the exercise of the Offerees' rights hereunder (such notice in this Article called "the Disposition Notice").

(b) If the consideration described in the Disposition Notice cannot be matched in kind and the Disposition Notice does not include the Disposing Owner's bona fide estimate of the value, in cash, of such consideration, an Offeree may, within seven (7) Days of the receipt by the Offerees of the Disposition Notice, request the Disposing Owner to provide such estimate to the Offerees, whereupon the Disposing Owner shall provide such estimate in a timely manner and the election period provided herein to the Offerees shall be suspended until such estimate is received by the Offerees.

(c) If there is a dispute as to the reasonableness of an estimate of the cash value of the consideration described in the Disposition Notice or provided pursuant to Subclause (b), as the case may be, the matter shall be referred directly to arbitration under the Appendix titled "DISPUTE RESOLUTION" within seven (7) Days of the receipt of such estimate. The Disposing Owner and the applicable Offeree shall thereupon diligently attempt to complete such arbitration in a timely manner. The equivalent cash consideration determined in such arbitration shall thereupon be deemed to be the sale price for the Functional Unit Participation described in the Disposition Notice.

(d) Within the later of i) thirty (30) Days from the receipt of the Disposition Notice, as modified by any suspension pursuant to Subclause (b) of this Alternate C; or ii), if Subclause (c) of this Alternate C is applicable, fifteen (15) Days from receipt of notice of the arbitrated value determined pursuant to the preceding Subclause, an Offeree may give notice to the Disposing Owner that it elects to purchase the Functional Unit Participation described in the Disposition Notice for the applicable price (in this Article called a "Notice of Acceptance"). A Notice of Acceptance shall create a binding contractual obligation upon the Disposing Owner to sell, and upon an Offeree giving a Notice of Acceptance to purchase, for the applicable price, all of the Functional Unit Participation included in such Disposition Notice on the terms and conditions set forth in the Disposition Notice. However, if more than one Offeree gives a Notice of Acceptance, each such Offeree shall purchase the Functional Unit Participation to which such Notice of Acceptance pertains in the proportion its Functional Unit Participation bears to the total Functional Unit Participation of all such Offerees.

(e) If the Functional Unit Participation described in the Disposition Notice is not disposed of to one or more of the Offerees pursuant to the preceding Subclause, the disposition to the proposed assignee shall be subject to the consent of the Offerees. Such consent shall not be unreasonably withheld, and it shall be reasonable for an Offeree to withhold its consent to the disposition if it reasonably believes that the disposition would be likely to have a material adverse effect on its Functional Unit Participation or Joint Operations, including, without limiting the generality of all or any part of the foregoing, a reasonable belief that the proposed assignee does not have the financial capability to meet prospective obligations arising out of this Agreement, provided that an Owner which withholds its consent shall include its reasons for withholding consent in its notice. However, an Offeree shall be deemed to have consented to the disposition to the proposed assignee, unless, within the time period prescribed in Subclause (d), the Offeree advises the other Owners, by notice, that it is not prepared to consent to such disposition.

(f) If the Functional Unit Participation described in the Disposition Notice is not disposed of to one or more of the Offerees pursuant to Subclause (d) of this Alternate C, the Disposing Owner may, subject to obtaining the consents prescribed by the preceding Subclause, dispose of such Functional Unit Participation at any time within one hundred and fifty (150) Days from the issuance of such Disposition Notice, provided that such disposition is not on terms that are more favourable to such proposed assignee than those offered in the Disposition Notice.

(g) Following a disposition herein or one hundred and fifty (150) Days following the issuance of a Disposition Notice from which a disposition did not result, as the case may be, the provisions of this Clause 901 shall once again apply to the Functional Unit Participation described in the Disposition Notice.

902. Unrestricted Disposals

Notwithstanding anything contained in this Article IX, an Owner may transfer all or a portion of its interest in the Facility without providing prior notice or the option to acquire such interest to the other Owners in the following instances, namely:

(a) a disposition to an Affiliate of the Owner, or in consequence of a merger or amalgamation of the Owner with another corporation or pursuant to an assignment, sale or disposition made by an Owner of its entire Facility Participation to a corporation in return for shares in that corporation or to a registered partnership in return for an interest in that partnership;

(b) if a portion of an Owner's interest in the Facility is disposed of as a result of the conversion of a gross overriding royalty interest or other interest to a working interest in a well pursuant to an agreement in existence as of the Effective Date, and the production from such well is required to be delivered to the Facility;

(c) a disposition made by an Owner of all, or substantially all, or of an undivided interest in all or substantially all, of its petroleum and natural gas rights in the province or territory where the Facility is situated, and for the purposes of this Subclause, "substantially all" means a percentage of ninety percent (90%) or more of the net hectares held by such Owner in that province or territory;

(d) Subclause (d) shall _X_ /shall not ___ apply:

a disposition made by an Owner of all, or substantially all, or of an undivided interest in all or substantially all, of its petroleum and natural gas rights in wells producing to the Facility, and for the purposes of this Subclause, "substantially all" means a percentage of ninety percent (90%) or more of the working interest held by such Owner in such wells; and

(e) Subclause (e) shall _X_ /shall not ___apply:

a disposition made by an Owner of a portion of its petroleum and natural gas rights in wells producing to the Facility, where such disposition is accompanied by the disposition of a proportionate part or share of the Facility.

(f) A disposition made by a Midstream Company of it's Functional Unit Participation as part of a disposition of all or substantially all, of its interest in the Mazeppa Gas processing plant.

However, an Owner making such a disposition pursuant to Subclause (a), (b), (c), (d) (e) or (f) of this Clause shall advise the Operator of such disposition in a timely manner, and shall comply with the provisions of Clause 905.

If the transfer is to an Affiliate, the Owner shall execute and deliver to Operator a continuing guarantee of all obligations to be assumed by the Affiliate under this Agreement. Such guarantee shall also provide that the guarantor waives notice of any extensions, modifications or amendments to this Agreement and agrees to be bound thereby; that no such extensions, modifications or amendments will release the guarantor; and that the guarantor will not be released by any waiver of any obligation of the Affiliate by the indulgence or concession granted to it.

903. Financing

Notwithstanding anything contained in this Article IX:

(a) An Owner may mortgage its interest in the Facility; provided that any such mortgage shall expressly provide that the mortgagee shall hold the interest subject to all the terms and provisions of this Agreement, and shall also provide that upon any realisation of the security, the party acquiring the interest in the Facility shall be required to assume all obligations of the mortgagor under this Agreement, including the obligations imposed under Clause 905; and

(b) An Owner may assign its interest in the Facility in connection with an arrangement for the financing of its interest in the Facility provided that:

(i) any such assignment shall expressly provide that the assignee shall hold the interest subject to all the terms and provisions of this Agreement;

(ii) until the assignee gives notice to Operator of a default by the assignor under the arrangement for financing and complies with the provisions of Clause 905, the assignor shall not be released from its obligations under this Agreement, shall remain an Owner for the purposes of Exhibit "A", under the Appendix titled "FACILITY AND FUNCTIONAL UNIT PARTICIPATION", and the Owners shall be entitled to deal exclusively with the assignor in all matters under this Agreement;

(iii) until the assignee gives notice to Operator of a default by the assignor under the arrangement for financing and complies with the provisions of Clause 905, the assignor shall have full power and authority to act on behalf of and bind the assignee for all matters respecting this Agreement, and any information , notices or billings served on or by, or any payment to the assignor shall be deemed to have been served on or by or payment made to the assignee and the other Owners shall neither honour notices from nor give notices to the assignee; and

(iv) any such assignment shall expressly provide that immediately upon receipt by the Operator of notice from the assignee that the assignor is in default under the arrangement for financing, realisation of the security or otherwise, the assignee shall be required to assume all obligations of the assignor under this Agreement.

904. Admission of New Owners Through Enlargement

No Person shall become an Owner through an Enlargement except with the approval of the Operating Committee and upon such terms and conditions as may be imposed by the Operating Committee, which shall include the condition that any Person becoming an Owner shall execute and deliver to Operator one (1) counterpart of this Agreement.

905. Disposal of Interest Documentation

(a) Every disposition of an interest in a Functional Unit shall be made subject to this Agreement and shall not be binding on the other Owners until the first Day of the Month next following the date:

(i) the Person acquiring the interest, if not already an Owner, has executed and delivered to Operator one (1) counterpart of this Agreement; and

(ii) a copy of the instrument, executed by both the disposing Owner and its assignee, evidencing such change in ownership has been delivered to Operator.

Once such disposition becomes effective, the assignor shall thereupon be relieved from all obligations that thereafter accrue hereunder with respect to the assigned interest, subject to Clauses 504, 505, 902 and 1001.

(b) Subject to Clause 307, the assignment of any interest in the Facility by an Owner while acting in the capacity of Operator shall not confer upon the Person acquiring such interest the position of Operator.

(c) In the event of a Conversion, a Midstream Company shall provide the following information to the existing Owners:

(i) existing parties under firm (take or pay) commitments;
(ii) the volume of firm Capacity granted under existing firm (take or pay) commitments;
(iii) expiry date of the existing firm (take or pay) commitments; and
(iv) which well(s) or designated area(s) are participating in the firm (take or pay) commitments.

906. Change of Name

An Owner whose name is changed by due legal process shall notify and supply evidence of the change to Operator as soon as possible.

ARTICLE X

TERM AND TERMINATION

1001. Term

This Agreement shall remain in full force and effect from the Effective Date so long as all or any portion of the Facility is held pursuant to this Agreement and so long thereafter as may be necessary to decommission, abandon, dispose of and reclaim the Facility, in accordance with the Regulations, and final settlement of accounts has been made among the Owners, provided that those provisions related to audit, liability, indemnity, disposal and salvage of Material and enforcement of default shall survive.

1002. Termination

Subject to the provisions of Clause 1001, this Agreement shall terminate upon a vote of the Operating Committee in accordance with Subclause 204 (i).

1003. Salvage or Disposition

If required by the Regulations or directed by the Operating Committee to salvage the Facility or any Functional Unit or portion thereof as the case may be, Operator shall, for the Joint Account:

(a) salvage as much of the Facility, Functional Unit or portion thereof, as the case may be, as can economically and reasonably be salvaged or otherwise dispose of the same in the manner determined by the Operating Committee; and

(b) clean up and restore the site of the Facility, Functional Unit or portion thereof, as the case may be, in accordance with the Regulations and to the satisfaction of any governmental body having jurisdiction with regard thereto and to the reasonable satisfaction of the owner or occupier of the land upon which the Facility is located.

1004. Proceeds and Costs

The proceeds and costs of salvaging, decommissioning, abandonment, reclamation or disposing of any portion of the Facility, incurred pursuant to Clause 1003, shall be shared and borne by the Owners of the Functional Unit to which such salvage or disposal relates, based on each Owner's respective Functional Unit Participation in such Functional Unit.

ARTICLE XI

GENERAL PROVISIONS

1101. Enurement

Subject to the provisions of Clause 905, this Agreement shall enure to the benefit of, and be binding upon, the respective heirs, executors, administrators, successors and permitted assigns of the Owners.

1102. No Partnership

Nothing herein contained shall be read or construed as creating a partnership, or as imposing upon any Owner any partnership duty, obligation or liability of any kind, it being the express intention of the Owners that the respective rights, obligations and liabilities of each of the Owners under this Agreement and in respect of the subject matter hereof generally, shall be several, and not joint or joint and several.

1103. Force Majeure

(a) For the purposes of this Clause, "force majeure" means an occurrence beyond the reasonable control of the Owner claiming suspension of an obligation hereunder, which has not been caused by such Owner's negligence and which such Owner was unable to prevent or provide against by the exercise of reasonable diligence at a reasonable cost and includes, without limiting the generality of the foregoing, an act of God, war, revolution, insurrection, blockage, riot, strike, a lockout or other industrial disturbance, fire, lightning, unusually severe weather, storms, floods, explosion, accident, shortage of labour or materials, or government restraint, action, delay or inaction.

(b) If any Owner is prevented by force majeure from fulfilling any obligations hereunder, the obligations of that Owner, insofar as its obligations are affected by the force majeure, shall be suspended while the force majeure continues to prevent the performance of such obligation and for that time thereafter as that Owner may reasonably require to commence to fulfil such obligation. An Owner prevented from fulfilling any obligation by the force majeure shall promptly give the other Owners notice of the force majeure and the affected obligations, including reasonably full particulars in respect thereof.

(c) The Owner claiming suspension of an obligationas aforesaid shall promptly remedy the cause and effect of the applicable force majeure, insofar as it is reasonably able so to do, and such Owner shall promptly give the other Owners notice when the force majeure ceases to prevent the performance of the applicable obligation. However, the terms of settlement of any strike, lockout or other industrial disturbance shall be wholly in the discretion of such Owner, notwithstanding Subclause (a), and that Owner shall not be required to accede to the demands of its opponents in any strike, lockout or industrial disturbance solely to remedy promptly the force majeure thereby constituted.

(d) Notwithstanding anything contained in this Clause, lack of finances shall not be considered a force majeure, nor shall any force majeure suspend any obligation for the payment of money hereunder.

1104. Notices

All notices and other communications to be given in connection with this Agreement shall be in writing and shall be sufficiently given:

(a) if delivered by hand or by courier to an Owner at its address for service, such delivery shall be deemed received by the Owner when actually delivered, if such delivery is during Owner's normal business hours, on any Day other than a Saturday, a Sunday or statutory holiday. If such notice or other communication is not delivered during the Owner's normal business hours, such notice or other communication shall be deemed to have been received by Owner on the Day next following the date of delivery, other than a Saturday, Sunday or statutory holiday;

(b) except during any period of actual or impending postal disruption, if sent by first class mail, or by airmail if sent from outside Canada or the United States, postage prepaid, to an Owner at its address for service, such mailing shall be deemed received by the Owner on the fourth Day following the date of mailing (Saturdays, Sundays and statutory holidays excepted). However, if postal service is interrupted or operating with unusual or imminent delay, such notice or other communication shall not be sent by such means during such interruption or period of delay; and

(c) to an Owner which has provided a direct telecommunication number as part of its address for service, if sent by telecommunication to the Owner's designated telecommunication number, such transmission shall be deemed received by the Owner when actually received, if such transmission is during Owner's normal business hours on any Day other than a Saturday, Sunday or a statutory holiday. If such notice or other communication is not received during the Owner's normal business hours, such notice or other communication shall be deemed to have been received by Owner on the Day next following the date of transmission, other than a Saturday, Sunday or a statutory holiday.

For the purposes of this Clause 1104, the address for service for each Owner initially shall be the address set forth below its signature on the execution page of the Head Document. Operator may change its address for service by giving written notice thereof to each of the other Owners, and any other Owner may change its address for service by giving written notice thereof to Operator.

1105. Suits

An Owner who is sued on an alleged cause of action arising out of Joint Operations shall forthwith notify every other Owner.

1106. Compliance with Laws and Regulations

In exercising their respective rights and discharging their respective obligations under this Agreement, the Owners shall comply in all material respects with all Regulations.

1107. Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein, and each of the Owners submits to the exclusive jurisdiction of the courts of the Province of Alberta for the interpretation and enforcement hereof.

1108. Waiver

No waiver by any Owner of any breach (whether actual or anticipated) of any of the covenants, provisions or conditions herein contained shall take effect or be binding upon that Owner unless the same is expressed in writing under the authority of that Owner. Any waiver so given shall extend only to the particular breach so waived and shall not limit or affect any rights with respect to any other or future breach.

1109. Statute of Limitations

The Owners agree to extend the two (2) Year time period otherwise provided for under the Limitations Act (Alberta) to four (4) Years.

1110. Further Assurances

Each Owner shall from time to time and at all times do all such further acts and execute and deliver all further documents as may be reasonably required in order to perform and carry out the terms of this Agreement.

1111. Partitioning

No Owner shall resort to any action for partition, or sale in lieu of partition, of any real property comprised in the Facility, or any portion thereof.

1112. United States Taxes

If for the purposes of the United States Internal Revenue Code of 1986, as amended ("the Code"), this Agreement or the relationship established thereby constitutes a partnership as defined in Section 761 (a) of the Code, each Owner who is entitled under such Section to elect, hereby elects to have such partnership excluded from the application of Subchapter K of Chapter 1 of Subtitle A of the Code, or such portion thereof as the Secretary of the Treasury of the United States, or his delegate, permits to be so excluded. Operator is authorised to execute such election on behalf of the applicable Owners and to file the election with the proper United States government office or agency. Operator is further authorised and directed to execute and file such additional and further evidence of such election as may be required, all at the expense solely of those Owners subject to the Code. However, if Operator is not subject to the Code with respect to the Facility, the obligations of Operator under this Clause shall be fulfilled by the Owner who is subject to the Code with respect to the Facility and who, among those Owners subject to the Code, holds the greatest Facility Participation.

1113. Confidentiality

Each Owner entitled to information obtained hereunder or pursuant to this Agreement may use such information for its sole benefit. However, the Owners shall take such measures with respect to Joint Operations and internal security as are appropriate in the circumstances to keep confidential from third Persons all such information, except information which the Owners have expressly agreed among themselves to release and information disclosed by an Owner:

(a) when and to the extent required by the Regulations and securities laws applicable to such Owner, provided that such Owner shall invoke any confidentiality protection permitted by such Regulations and securities laws;

(b) to an Affiliate, provided that such Owner shall be deemed to have required such Affiliate to maintain the confidential status of the disclosed information in accordance with this Clause 1113, that such Affiliate shall be deemed to have accepted such obligation and that such Owner shall be liable for any loss suffered by the other Owners, or any of them, because of the failure of such Affiliate to maintain such information confidential;

(c) to a third Person to which such Owner is seeking to assign all or a portion of its interest hereunder, provided that a binding covenant is obtained from such third Person prior to disclosure which provides, inter alia, that none of such information shall be disclosed by it to any other third Person;

(d) to the technical, financial or other professional consultants of such Owner which require such information to provide their services to such Owner or to a bank or other financial institution form which such Owner is attempting to obtain financing, provided that a binding covenant is obtained form such consultant or financier, as the case may be, prior to such disclosure, which provides, iter alia, that none of such information shall be disclosed by it to any other third Person or used for any purposes other than advising such Owner or providing financing to such Owner, as the case may be.

However, the confidentiality obligation in this Clause shall not extend to information to the extent it is in the public domain, provided that specific items of information shall not be considered to be in the public domain merely because more general information is in the public domain.

Notwithstanding the foregoing provisions of this Clause, any Owner which otherwise ceases to be bound by the provisions of the Agreement shall nevertheless remain bound by the provisions of this Clause with respect to information obtained hereunder or pursuant to this Agreement until and to the extent that such information is in the public domain.

1114. General Business Conduct

Except as otherwise provided herein, none of the Owners nor any of their Affiliates, directors, officers, consultants, agents or employees shall give or receive any commission, fee, rebate, gift or entertainment of significant cost or value in connection with this Agreement.

1115. Supersedes Previous Agreements

Unless otherwise provided in the Head Document, this Agreement supersedes all other previous agreements, documents, writings and verbal understandings among the Owners relating to the Facility, and expresses all of the terms and conditions agreed upon by the Owners with respect to the Facility.

1116. Time of the Essence

Time is of the essence in this Agreement.

1117. No Implied Covenants

The Owners have expressed herein their entire understanding and agreement concerning the subject matter of this Agreement. No implied covenant, condition or term shall be read into this Agreement, nor shall any prior oral or written understanding entered into modify or compromise any of the terms and conditions herein.

1118. Waiver of Relief

The Owners acknowledge that any default, forfeiture or assignment provisions contained in this Operating Procedure are reasonable and equitable. Each Owner waives any and all rights which it may have at law, in equity or by the Regulations, against default, forfeiture or penalty if such provisions are invoked.

1119. Restrictions

The Parties hereby agree that within the area of the Facilities, their respective employees and the employees of contractors and subcontractors employed thereon, shall not be permitted to:

(a) possess, use, distribute or sell alcoholic beverages;

(b) misuse legitimate drugs;

(c) possess, use, distribute or sell illicit drugs or non-prescribed prescription drugs or other controlled substances; or

(d) perform hereunder while under the influence of alcohol or any such other drugs or substances.

The Operator shall adopt and enforce work rules and shall use its best efforts to include appropriate provisions in all relevant contracts to uphold such restrictions.

APPENDIX I OF EXHIBIT "A" OF

Agreement for the Construction, Ownership and Operation of the Hooker Gas Gathering System

FACILITY AND FUNCTIONAL UNIT PARTICIPATION

101. Facility Participation and Functional Unit Participation

The Owners and their respective Functional Unit Participation's and Facility Participation are as follows:

	Functional Unit Participation			
Owners	**Segment 1 Connemara Lateral**	**Segment 2 Hooker Compressor**	**Segment 3 Hooker North Connector**	**Segment 4 2-4 to 2-20 Loop**
MFC Resource Partnership	**75.00%**	**75.00%**	**75.00%**	**75.00%**
ExxonMobil Canada Energy	**25.00%**	**25.00%**	**25.00%**	**25.00%**
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Owners	Facility Participation
MFC Petroleum Corporation	**75.00%**
ExxonMobil Canada Energy	**25.00%**
Total	**100.00%**

102. Basis for Determination

(a) Facility Participation

The initial Facility Participation of each Owner has been determined and expressed as a percentage representing the proportion that each Owner's investment value in the Facility bears to the total aggregate investment value of all Owners in the Facility.

(b) Functional Unit Participation

The Functional Unit Participation of each Owner has been determined and expressed as a percentage representing the proportion that each Owner's investment value in the Functional Unit bears to the total aggregate investment value of all Owners in the Functional Unit.

APPENDIX II OF EXHIBIT "A" TO

Agreement for the Construction, Ownership and Operation of the Hooker Gas Gathering System

DESCRIPTION OF FACILITY AND FUNCTIONAL UNITS AND MAP

101. Facility Description

The Facility shall include pipelines, compressors and their associated equipment for the gathering and compression of Inlet Substances.

102. Functional Unit Descriptions

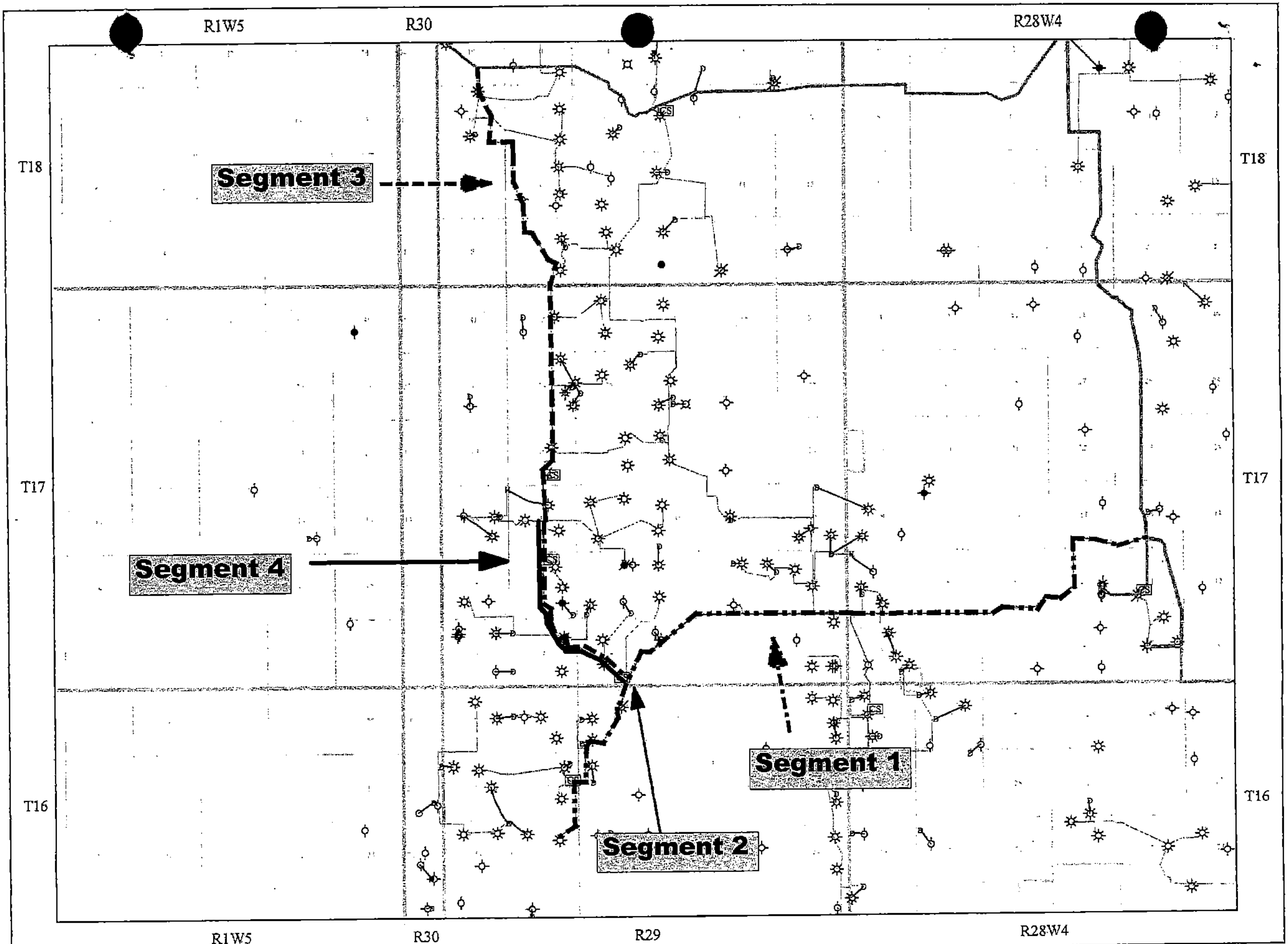
Segment (1) Connemara Lateral is a 4" natural gas pipeline system for which the AEUB has issued a license number 33200 and commences in 03-14-17-28W4M and ends at 10-20-16-29W4M.

Segment (2) Hooker Compressor is a leased natural gas compressor for which the AEUB has issued a license number 2000-4976 and is located at the S.E. corner of Sec. 4 Twp. 17 Rge. 28 west of the 4th Meridian.

Segment (3) Hooker North Connector (including the Hooker 9-5 Connector) consists of two 6" natural gas pipelines for which the AEUB has issued license number 34436 which commences at 09-05-17-29W4M and ends at 02-04-17-29W4M and license number 3475 which commences at 09-05-17-29W4M and ends at 02-19-18-29W4M.

Segment (4) Pipeline Loop is a new 6" line from 02-20-17-28W4M to the 02-04-17-29W4M for which the AEUB has issued a license number 34551 Lines 82, 87.

103. Map of the Facilities



File: F000002.MAP Datum: NAD27 Projection: Stereographic Center: N50.44218 W113.91866 Created in AccuMap™, a product of IHS

APPENDIX III of EXHIBIT "A" to

Agreement for the Construction, Ownership and Operation of the Hooker Gas Gathering System

ACCOUNTING PROCEDURE

101. Accounting Procedure Chosen

(a) Alternate _A_ immediately below shall apply as a schedule to this Appendix:

ALTERNATE A.	The Accounting Procedure is the 1996 Petroleum Accountants Society of Canada's Accounting Procedure and has been modified only as shown in Clause 102 (b) hereof. The elections chosen and values inserted are described in Clause 102 (a) hereof.
ALTERNATE B.	The Accounting Procedure is unique to this Agreement and is attached hereto as Schedule A.

102. Rates, Elections and Modifications to the 1996 PASC Accounting Procedure

The following clauses of the Accounting Procedure are modified to include the indicated election, alternate, option or value:

105. Operating Fund: __10___ %

110. Approvals: In accordance with Clause 204(e) of the Operating Procedure;

112. Expenditure Limitations:
- (a) excess of thirty thousand dollars ($30,000)
- (c) excess of twenty thousand dollars ($20,000)

202. Employee Benefits:
- (b) exceed twenty two percent (22%)

213. Camp and Housing:
- (b) shall ______/shall not___X___

216. Warehouse Handling: five percent (5%)

221. Allocation Options:

CLAUSE	OPTIONS FOR CHARGING JOINT ACCOUNT			
	Fixed $/ Month			
	Subject to 302 (e)	Not subject to 302 (e)	Percentage of Direct Cost	Other (Specify) (Well/m3)
204	N/A	N/A	N/A	N/A
207(c)	N/A	N/A	N/A	N/A
212	N/A	N/A	N/A	N/A
213(a)	N/A	N/A	N/A	N/A
214	N/A	N/A	N/A	N/A

302. Overhead Rates:

(a) Exploration Project ___N/A_____ percent (______%)

(b) Drilling of a well _____N/A____ percent (______%)

(c) Initial Construction _____N/A_____ percent (_______%)

OR

(1) three percent (3%); fifty thousand dollars ($50,000)
(2) two percent (2%); one hundred thousand dollars ($100,000)
(3) one percent (1%)

(d) Construction Project ___N/A_____ percent (______%)

OR

(1) five percent (5%); fifty thousand dollars ($50,000)
(2) three percent (3 %); one hundred thousand dollars ($100,000)
(3) one percent (1%)

(e) Operation and Maintenance:

(1) ten percent (10%) of cost; and
(2) N/A
(3) N/A
Subclause 302(e)(2) and 302(e)(3) hereof shall __________/shall not ___X___.

406. Dispositions: thirty thousand dollars ($30,000)

103. Modifications to the PASC Accounting Procedure

The Accounting Procedure is modified as follows:

The following clauses contained in the Accounting Procedure are deleted and replaced as specified:

113. Value Added Tax

(a) For refundable value added, goods and services or sales taxes, the Operator is authorized to make all elections and file all forms or documents required to administer such taxes on behalf of the joint Account, including any documents which are required to deem all purchases of goods and services to be purchases of the Operator, and all recoveries to be recoveries of the Operator.

(b) For all amounts payable by one Owner to any other Owner, including any payment as a result of a breach of this Agreement, applicable value added, goods and services or sales taxes and similar levies, shall be added to the amount payable unless the transaction is covered under 113(a) above.

Clause 201(a)(6) - Salaries and wages of the Operator's employees engaged in Production Engineering who are either temporarily or permanently assigned to and directly employed off-site in direct support of Joint Operations.

Clause 207(d) - Maintaining and operating an On-Site Warehouse that is part of the Joint Property. When additional operations or activities are served by the On-Site Warehouse, the cost of maintaining and operating the On-Site Warehouse shall be allocated among all operations and activities served, on an equitable basis or as otherwise agreed to by the Owners pursuant to Clause 216 of this Accounting Procedure.

Clause 501(b) - The Operator shall conduct an inventory of stock maintained in a Warehouse which is part of the Joint Operations on a annual basis or as otherwise approved by the Owners.

103. Warranty as to Modifications

Except as otherwise provided for in Clause 101 and 102 hereof, the Accounting Procedure published by the Petroleum Accountants Society of Canada, 1996 (copyright) is hereby incorporated in its entirety in the Agreement and the Parties so warrant that said Accounting Procedure has been amended only to the extent set forth herein.

APPENDIX IV of EXHIBIT "A" to

Agreement for the Construction, Ownership and Operation of the Hooker Gas Gathering System

STRUCTURE AND SHARING OF THE JOINT ACCOUNT

101. Structure of the Joint Account

The Joint Account for the Facility and all statements furnished to the Owners shall be segregated by Functional Unit (if applicable) and divided into Capital and Operating Costs.

102. Sharing of the Joint Account Amongst Owners

(a) The Owners shall reimburse Operator for Capital Costs and Operating Costs as follows:

(i) Capital Costs – Each in proportion to their Functional Unit Participation's.

(ii) Variable Operating Costs – Operator shall initially allocate Variable Operating Costs in proportion to the estimated volumes for each Owner and non-Owner in the first calendar Year or portion thereof and for each following calendar Year. The estimated allocation of Variable Operating Costs shall be subject to annual adjustment pursuant to Subclause (c) hereof.

(iii) Fixed Operating Costs – Each in proportion to their Functional Unit Participations

(b) Operator shall distribute the Surplus Capacity usage charges, as may be charged from time to time pursuant to the Appendix titled "CAPACITY USAGE AND FEES", to the Owners on an interim basis in proportion to their estimated available surplus Capacity contributed and such distribution shall be subject to an annual adjustment pursuant to Subclause (c) hereof.

(c) Operator shall, within one hundred and eighty (180) Days of the end of the preceding year adjust the distribution of the estimated Variable Operating costs and Surplus Capacity usage charges made pursuant to Subclauses (a) and (b) hereof to reflect the following basis for sharing:

(i) Total Variable Operating Costs including non-Owner fee income (Operating Cost component) for the Month shall be shared by the Owners on the basis that each Owner's Monthly volume of Inlet Substances delivered to a Functional Unit bears to the total volume of all Inlet Substances delivered to a Functional Unit for all Owner's for such Month;

(ii) Operator shall distribute Owner's Daily Surplus Capacity usage charges, as may be charged from time to time on the basis of each Owner's prorated share of Surplus Capacity so contributed in such Day.

(iii) Subject to Subclause 103 herein, where Customer Substances compressed or transported in a Functional Unit are less than or equal to the Midstream Company's Capacity Ownership, the usage charge on Customer Substances, shall be determined by and shall be for the account of the Midstream Company. Where Customer Substances exceed the Midstream Company's Capacity Ownership, the Midstream Company shall pay a Surplus Capacity usage charge on the "Outside Substances" to the Joint Account as provided for in Subclause 102(c)(ii) herein and the charge shall be credited back to the Owners on the basis of each Owner's prorated share of Surplus Capacity so contributed in such Day.

103. Sharing of Usage Fees After a Conversion

(a) In the event of a Midstream Company Conversion, usage fees generated from Customer Substances on firm (take or pay) contracts in existence shall remain with the Midstream Company or its successor Owner. At any time in which new wells or re-completed zones utilize a Functional Unit under an existing firm (take or pay) contract, Owners may elect to share in this usage fee generated from the said contract by contributing a proportionate share of their Capacity, this election shall be translated into a Capacity volume for purposes of sharing usage fees. For clarity, the Capacity volume contributed by an Owner shall be multiplied by the Surplus Capacity usage charge provided for in Appendix titled "CAPACITY USAGE AND FEES" and the result shall be paid to the contributing Owner by the Midstream Company or its successor Owner; and

(b) In the event of a Midstream Company Conversion, usage fees generated from Customer Substances on interruptible contracts (not take or pay) in existence shall remain with the successor Owner. At any time in which new wells or re-completed zones utilize a Functional Unit under an existing or future interruptible contract, the usage fees generated from the said wells or zones shall be shared by the Joint Account on a proportionate basis of the Surplus Capacity so contributed. For clarity the Surplus Capacity usage charge provided for in Appendix titled "CAPACITY USAGE AND FEES" shall be multiplied by the volumes from new wells or re-completed zones utilizing a Functional Unit and will be shared by the Joint Account, as provided for in subclause 102(c)(ii) herein.

APPENDIX V of EXHIBIT "A" to

Agreement for the Construction, Ownership and Operation of the Hooker Gas Gathering System

CAPACITY USAGE AND FEES

101. Determination of Capacity

(a) Subject to Clause 604 of the Head Document, the Capacity actually utilized by each Owner in a Functional Unit shall be determined from the total Inlet Substances of every well delivering to a Functional Unit, including the associated gas equivalent of liquids in each Owner's Inlet Substances.

(b) The Capacity of each Functional Unit may be re-determined by Operator, for the approval of the Operating Committee pursuant to Subclause 202(a) of the Head Document, to take into consideration approved changes to the operating conditions.

(c) If the sum of all Owners' and non-Owners' daily throughput for any given Day exceeds the Capacity of that Functional Unit, then Operator shall deem the actual throughput to be the Capacity for all Accounting purposes for that Day and shall refer the matter to the Operating Committee for a decision as to whether or not Appendix V, Table I Capacity should be revised.

102. Owner Surplus Capacity Usage

(a) Determination of utilized Surplus Capacity

(i) Operator shall determine each Owner's throughput for each Functional Unit on a daily basis;

(ii) Operator shall determine each Owner's share of Surplus Capacity utilized in each Functional Unit for the period specified in Subclause 102 (a)(i) by taking the difference between each Owner's daily throughput and that Owner's Capacity Ownership in the respective Functional Unit;

(iii) Operator shall prorate the total utilized Surplus Capacity in a Functional Unit to those Owners furnishing Surplus Capacity in the proportion that their respective Surplus Capacities bear to the total Surplus Capacity in the Functional Unit;

(iv) If more than one Owner desires to utilize Surplus Capacity, such Surplus Capacity shall be prorated among the Owners desiring to utilize it for the processing of Inlet Substances, in the proportion that each Owner's Functional Unit Participation in that Functional Unit bears to the total Functional Unit Participation of all Owners desiring to utilize such Surplus Capacity in that Functional Unit. If under the foregoing prorationing, an Owner is eligible to utilize more of the Surplus Capacity than such Owner desires to utilize, that Owner shall be allocated only its desired share of Surplus Capacity, which share of Surplus Capacity shall be subtracted from the total Surplus Capacity available.

The remaining Surplus Capacity shall be prorated in the above manner to the other Owners until all of the Surplus Capacity is fully utilized; and

(v) Each Owner will have first right to use their own Capacity in a Functional Unit. Subject to Clause 604(b) of the Head Document, all Customer Substances will be deemed to utilize the Midstream Company's Capacity for purposes of Capacity determination. The Midstream Company will administer its Capacity on a "first in, last out" basis and will grant the other Owner's the right to match a bona fide offer from a non-Owner that would result in Owner Substances, already utilizing the Midstream Company's Capacity being removed from the Midstream Company's Capacity. Prior to a Conversion, a Midstream Company or successor Owner will maintain contracts for Customer Substances and Outside Substances, subject to the Capacity rights of each Owner to utilize its Capacity in a Functional Unit. Following a Conversion the successor Owner to a Midstream Company, will maintain existing contracts but any new contracts will be maintained by the Operator.

(b) Calculation of utilized Surplus Capacity charge

An Owner in excess of its Capacity Ownership or Outside Substances that utilize Surplus Capacity in a Functional Unit shall pay a Surplus Capacity charge determined as follows:

(i) An Owner that has utilized Surplus Capacity in a Functional Unit shall pay a Surplus Capacity charge based upon a JP-95 formula including the estimated initial costs of construction and the parameters provided for in Subclause 102(c) below. The Surplus Capacity charge will be charged as follows:

- Segment 1..$3.02/$e^3m^3$
- Segment 2..$0.53/$e^3m^3$
- Segment 3..$3.02/$e^3m^3$

This Surplus Capacity charge may be amended for any Functional Unit as a result of significant Capital expenditures (for clarity significant Capital expenditures shall mean each cumulative Capital expenditures of $200,000 or more) or as agreed upon by the unanimous consent of the Operating Committee. If the above Surplus Capacity charge is to be amended, the calculation shall be conducted using a JP-95 formula and the criteria provided for under Subclause 102(c) below.

(ii) Surplus Capacity charges will attract the same charge for all Inlet Substances whether that Owner utilizes all or part of a Functional Unit. Exceptions to this Surplus Capacity charge herein may be proposed to the Operator, but exceptions to this charge will only be considered where an Owner or a non-Owner has the option to construct at an equivalent lower fee. Exceptions to this Surplus Capacity charge herein, requires unanimous approval of the Owners, approval not to be unreasonably withheld.

(iii) Operator shall, at reasonable intervals but at least once for every Year, perform a Monthly calculation of the Surplus Capacity utilized on a Daily basis by each Owner in a Functional Unit. If performed annually, such calculation shall be performed within one hundred and eighty (180) Days of the end of the preceding Year. The calculation performed hereunder shall result in a utilized Surplus Capacity charge being made to those Owners utilizing Surplus Capacity in excess of such Owner's Capacity Ownership, and a credit of such amounts to the Owners furnishing Surplus Capacity.

(c) Surplus Capacity charges to non- participating Owners in an Enlargement

An Owner who does not participate in an Enlargement but uses that Capacity created from an Enlargement, shall be subject to a Surplus Capacity usage charge. The said charge will be credited back to the participating Owners in the Enlargement pursuant to Clause 102 (c) of the Appendix titled "STRUCTURE and SHARING OF THE JOINT ACCOUNT". The calculation of this fee shall be based on a JP-95 calculation with the following criteria used in the calculation.

(i) Rate of Return of twenty (20) percent;
(ii) 20 year life on the Enlargement;
(iii) No lost GCA shall be calculated;
(iv) Capacity and throughput based upon 350 producing days; and
(v) Shall include a capital balance which is not depreciated in excess of fifty percent (50%) of the original Capital or any Capital additions

103. Non-Owner Capacity Usage

Surplus Capacity not utilized by the Owners may be allocated by the Operator to non-Owners. All requests received from non-Owners who wish to utilize Surplus Capacity for gathering and compression of Customer Substances and/or Outside Substances shall be referred to the Operator.

104. Distribution of Surplus Capacity and Non-Owner Capacity Usage Charges

Distributions of charges made pursuant to Clauses 102 and 103 hereof shall be performed by Operator as provided in the Appendix titled "STRUCTURE AND SHARING OF THE JOINT ACCOUNT".

105. Order of Cutbacks

(a) If the Facility or a Functional Unit cannot handle all Inlet Substances the Owners wish to deliver to the Facility or to such Functional Unit on any Day, the Inlet Substances shall be cut back as follows:

(i) Outside Substances which are delivered to a Functional Unit; followed by

(ii) Owners Substances in excess of such Owner's Capacity Ownership will be cut back next on the basis of the proportion that each Owner's Substances and Customer Substances in excess of each Owner's Capacity Ownership bears to the total excess volume of all Inlet Substances delivered to a Functional Unit; followed by; and

(iii) Owner's Substances within each Owner's Capacity Ownership and Customer Substances within each Midstream Company's Capacity Ownership will be cut back last on the basis of the proportion that each Owner's Substances and Customer Substances bears to the total volume of all Inlet Substances delivered to a Functional Unit.

(b) Intermittent cutbacks during a Day that may be necessary pursuant to this Clause shall be made at the Operator's discretion exercised reasonably, and applying the principles described in Subclause (a) hereof to the extent possible. Operator shall promptly notify the Owners of any cutbacks that are required.

TABLE I
CAPACITY

The Capacity of each Functional Unit is as follows:

FUNCTIONAL UNIT	DAILY CAPACITY
Segment 1- Connemara Lateral	395.0 e^3m^3/day at a discharge pressure of 9970 kPa.
Segment 2- Hooker Compressor	395.0 e^3m^3/day at a suction pressure of 3710 kPa and a discharge pressure of 9970 kPa.
Segment 3- Hooker North Connector	555.0 e^3m^3/day at a pressure of 8136 kPa at the 9-5 inlet and 7240 kPa at 2-19 outlet for the gathering line.

APPENDIX VI of EXHIBIT "A" to

Agreement for the Construction, Ownership and Operation of the Hooker Gas Gathering System

INSURANCE

101. Insurance

(a) Without in any way limiting the obligations or liabilities of Operator, Operator shall also comply with the provisions of ALTERNATE __B__ immediately below:

ALTERNATE A.

(b) Operator shall, prior to the commencement of Joint Operations, hold or cause to be held with a reputable insurance company or companies, and thereafter maintain or cause to be maintained for the Joint Account and benefit of the Owners and their respective Affiliates, directors, officers, consultants, agents and employees, the insurance hereinafter set forth and any other insurance which is specifically required to comply with the Regulations. The insurance required pursuant to this Subclause shall, subject to Subclause 101 (d), be as follows:

(i) Automobile Liability Insurance covering all motor vehicles or snowcraft and all terrain vehicles, owned and/or leased, operated or licensed by Operator and used in Joint Operations, with an inclusive bodily injury, death and property damage limit of ___________ dollars ($_________) per accident;

(ii) Commercial General Liability Insurance with an inclusive bodily injury, death, and property damage limit of _______________ dollars ($___________) per occurrence, and, without restricting the generality of the provisions of this Paragraph, such coverage shall include, but not be limited to, Employer's Liability, Employer's Contingent Liability, Contractual Liability, Contractor's Protective Liability, Products and Completed Operations Liability, and, such policy shall _____ /shall not _____ include Pollution Liability;

(iii) If aircraft are used, Aircraft Liability Insurance covering all aircraft, owned, leased, operated or licensed by Operator and used in Joint Operations, with an inclusive bodily injury, death and property damage limit of ___________ dollars ($_________) per occurrence;

(iv) If required, Builder's Risk Course of Construction Insurance in an amount not less than the full value of any work being performed in respect of the Initial Construction or any Enlargement, which shall cover all risks of physical loss or damage to the Facility or the work being performed in respect thereto, including all machinery, materials and supplies at the site of such work, in transit thereto and intended to become a part of the finished work, or on site awaiting erection or installation, testing or final acceptance by Operator; and

(v) If required, Wrap-up General Liability Insurance for a combined single limit of ____________ dollars ($_________) for each occurrence or accident, including property damage, bodily injury (including death at any time resulting therefrom) and personal injuries sustained by any person because of bodily injury or destruction of property (including loss of use or occupancy); and contractual liability and employer's liability. Such coverage shall extend to include contractors and sub-contractors as additional insureds in connection with the work. The policy should provide for coverage during the term of Initial Construction or any Enlargement, including twelve (12) Months completed operations liability.

ALTERNATE B.

(b) Operator shall, prior to the commencement of Joint Operations, hold or cause to be held with a reputable insurance company or companies, and thereafter maintain or cause to be maintained for the Joint Account and benefit of the Owners and their respective Affiliates, directors, officers, consultants, agents and employees:

(i) insurance that is specifically required to comply with the Regulations.

(ii) Shall ____/shall not __X__ provide Builder's Risk Course of Construction Insurance in an amount not less than the full value of any work being performed in respect of the Initial Construction or any Enlargement, which shall cover all risks of physical loss or damage to the Facility or the work being performed in respect thereto, including all machinery, materials and supplies at the site of such work, in transit thereto and intended to become a part of the finished work, or on site awaiting erection or installation, testing or final acceptance by Operator; and

(iii) Shall ____/shall not __X__ provide Wrap-up General Liability Insurance for a combined single limit of ____________ dollars ($_________) for each occurrence or accident, including property damage, bodily injury (including death at any time resulting therefrom) and personal injuries sustained by any person because of bodily injury or destruction of property (including loss of use or occupancy); contractual liability and employer's liability. Such coverage shall extend to include contractors and sub-contractors, as additional insureds, in connection with the work. The policy should provide for coverage during the term of Initial Construction or any Enlargement, including twelve (12) Months' completed operations liability.

The following conditions shall be applicable to the ALTERNATE which is specified:

(c) It is the intention of the Owners that, except as provided in Subclause 101 (b) of this Appendix and in Article V of the Operating Procedure, the cost of any accident, loss or any claim of or liability to third parties or to each other for bodily injury, death or property damage arising out of any Joint Operation shall be borne individually by the Owners in proportion to their respective Functional Unit Participations in the affected Functional Unit, insofar as the matter relates to such Functional Unit, and in proportion to their respective Facility Participations in all other cases.

(d) Operator shall provide information regarding deductibles specified for each accident or occurrence in any insurance policy maintained for the Joint Account to any Owner who requests in writing such information. Operator shall maintain deductibles in accordance with its internal policy unless otherwise directed by the Operating Committee.

(e) (i) If the policies which Operator is required to obtain or maintain for the Joint Account are, in Operator's reasonable opinion, unavailable or available only at an unreasonable cost, then Operator shall promptly notify the Owners, in order that the Operating Committee may re-determine the policies which shall be held for the Joint Account. Subject to the provisions of this Clause, policies obtained for the Joint Account pursuant to this Clause may contain terms, conditions or exclusions affecting or limiting the risks covered thereby or the circumstances under which the insurer may be required to indemnify or compensate the Owners thereunder, provided that such terms, conditions or exclusions are, in Operator's reasonable opinion, the best available from the marketplace on reasonable terms and ordinary or appropriate. However, Operator shall obtain the prior approval of the Operating Committee with respect to any such change which is made after the relevant policy or policy renewal has been acquired for the Joint Account.

(ii) Except as provided in subparagraph (i), failure by the Operator to maintain the insurance required to be maintained for the Joint Account shall be deemed to be Gross Negligence.

(f) If Operator makes any payments with respect to any losses, damages, claims or liabilities arising out of Joint Operations which are covered by insurance policies maintained for the Joint Account hereunder with the approval of the insurers thereof or if Operator makes any payments authorised hereunder with respect to any other losses, damages, claims or liabilities arising out of such operations, such payments shall be a charge for the Joint Account. However, Operator shall diligently attempt to process its claims under such policies with respect to such losses, damages, claims or liabilities, and shall promptly credit the Joint Account the amount it ultimately recovers under such policies. Insofar as such charge is one which is not to be borne for the Joint Account pursuant to Article V of the Operating Procedure, Operator shall adjust the Joint Account accordingly at such time as it is determined that the charge is not to be borne for the Joint Account.

(g) Operator shall use reasonable efforts to ensure that each insurance policy maintained for the Joint Account pursuant to this Clause includes:

(i) a provision that coverage is primary to any other coverage carried by the Owners (other than coverage maintained by an Owner to reduce its exposure to a deductible);

(ii) a provision that such policy shall survive the default or bankruptcy of the insured for claims arising out of an event before such default or bankruptcy; and

(iii) a provision that the insurer shall provide Operator with sixty (60) Days' written notice of cancellation of such policy.

(h) Each Owner shall be responsible for insuring its own interest in the Facility with respect to physical damage to property, loss of income, Operator's Extra Expense, Seepage, Pollution, Contamination and Clean-up costs relating to the well(s) and any insurance other than that referred to in the ALTERNATE specified in Subclause 101 (a) of this Appendix. Each Owner shall ensure that each policy maintained by it for its own account hereunder shall contain a waiver of all rights, by subrogation or otherwise, against the other Owners and their respective Affiliates, directors, officers, consultants, agents, contractors and employees.

(i) Operator shall provide each Owner with notice of damages or losses incurred hereunder as soon as practicable after the damage or loss has been discovered. Operator shall provide the Owners with such assistance and materials as is required to substantiate such damages or losses for the purposes of the Owners' insurance coverage.

(j) Operator shall, with respect to Joint Operations, use every reasonable effort to have its contractors and sub-contractors:

(i) comply with all Regulations applicable to workers employed by them; and

(ii) carry such insurance in such amounts as Operator deems necessary, provided that such insurance policies shall either include waivers of all rights, by subrogation or otherwise, against the Owners and their respective Affiliates, directors, officers, consultants, agents, contractors and employees, or include the Owners as insureds under such policies.

APPENDIX VII of EXHIBIT "A" to

Agreement for the Construction, Ownership and Operation of the Hooker Gas Gathering System

SPECIFICATIONS OF INLET SUBSTANCES, FACILITY PRODUCTS AND OPERATING CONDITIONS

101. Inlet Substances Specification and Operating Conditions

(a) All Owner's Inlet Substances delivered to the Functional Unit shall be of a kind, quality and composition and at a temperature and pressure so as to be within the design and operating parameters of the Functional Unit; and

(b) All Owner's Inlet Substances delivered to the Functional Unit shall be free from substances in such quantities that may obstruct, damage or be detrimental to the operation of the Functional Unit or that may result in Owner's Inlet Substances having objectionable odours, solid matter, dust, gums and gum forming constituents which might affect its merchantability or cause injury to or interference with the proper operation of the lines, regulators, metering facilities or other appliances through which such Owner's Inlet Substances flows;

(c) The temperature for Inlet Substances delivering to the Facility shall not exceed sixty degrees Celsius (60° C);

(d) H_2S content of Inlet Substances shall not exceed the anticipated licensed limit of three point five percent (3.5%) for the pipeline, subject to regulatory approval;

(e) No free water shall enter the Facility without prior permission of the Operator;

(f) No free oil shall enter the Facility without prior permission of the Operator;

(g) Condensate rates for Inlet Substances delivering to the Facility shall not exceed .067438 m^3/e^3m^3 without prior permission of the Operator;

(h) Hydrates shall be controlled with methanol injection. All methanol used in the Facility must be in the form of "Inhibited" methanol which is compatible with the gathering systems downstream of the Facilities; and

(i) The Operator will conduct a corrosion control program, which is compatible with the gathering systems downstream of the Facilities.

102. Acceptance of Inlet Substances

Inlet Substances delivered to the Facility Inlet which are not in strict compliance with Clause 101 of this Appendix:

(a) may be accepted into the Facility provided that the off-specification is, in Operator's opinion, not injurious to the Facility and not at risk of contaminating other Inlet Substances or Facility Products associated with the Facility; and

(b) shall be refused acceptance into the Facility immediately upon detection by Operator of the off-specification condition if Operator is of the opinion that off-specification Inlet Substances are likely to be injurious to the Facility or a contaminant to other Inlet Substances, or Facility Products. Immediate refusal shall nonetheless require Operator to shut-in the inlet stream affected by the off-specification Inlet Substances in a manner, which will minimise flaring and losses. The Operator shall immediately notify the Owners of the affected Inlet Substances that the inlet stream has been shut-in.

An Owner may request that the acceptance or refusal of off-specification Inlet Substances be referred to the Operating Committee for a decision.

APPENDIX VIII of EXHIBIT "A" to

Agreement for the Construction, Ownership and Operation of the Hooker Gas Gathering System

FACILITY PRODUCT ALLOCATION PROCEDURE

There are no Facility Products to be allocated.

APPENDIX IX of EXHIBIT "A" to

Agreement for the Construction, Ownership and Operation of the Hooker Gas Gathering System

MEASUREMENT

101. Measurement Equipment

Effluent from each well producing Inlet Substances (hereinafter called "Well Effluent") shall be metered. Well Effluent metering (hereinafter called "Well Effluent Meters") and sampling equipment shall be installed by the applicable well owner at its sole cost risk and expense. Well Effluent Meters shall be of a make and installed in a manner consistent with normal industry practice for proper measurement of Inlet Substances.

102. Sampling

(a) Operator shall have the right and obligation to sample and measure Inlet Substances being delivered to the Functional Unit at any point or points from and including the well(s) from which the Inlet Substance(s) is being produced to the Functional Unit. The Inlet Substances shall be sampled and measured at such times as Operator deems necessary and the samples so taken shall be analysed, using a method consistent with normal industry practice.

(b) The costs of sampling and analysis for the well(s) hereunder shall be charged to the account of the well owner;

(c) Notice of sampling at the well(s) shall be given to the well owners by Operator and the well owner shall have the right to have a representative present at such test. If, after notice, well owner fails to have a representative present, the results of the test shall nevertheless be considered accurate until the next test.

103. Atmospheric Pressure

The atmospheric pressure at the point of measurement shall be assumed to be constant at ninety one point seven (91.7 kPa) kiloPascals.

APPENDIX X of EXHIBIT "A" to

Agreement for the Construction, Ownership and Operations of the Hooker Gas Gathering System

INVESTMENT VALUES

101. Initial Estimated Construction As Built Costs

Functional Unit	Cost ($)
Segment 1-Connemara Lateral	1,619,614
Segment 2- Hooker Compressor	2,055,480
Segment 3-Hooker North Connector	2,153,479
Segment 4- Pipeline Loop	1,266,772
Total	7,095,345

APPENDIX XI of EXHIBIT "A" to

Agreement for the Construction, Ownership and Operation of the Hooker Gas Gathering System

ENLARGEMENT AND NEW CAPITAL

101. Notice and Elections

Any Owner wishing to enlarge the Facility shall give notice to the Operator stating the purpose of the proposed Enlargement and such other information as the Operator may reasonably require. Pursuant to Clause 102 of this Appendix, the Operator shall prepare and submit an Enlargement proposal to the Operating Committee for approval which, subject to each Owner's rights under Clause 103 of this Appendix, shall consider its compatibility with the existing Facility.

Upon approval by the Operating Committee, the Operator shall issue a notice to each Owner and each Owner wishing to participate in the Enlargement (the "Participating Owner") shall give the Operator written advice, within thirty (30) Days of receipt of notice, of its capacity nomination in the Enlargement. No Owner shall be obligated to participate in an Enlargement.

The Participating Owners and the Operator shall promptly consult to determine the design and construction of the Enlargement, which shall be approved by unanimous consent of the Participating Owners. If the original scope of the Enlargement, as defined in the Enlargement proposal, is revised, then a new Enlargement proposal shall be issued to the Operating Committee. When the final design of the Enlargement has been approved, the Operator, on behalf of the Participating Owners, shall proceed with the construction thereof at the sole cost, risk and expense of the Participating Owners in proportion to each Participating Owner's capacity nomination. The Operator shall carry out the construction with as little interference as possible in the operation of the Facilities. Should it be necessary to shut-down the Facilities in order to tie-in the Enlargement, the time of shut-down and subsequent start-up shall be determined by the Operator who shall give notice to all Owners. The cost shall be limited to the direct cost of shut-down and subsequent start-up and shall be borne by the Participating Owners.

102. Information in the Enlargement Proposal

The Enlargement proposal shall specifically identify the purpose of the Enlargement, the proposed process, capacity estimates, location of facilities, construction timing, description of how the Enlargement will be integrated with the existing Facilities and an estimate of Capital and Operating Costs and any effect on existing operating conditions.

103. Adjustment of Facility and Functional Unit Participation, Capacity and Capacity Ownership

(a) Notwithstanding Clause 204(e) of the Operating Procedure, unanimous approval of the Owners to include an Enlargement is required prior to including the Enlargement in this Agreement, such approval shall not be unreasonably withheld.

(b) All Owners have the right to participate in new Capital construction to be included as part of Facility.

(c) Any Facility or Functional Unit changes and Enlargements that impact the Capacity, may create a change in the Ownership of the Facility. The change in Facility Participation will be based on existing and additional Capacity added and non-Participating Owners will have their Facility Participation diluted by the additional Capacity added to the Facility.

(d) Notwithstanding other provisions in this Agreement, a non-Participating Owner in an Enlargement that will become part of an existing Functional Unit shall be entitled to the Capacity in the enlarged Functional Unit it would have otherwise been entitled to, had the Enlargement not proceeded.

(e) Any Enlargement shall be restricted or controlled at a particular point on a Functional Unit Inlet if the Enlargement adversely affects the flow rate of an existing well connected to a Functional Unit by more than ten percent (10%). Upon notification by an Owner, the Operator shall take corrective action to ensure that the pre-existing wells connected to a Functional Unit are no longer affected by more than the said percentage, after one (1) calendar week of stabilized flow. When determining how much existing well flow rates are affected by an Enlargement, the baseline for calculating the said affects shall be the stabilized producing rates on pre-existing wells prior to the Enlargement.

(f) Equalization of investments in the enlarged Functional Unit as described in Clause 101 of this Appendix, shall be conducted by the Operator in the manner approved by the Operating Committee.

(g) Upon completion of the Enlargement, in the case of an Enlargement to an existing Functional Unit, the Functional Unit Participation shall be re-determined based on the total of each Owner's capacity in the Enlargement and such Owner's Capacity in the Functional Unit prior to the Enlargement.

104. Capacity of Enlarged Functional Unit

(a) Notwithstanding other provisions in this Agreement, the new Capacity for an enlarged Functional Unit shall reflect Capacity contributed through previous Capital Costs in the Functional Unit and Capacity contributed through Capital Costs in the Enlargement. Should there be any doubt as to the change in actual Capacity resulting from the Enlargement, a Capacity test shall be conducted if:

(i) approved by the Operating Committee, in which case the costs of the Capacity test shall be borne by all Owners in accordance with their Functional Unit Participation;

(ii) requested by the non-Participating Owners, in which case, if not approved by the Operating Committee, the costs of the Capacity test shall be borne by the non-Participating Owners; or

(iii) requested by the Participating Owners, in which case, if not approved by the Operating Committee, the costs of the Capacity test shall be borne by the Participating Owners.

(b) If a Capacity test is conducted, subject to Subclause 104 (a) of this Appendix, the actual Capacity of the Enlargement, as approved by the Operating Committee, shall be retroactive to the earlier of the first Day of the Month following;

(i) the date of approval by the Operating Committee to conduct the Capacity test; or

(ii) the date of request to conduct the Capacity test.

(c) Table I Capacity in Appendix IV shall be revised by the Operator to reflect the Capacities resulting from the Enlargement.

105. Participating Owners' Rights

The provisions of the Operating Procedure relating to the rights, duties, liabilities and obligations of the Operator and the Owners shall apply with such modifications as the context may require among the Participating Owners with respect to the construction and start-up of the Enlargement.

106. Non-Participating Owners' Rights

The non-Participating Owners shall not bear any portion of the Capital Costs of an Enlargement. If a new Functional Unit is added or additional Capacity is created and the non-Participating Owners use this Functional Unit or additional Capacity, non-Participating Owners in an Enlargement shall be subject to a Capacity usage fee provided for under Clause 102(c) of the Appendix titled "CAPACITY USAGE AND FEES".

107. Liability during Construction of Enlargement

The Participating Owners in an Enlargement shall indemnify the non-Participating Owners against all direct costs and liabilities associated with construction and start-up of the Enlargement and agree to be liable for any damage caused to the existing Facility as a result of construction and start-up of the Enlargement. The Participating Owners shall not be responsible for loss of profits or production of the non-Participating Owners due to a shut-down of the Facilities to tie-in the Enlargement.

108. Pipelines, Extensions and Compression Facilities

(a) Well pipelines, extensions and connected compression will be excluded from this Agreement unless all Owners consent to include them. All Owners will be notified by the Operator of any connections to be made to the Facilities as soon as the Operator is aware of the potential for a connection. Owners wishing to participate in an extension or connection will be required to respond within 15 Days of the notification to the Owner proposing the extension.

(b) All Owners will have the right to participate in "major" extensions and connections to the Facility. Major extensions will be defined as greater than 3 miles of 4 inch line, any length of 6 inch line or any pipeline connected to the Facility that services more than one well. The facility interest for the said extensions or connections is to be negotiated.

(c) Production through new pipelines, extensions and compression connected at a particular point on a Functional Unit Inlet, but not part of this Agreement, will be restricted or controlled if the said production has a cumulative negative impact of ten (10) percent or more on the flow rate of pre-existing wells connected to a Functional Unit. Upon notification by an Owner, the Operator shall take corrective action to ensure that the pre-existing wells connected to a Functional Unit are no longer affected by more than the said percentage, after one (1) calendar week of stabilized flow. When determining how much existing well flow rates are affected by the said changes contained herein, the baseline for calculating the said affects shall be the stabilized producing rates on pre-existing wells prior to the production being tied in at a specific point on a Functional Unit Inlet. For clarity new pipelines, extensions and compression tied in to a specific point on a Functional Unit Inlet shall not have a cumulative affect of greater than ten percent (10%) on existing wells connected to a Functional Unit. The above condition on restricting or controlling new pipelines, extensions and compression shall only be enforceable when the offending Functional Unit Owner exceeds its Capacity Ownership in a Functional Unit.

APPENDIX XII of EXHIBIT "A" to

Agreement for the Construction, Ownership and Operation of the Hooker Gas Gathering System

DISPUTE RESOLUTION

101. Definitions

In this Appendix, in addition to all terms herein before defined, the following words and phrases shall have the following meaning namely:

"Dispute" means any dispute or controversy amongst any of the Owners and/or any of the Owner(s) and Operator concerning any matter arising out of this Agreement; except that any matter which is within the powers of the Operating Committee and which has been voted on by the Owners pursuant to Article II of the Operating Procedure shall be deemed to be a matter not in dispute.

102. Disputes Initially Referred To Mediation

The Owners will attempt to resolve any Dispute through consultation and negotiation in good faith. If those attempts fail, an Owner may, by notice to the other Owners at any time during those negotiations, request the other Owners to attempt to resolve that Dispute through mediation, including with that notice sufficient detail to enable the other Owners to understand the issues that remain in dispute. The Owners will attempt to agree on the selection of a mediator within ten (10) Days of receipt of that notice, unless an Owner gives notice to the other Owners within that period that it is not prepared to proceed with mediation respecting that Dispute. If the Owners are proceeding with a mediation and are unable to select a mediator within that period, any Owner may deliver a written request to the Canadian Foundation for Dispute Resolution to select, within two (2) business Days of the receipt of that request, a mediator qualified by education and experience to resolve that Dispute, and the Owners agree that the person so selected will be the mediator for the Dispute. Unless otherwise unanimously agreed, the Owners will commence a mediation within twenty (20) Days of the selection of the mediator. The mediation will continue until the Dispute is resolved, or an Owner serves notice to the other Owners that it wishes to terminate the mediation, or the mediator makes a written determination that the Dispute cannot be resolved through mediation, or sixty (60) Days pass after the receipt of the original notice, whichever occurs first. All Owners which participate in or are affected by the mediation will each bear their own costs associated with a mediation, but will share the common costs of a mediation based on their Facility Participation, including, without limitation, the cost of the mediator.

103. Arbitration Proceedings

Unless a Dispute has otherwise been resolved, any dispute described in Alternate __B__ below shall be submitted to binding _X__ / non-binding____ arbitration in accordance with the provisions of this section:

ALTERNATE A. Any Dispute which the Agreement specifically provides to be resolved by arbitration; or

ALTERNATE B. Any Dispute.

Any such arbitration and any other arbitration the Owners agree to conduct hereunder will be conducted under the Commercial Arbitration Rules of The Canadian Foundation for Dispute Resolution.

104. Location of and Representation at Mediation and Arbitration

The place for mediation and arbitration shall be Calgary, Alberta. Any Owner may have another Owner, provided that other Owner agrees to same in writing, represent their interests in the dispute resolution.

105. Interim Relief

All limitation periods respecting the commencement of an action will be stayed during the period that the Owners are attempting to resolve a Dispute under Clauses 102 and 103 of this Appendix. An Owner may, at any time it believes is necessary to protect its interest, seek interim or provisional relief, in the form of a temporary restraining order, preliminary injunction or other interim equitable relief concerning a dispute under this Agreement, notwithstanding anything to the contrary in this Appendix.

APPENDIX XIII of EXHIBIT "A" to

Agreement for the Construction, Ownership and Operation of the Hooker Gas Gathering System

WELLS

16-19-016-29W4
10-20-016-29W4
07-29-016-29W4
15-20-016-29W4
10-33-016-29W4
06-04-017-29W4
16-01-017-29W4
04-09-017-29W4
09-05-017-29W4
02-20-017-29W4
13-22-016-29W4
12-32-016-29W4
14-24-016-01W5

APPENDIX XIV of EXHIBIT "A" to

Agreement for the Construction, Ownership and Operation of the Hooker Gas Gathering System

ENVIRONMENTAL MATTERS

This Environmental Matters Appendix shall become effective pursuant to the provisions of Clause 211 of the Operating Procedure. Any decisions to be made by the Operating Committee pursuant to this Appendix XIV shall be made in accordance with Clause 204 (e) of the Operating Procedure.

Audit Provisions

101. The initial environmental audit may be conducted at any time following the effective date of this Agreement, but no later than two (2) years following the effective date of this Agreement, in accordance with Clause 103 hereof.

102. Subsequent environmental audits shall be conducted at a maximum five (5) year intervals in accordance with Clause 103 herein unless otherwise determined by the Operating Committee.

103. An environmental audit relating to the Joint Operations hereunder shall be conducted by:

(i) a competent internal or third party environmental auditor chosen by the Operator and approved by the Operating Committee. Prior to execution of the audit the Operating Committee shall approve the "Terms of Reference" that define the type of environmental audit to be done and the standards to be included in the assessment and that include, but are not necessarily limited to, the scope of work, the name(s) of the firm or representative who will conduct the work, the schedule and the estimated cost, including rates of remuneration and expenses. The costs of such audit shall be borne by all Owners at their Facility Participations. Deficiencies disclosed by such audit shall be dealt with by the Operator in accordance with Clause 104 hereof;

and/or

(ii) a competent internal or third party environmental auditor chosen by an Owner or Owners, who shall give reasonable written notice to Operator and the other Owners of the intention to conduct an environmental audit, which Owner or Owners shall bear the total cost and risk thereof. Deficiencies identified by such audit and disclosed to the Operator and other Owners shall be dealt with by the Operator in accordance with Clause 104 hereof; or

(iii) both.

104. The Operator shall expedite consideration of the findings of the environmental audit referred to in Clause 103 hereof and within twenty six (26) weeks of receipt of the environmental audit report, shall present for approval of the Operating Committee a plan for resolution or remediation of any identified deficiencies. A deficiency that is a violation of the Regulations shall be remedied as quickly as possible. Within three (3) Months of the completion date of deficiency remediation specified in the Operator's plan, Operator will

provide the Owners with a detailed report on such remediation. If the deficiencies have not been corrected adequately or in a timely manner, the Operating Committee may authorise any other Owner or Owners to complete such deficiency remediation at the expense of the Joint Account and such Owner or Owners shall be subrogated to the Operator's rights pursuant to Article VI of the Operating Procedure.

105. Environmental audit reports and communications relative to environmental issues as referenced in Clause 103 shall not be disclosed to any party who is not an Owner without the express consent of all the Owners, unless required by the Regulations or court order.

106. Each environmental audit shall be conducted so as to cause a minimum of inconvenience to Operator. If two (2) or more Owners desire to conduct audits, such Owners shall make every reasonable effort to conduct joint or simultaneous audits.

F0931

CONFIDENTIALITY AGREEMENT

BETWEEN Operator (Compton Petroleum Corporation), and the Audit Chair (Imperial Oil Limited for and on behalf of ExxonMobil Canada Energy).

WHEREAS the Audit Chair is interested in auditing the records of the Operator relating to certain properties, facilities, and agreements as described on Schedule "A" (the "Properties") that may require the disclosure of certain Confidential Information of the Operator.

AND WHEREAS the Audit Chair and the Operator wish to enter into this Agreement regarding such disclosure and the Audit Chair treatment and use of the Confidential Information.

NOW THEREFORE, as consideration for the Operator furnishing Confidential Information to the Audit Chair, the Audit Chair agrees as follows:

1. **Definitions**

In this Agreement:

(a) **"Confidential Information"** means information which is proprietary to Operator and which is provided to the Audit Chair during the audit, whether factual or interpretive, including the books, accounts and records of Operator to the extent necessary to verify the accuracy of any statement, charge or computation or demand made in connection with the Properties but excludes any information which is Non-Confidential Information;

(b) **"Non-Confidential Information"** means information that (i) is or becomes generally available to the public other than as a result of a disclosure in violation of this Agreement; (ii) is or becomes available to the Audit Chair on a non-confidential basis from a source other than the Operator, (iii) was already known to the Audit Chair at the time of disclosure as shown by the Audit Chair's records; (iv) was independently developed by the Audit Chair prior to disclosure of any Confidential Information to the Audit Chair; and (v) any information, technology, know how, land, well or production records that is jointly owned by the Audit Chair with the Operator;

(c) **"Permitted Representatives"** means the Audit Chair or any of their affiliates and their respective directors, officers, employees, legal counsel, accountants, financial advisors, other consultants and professional advisors who need to know such information for the purpose of assisting or advising the Audit Chair in evaluating the Confidential Information for the purposes of the audit.

2. **Use of Confidential Information**

The Audit Chair hereby agrees, for the Term of this Agreement:

(a) not to use or allow the use of any of the Confidential Information for any purpose other than the audit,

(b) not to disclose or allow disclosure to others of any of the Confidential Information.

3. **Permitted Representatives**

The Audit Chair will:

(a) advise the Operator of the names of the Permitted Representatives who will be conducting the audit on behalf of the Audit Chair;

(b) inform all Permitted Representatives of the restrictions on the use and disclosure of the Confidential Information set forth in this Agreement;

(c) direct all Permitted Representative to keep the Confidential Information in the strictest confidence and to use such information only for the purpose of assisting or advising the Audit Chair in evaluating the audit; and

(d) be responsible for the use or disclosure by any Permitted Representative of the Confidential Information for purposes other than the audit or for the failure of any Permitted Representative to comply with any provision of this Agreement.

4. **Disclosure Pursuant to Legal Requirements**

Notwithstanding anything to the contrary contained in this Agreement, nothing in this Agreement will preclude the Audit Chair from disclosing Confidential Information if, and only to the extent, required by applicable law or by an order of a competent judicial, legislative or regulatory body or authority. If an Audit Chair is required to make such disclosure it will notify the Operator of the requirement to make such disclosure so that the Operator may have the opportunity to seek an appropriate protective order or to take other legal action it deems necessary to preserve the confidentiality of the Confidential Information and will take all necessary steps (after consultation with the Operator and at the Operator's request and expense) to preserve the Confidential Information, including requesting that the Confidential Information not be released to third parties or the public and disclosing only that part of the Confidential Information that, in the opinion of its counsel, it is legally compelled to disclose; and it will provide the Operator with as much prior notice as is reasonably possible of the fact and proposed content of any permitted disclosure and will co-operate in ensuring consistency in disclosure and communication.

5. **Term**

Unless otherwise agreed to by the parties, in writing, this Agreement will remain in full force and effect until the earlier of (a) all audit queries to which such Confidential Information relates have been resolved or (b) five (5) years from the date of disclosure of the Confidential Information.

6. **Remedy**

The Audit Chair acknowledges and agrees that irreparable damage to the Operator may occur in the event that it breaches a provision of this Agreement and that monetary damages may not be a sufficient remedy for a breach by the Audit Chair and /or the Permitted Representative of this Agreement. Accordingly, the Audit Chair agrees that, in addition to any other remedy to which the Operator may be entitled at law or in equity, the Operator will be entitled to injunctive relief to prevent breaches of the provisions of this Agreement and to enforce specifically the terms and provisions hereof in any court of competent jurisdiction. The Audit Chair will identify the Operator for any and all damages, costs and expenses, including legal expenses, suffered or incurred by the

Operator directly or indirectly as a result of the enforcement by the Operator of this Agreement or a breach of the covenants and obligations contained herein or both.

7. **Exclusivity**

During the term of this Agreement, the Operator shall deal exclusively with the Audit Chair in respect of the audit and shall not, directly or indirectly, negotiate with any person for a transaction or arrangement that involves all or any portion of the sub-matter, directly or indirectly, of the audit.

8. **General**

No failure or delay by the Operator in exercising any right, power or privilege under this Agreement will operate as a waiver thereof; nor will any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any right, power or privilege under this Agreement. This Agreement will be governed by and construed in accordance with the laws of Alberta and supersedes all prior agreements and understandings between the parties with respect to the subject matter hereof.

9. **Binding on Successors**

This Agreement is not assignable by either party without the consent of the other, which consent shall not be unreasonably withheld. This Agreement will be binding upon the respective successors of the parties.

08/05/10

Jared Snyder
Compton Petroleum Corporation

Acknowledged and agreed to this 6 day of August, 2010.

Imperial Oil Limited
for and on behalf of ExxonMobil Canada Energy

Per:

Name: **Erna J. Baets**
Conventional Joint Interest Manager

Title:

Confidentially Agreement
High River Area Audit

Schedule "A"

Properties:

Properties, facilities, and agreements in the High River area (including Hooker, Mazeppa) in the province of Alberta in which ExxonMobil Canada Energy has an interest.

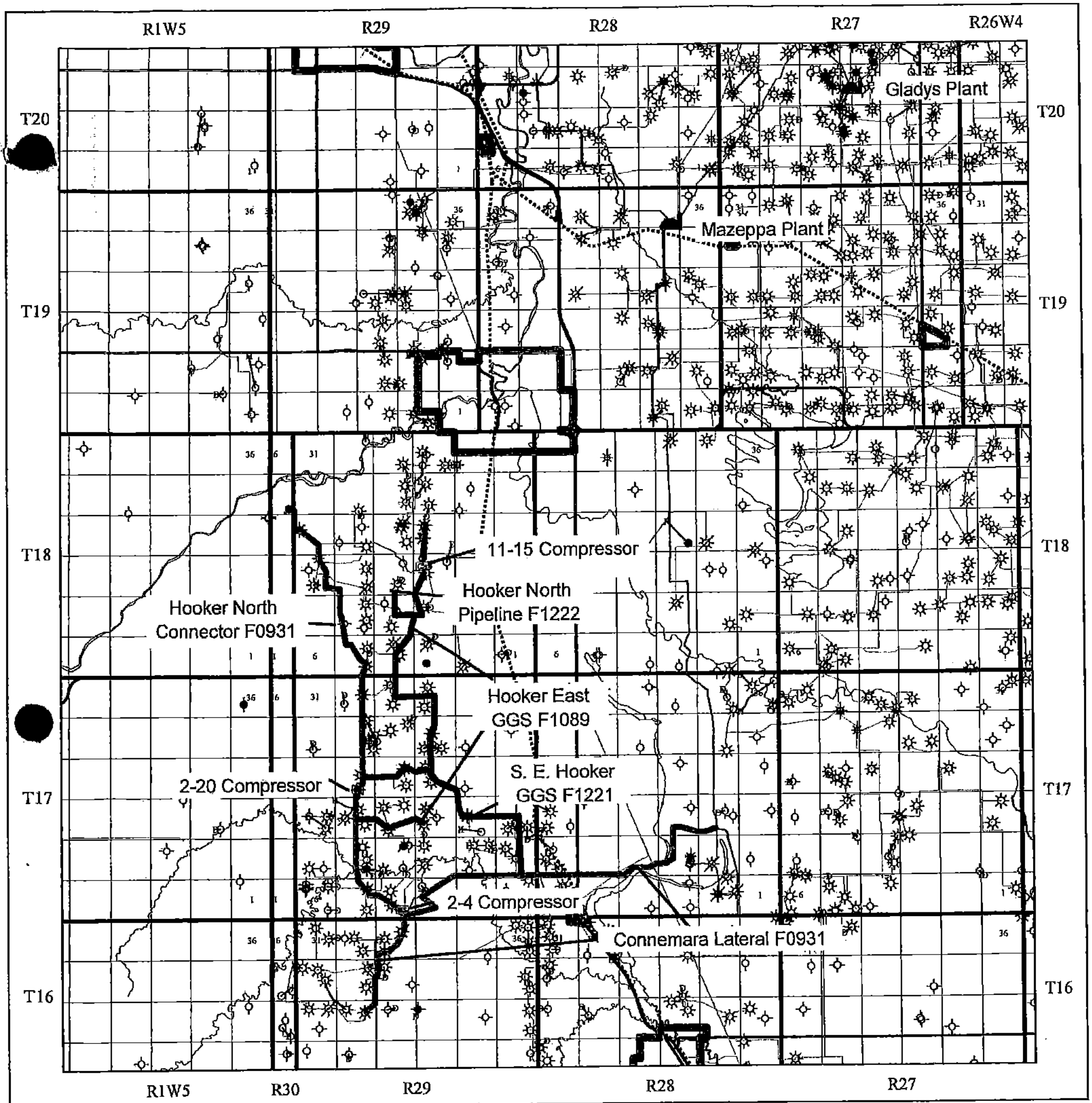
THIS IS EXHIBIT "F" REFERRED
TO IN THE AFFIDAVIT OF
NEEKY NOOR-ALI
SWORN THE 30 DAY OF
APRIL, 2018

A Commissioner for Oaths/Notary Public
In and for the Province of Alberta

JAMES G. HANLEY
Barrister & Solicitor
A Commissioner for Oaths
In and for Alberta

Agreements

Agreements



WELL LEGEND

Bottom Hole Locations:

- Location
- Service or Drain
- Gas
- Suspended Oil
- Suspended Gas
- Abandoned Service
- Suspended
- Oil
- Dry & Abandoned
- Abandoned Oil
- Abandoned Gas
- Injection

Surface Hole Locations:

- Directional
- Horizontal

STD. PIPELINES LEGEND

Pipeline Substances:

- Pipes - Gas (Natural)
- Pipes - Oil Well Effl
- Pipes - Gas (Sour)

ExxonMobil or an Affiliate

Mazeppa (High River/Hooker) Compton Processing Agreement

Created in AccuMap™
Product of IHS
Datum: NAD27
Vol. 23 No. 08, Aug 1 2013
(403) 770-4646

Author: wgs
Date: September 9, 2013
File: Compton - Mazeppa Process. & T
Scale: 1 : 210000
Projection: Stereographic
Center: N50.52708 W113.84368

Grid Information:
DLS: IHS Enhanced Grid
NTS: Theoretical Grid
FPS: Theoretical Grid
US: IHS US Grid

DLS Version Information:
AB: ATS 2.6
BC: PRB 2.0
SK: STS 2.5
MB: ML107

Scale 1:210000

0 Kilometers 9

0 Miles 5

FULLY
EXECUTED

PETROLEUM JOINT VENTURE ASSOCIATION

EXXONMOBIL
COPY

AGREEMENT FOR THE

CONSTRUCTION, OWNERSHIP AND OPERATION OF THE

SOUTH EAST HOOKER GATHERING SYSTEM

Agreement for the Construction, Ownership and Operation of the South East Hooker Gathering System

TABLE OF CONTENTS

HEAD DOCUMENT

PAGE

Agreement for the
Construction, Ownership and Operation of the
South East Hooker Gathering System

HEAD DOCUMENT

This Agreement is dated as of the first day of June 1, 2003.

WHEREAS the Owners desire to enter into an agreement to provide for the construction, ownership and operation of the Facility to compress and transport Inlet Substances to a gas processing plant.

Owners hereby agree as follows;

ARTICLE I

INTERPRETATION

101. Definitions

All capitalized terms used herein shall have the meaning assigned in the Operating Procedure and, in addition, the following words and phrases shall have the following respective meanings, namely:

(a) "Effective Date" means June 1, 2003; and

(b) "Owner's Substances" means an Owner's working interest or royalty interest share of production from any well connected to the Facility that meets the specifications set out in the Appendix titled "SPECIFICATIONS OF INLET SUBSTANCES AND FACILITY PRODUCTS"

102. Headings

The headings of the Articles and Clauses of this Agreement have been inserted for convenience of reference only and shall not affect the interpretation hereof.

103. References

Unless otherwise expressly stated the words "hereinbefore", "hereinafter", "hereunder", "herein", and "hereof" in the Head Document refer to the provisions of this Head Document and references to Articles, Clauses, Subclauses or Paragraphs in the Head Document refer to Articles, Clauses, Subclauses or Paragraphs of this Head Document.

104. Conflicts

If any provision contained in this Head Document conflicts with a provision contained in Exhibit "A", the provision in the Head Document shall prevail. If any provision contained in an Appendix conflicts with a provision contained in the Operating Procedure, the provision in the Operating Procedure shall prevail, except when using a defined term in the Appendix titled "ACCOUNTING PROCEDURE", in which case the meaning assigned to that term in the Appendix titled "ACCOUNTING PROCEDURE" shall prevail for the purposes of the Appendix titled "ACCOUNTING PROCEDURE". If there is a conflict between any provision in this Agreement and the Regulations, the Regulations shall govern, except that the allocation of responsibility for losses as provided herein (including, without restricting the generality of the foregoing, Article V of the Operating Procedure) shall govern the relationship of the Owners. If there is a conflict as provided above, the Head Document, the Operating Procedure or the Appendix, as the case may be, shall be modified accordingly to the extent necessary to resolve such conflict and, as so modified, shall continue in full force and effect.

ARTICLE II

EXHIBIT "A"

201. Exhibit "A"

Exhibit "A", being the Operating Procedure and a series of Appendices, which sets forth certain business and technical matters relating to Joint Operations, is attached hereto and forms part of this Agreement. Only the following Appendices, as indicated below, are part of this Agreement:

		FORMS PART OF THIS AGREEMENT AS APPENDIX NO.:
(a)	**"FACILITY AND FUNCTIONAL UNIT PARTICIPATION"** which describes the Facilities which are subject to this Agreement and the ownership each Owner has in such Facility;	I
(b)	**"DESCRIPTION OF FACILITY AND FUNCTIONAL UNITS, MAP AND SCHEMATIC"** which provides the descriptions which are necessary to identify the location of the Facility, the Functional Units and may also include schematic diagrams and maps related to the Facilities;	II
(c)	**"ACCOUNTING PROCEDURE"** which describes the costs and related credits the Operator is allowed to bill the Owners, which, in respect to Joint Operations conducted hereunder, the Operator has incurred on behalf of the Owners and certain other rights, obligations and limitations related to the Joint Account;	III
(d)	**"STRUCTURE AND SHARING OF THE JOINT ACCOUNT"** which describes the structure of the Joint Account and sets forth the basis of sharing costs among the Owners and distributing fee income among the Owners;	IV
(e)	**"CAPACITY USAGE"** which describes, pursuant to Clause 604; nominal capacities, the priority to use capacity and the fees related to excess capacity usage by Owners and non-Owners;	V
(f)	**"INSURANCE"** which describes; the types, limits, responsibilities for carrying and similar insurance management matters pertaining to the Facilities and Joint Operations;	VI
(g)	**"SPECIFICATIONS OF INLET SUBSTANCES AND FACILITY PRODUCTS"** which describes the specifications of Inlet Substances and Facility Products;	VII
(h)	**"FACILITY PRODUCT ALLOCATION PROCEDURE"** which, subject to Articles VII and VIII of the Operating Procedure, describes the procedure for allocating Facility Products;	VIII

(i)	**"MEASUREMENT"** which, subject to Article VII of the Operating Procedure, describes the procedures and responsibilities for measurement where such procedures and responsibilities are specific to measuring Inlet Substances, components of Inlet Substances and Facility Products within the respective Functional Unit, at the Functional Unit Inlet and at the Functional Unit Outlet;	IX
(j)	**"INVESTMENT VALUES"** which is a record of historical Facility Capital Costs borne by the Owners;	X
(k)	**"ENLARGEMENT"** which describes the terms and conditions by which the Owners agree to have Operator proceed with an Enlargement, including the terms and conditions of Owner's participation;	XI
(l)	**"DISPUTE RESOLUTION"** which describes the dispute resolution and arbitration processes to be followed by the Owners;	XII
(m)	**"WELLS"** which is a list of Wells which are served by the Facility;	NO
(n)	**"ENVIRONMENTAL MATTERS"** which sets out the rights of the Owners and the responsibility of Operator to identify, report and react to environmental matters; and	XIII
(o)	OTHER.	NO

202. Amendment of Operating Procedure and Appendices

(a) Subject to Subclause 202(c) hereto, and Subclause 204(h) of the Operating Procedure, the Operating Procedure and the Appendices may only be revised, amended or replaced by the unanimous agreement of the Owners.

(b) An affirmative vote of Owners having a combined Facility Participation of one hundred percent (100%) and conducted in accordance with Clause 204 of the Operating Procedure, excepting thereout Subclause 204(b) therein, shall be deemed to constitute unanimous agreement between all of the Owners and each Owner, whether such Owner voted or was deemed to have voted, shall be bound thereby.

(c) The operation of this Clause shall not restrict the Operator from revising Appendices as provided for under this Agreement, and when required, to accurately reflect routine consequential changes, such as Facility Participations and amalgamations.

(d) Operator shall provide each Owner with one copy of any revision, amendment or replacement in a timely manner.

ARTICLE III

PURPOSE OF THIS AGREEMENT AND THE FACILITY

301. Agreement Purpose

The purpose of this Agreement is to document the terms of ownership of the Facility and the allocation of Facility costs, provide terms for the construction and operation of the Facility and set out the basis upon which a share of the Facility Products shall be allocated and distributed to each Person delivering Inlet Substances to the Facility Inlet.

302. Facility Purpose

The purpose of the Facility is to compress and gather Inlet Substances for delivery to a gas processing plant.

ARTICLE IV

BASIS OF PARTICIPATION

401. Initial Participation

The Owners of the Facility agree that Facility Participation as of the Effective Date is based on the estimated investment value.

402. Investment Values

Investment value as of the Effective Date shall be expressed in dollars and calculated by Operator. The investment value for the Facility is $1,034,051.

403. Future Participation

The basis of participation in an Enlargement of the Facility or any Functional Unit shall be determined pursuant to Exhibit "A", under the Appendix titled "ENLARGEMENT".

ARTICLE V

COMMITMENT TO DELIVER TO THE FACILITY

501. Commitment to Deliver to the Facility

(a) Alternate D immediately below shall apply:

ALTERNATE A. Owner's Substances are hereby dedicated to the Facility.

ALTERNATE B. Owner's Substances produced from the wells listed under the Appendix titled "WELLS" are hereby dedicated to the Facility.

ALTERNATE C. Owner's Substances produced from the ____________ zone in the wells listed under the Appendix titled "WELLS" are hereby dedicated to the Facility.

ALTERNATE D. The Owners agree that there is no commitment to deliver Owner's Substances to the Facility.

ALTERNATE E. [Other]

(b) Subject to the provisions of this Agreement, and unless excused by the Operating Committee or otherwise precluded from delivery under the Regulations, each Owner shall only be committed to deliver or cause to be delivered in accordance with alternate A, B, C or E of Clause 501(a) all of its Owner's Substances, up to Alternate N/A immediately below:

ALTERNATE A. such Owner's share of Functional Unit Capacity,

ALTERNATE B. the overall available surplus Functional Unit Capacity in the Facility,

and the Operator shall accept all Owner's Substances if delivered within the specifications as set out in the Appendix titled "SPECIFICATIONS OF INLET SUBSTANCES AND FACILITY PRODUCTS".

ARTICLE VI

OPERATIONS AND OPERATORSHIP

601. Initial Operator

The Owners hereby designate Compton Petroleum as the initial Operator and Compton Petroleum accepts such designation.

602. Construction and Operation of the Facility

The Facility shall be constructed and operated according to the terms of this Agreement.

603. Ownership

Each Owner shall own an undivided percentage interest in each Functional Unit equal to its Functional Unit Participation. Operator shall hold such interests in trust for the Owners subject to the provisions of this Agreement.

604. Capacity

(a) Each Owner shall have the right to use its Capacity Ownership to compress and transport: (i) its Owner's Substances and (ii) outside Substances produced from a well jointly owned with the Owner in an unavoidably commingled stream. The Capacity and terms and conditions related to the use of Capacity shall be as set forth in the Appendix titled "CAPACITY USAGE".

(b) The Facility is designed for and is deemed to have an initial Capacity as set out in Appendix V, Table 1 to process Inlet Substances meeting the specifications initially set forth in the Appendix titled "SPECIFICATIONS OF INLET SUBSTANCES AND FACILITY PRODUCTS". The foregoing capacity may be redetermined under this Agreement and set forth in the Appendix titled "CAPACITY USAGE".

ARTICLE VII

EFFECTIVE DATE

701. Effective Date

Alternate A immediately below shall apply:

ALTERNATE A. This Agreement shall be effective on the Effective Date.

ALTERNATE B. This Agreement shall be effective on the Effective Date if on or before __________, 200_ Owners having Facility Participations totalling one hundred percent (100%), as set forth in Exhibit "A", under the Appendix titled "FACILITY AND FUNCTIONAL UNIT PARTICIPATION", have executed and delivered to the Operator one (1) counterpart of this Agreement. The Operator shall promptly notify all Owners of the Effective Date. If an Effective Date is not established by the first day of ________, 200_, this Agreement shall become null and void and cease to bind any person having executed same, unless the representatives of those proposed Owners who have then executed and delivered counterparts unanimously agree to extend the time.

ALTERNATE C. [Other]

ARTICLE VIII

PRIOR COMMITMENTS

801. Prior Commitments

The Owners hereby acknowledge that prior to the execution of this Agreement, Operator may have contracted with various parties for the design and construction of the Facility. Subject to Clause 802, the Owners hereby acknowledge that any commitments, expenditures, covenants, obligations, duties, responsibilities, rights and agreements of Operator made, arising or incurred as a result thereof have been made, incurred or performed by the Operator on behalf of the Owners and the Owners hereby ratify and confirm the same and agree to be responsible for them in accordance with each Owner's Facility Participation or Functional Unit Participation, as the case may be, except to the extent that they arise from the Gross Negligence of the Operator.

802. Existing Conditions

Alternate(s) C immediately below shall apply:

ALTERNATE A. Conditions existing prior to and excluded from the operation of Clause 801 which are not the responsibility of the Owners are specifically described herein as follows:

ALTERNATE B. Specific conditions existing prior to and included in the operation of Clause 801 which shall be the responsibility of the Owners are specifically described herein as follows:

ALTERNATE C. There are no existing conditions.

ARTICLE IX

OPERATING AND ACCOUNTING PROCEDURES

901. Operating Procedure

The Operating Procedure is the Operating Procedure contained in the 1999 PJVA Model Construction, Ownership and Operating Agreement and has not been modified except as specifically noted in Exhibit "A".

902. Accounting Procedure

The Accounting Procedure is the 1996 PASC Accounting Procedure and has not been modified except as specifically noted in the Appendix titled "Accounting Procedure".

903. Prevailing Provisions

In the event that modifications are made to either the Operating Procedure or the Accounting Procedure and such modifications are not appropriately noted pursuant to Clauses 901 and 902 then the applicable provisions in the standard Operating Procedure and Accounting Procedure named in Clauses 901 and 902 are deemed to prevail.

ARTICLE X

NO AMENDMENT EXCEPT IN WRITING

1001. No Amendment Except in Writing

No amendment or variation of the provisions of this Head Document shall be binding upon any Owner unless and until it is evidenced in writing and executed by each of the Owners.

ARTICLE XI

AGREEMENT EXECUTION

1101. Execution in Counterpart

This Agreement may be executed in as many counterparts as are necessary and all executed counterparts shall constitute one Agreement.

The Operator shall promptly supply each Owner with copies of a full set of counterpart execution pages.

IN WITNESS WHEREOF the Owners have executed this Agreement each on the date shown above its execution hereof.

DATE: October 28, 2003

OWNER: ExxonMobil Canada Energy

(Company Name)

PER: ____________________

NAME: R.P. (Rob) Lesage

TITLE: Joint Venture Manager

PER: ____________________

NAME: ____________________

TITLE: ____________________

ADDRESS FOR SERVICE:

____

____

____

Fax No.: ____________________

E-mail: ____________________

This is the Execution Page of the Agreement for the Construction, Ownership and Operation of the South East Hooker Gathering System

IN WITNESS WHEREOF the Owners have executed this Agreement each on the date shown above its execution hereof:

DATE: October 28, 2003

OWNER: ExxonMobil Canada Energy

(Company Name)

PER:

NAME: R.P. (Rob) Lesage

TITLE: Joint Venture Manager

EXXONMOBIL	
PROD	IC
CONTR	✓
TAX	
TRES	✓
AUDIT	✓
LAW	✓

EXXONMOBIL COPY

PER: ____________________

NAME: ____________________

TITLE: ____________________

ADDRESS FOR SERVICE:

____

____

____

Fax No.: ____________________

E-mail: ____________________

This is the Execution Page of the Agreement for the Construction, Ownership and Operation of the South East Hooker Gathering System

IN WITNESS WHEREOF the Owners have executed this Agreement each on the date shown above its execution hereof.

DATE: **November 28, 2013**

OWNER: **Compton Resource Partnership**

PER:

NAME: **Floyd Krukoff**

TITLE: **Vice President, Engineering**

PER:

NAME: **Gord Harvey**

TITLE: **Manager, Joint Ventures**

ADDRESS FOR SERVICE:

400, 1035 – 7th Avenue SE

Calgary, Alberta

T2P 3E9

Fax No.: **(403) 205-8234**

E-mail: **GHarvey@comptonpetroleum.com**

This is the Execution Page of the Agreement for the Construction, Ownership and Operation of the South East Hooker Gathering System

IN WITNESS WHEREOF the Owners have executed this Agreement each on the date shown above its execution hereof.

DATE: NOVEMBER 3, 2003

OWNER: COMPTON PETROLEUM

(Company Name)

PER: [signature]

NAME: GARY FOLLENSBEE

TITLE: JOINT VENTURE MANAGER

PER: ______________________

NAME: ______________________

TITLE: ______________________

ADDRESS FOR SERVICE:

COMPTON PETROLEUM
SUITE 3300, 425 - 1ST STREET S.W.
CALGARY, ALBERTA T2P 3L8

Fax No.: (403) 237-9410

E-mail: ______________________

This is the Execution Page of the Agreement for the Construction, Ownership and Operation of the South East Hooker Gathering System

IN WITNESS WHEREOF the Owners have executed this Agreement each on the date shown above its execution hereof.

DATE: October 21/03

OWNER: Esprit Exploration Ltd.

(Company Name)

PER:

NAME: B FLEMING

TITLE: SR. VICE PRESIDENT

PER:

NAME: D.R. Phillips

TITLE: Manager, Joint Ventures

ADDRESS FOR SERVICE:

Esprit Exploration Ltd
Suite 900 606-4th Street S.W.
Calgary, Alberta T2P 1T1

Fax No.: (403) 213-3710

E-mail: drphillips@eee.ca

This is the Execution Page of the Agreement for the Construction, Ownership and Operation of the South East Hooker Gathering System

EXHIBIT "A" to

AGREEMENT FOR THE CONSTRUCTION, OWNERSHIP AND OPERATION OF THE SOUTH EAST HOOKER GATHERING SYSTEM

1999 OPERATING PROCEDURE

Petroleum Joint Venture Association

EXHIBIT "A" to

AGREEMENT FOR THE
CONSTRUCTION, OWNERSHIP AND OPERATION OF THE
SOUTH EAST HOOKER GATHERING SYSTEM

Elections and Modifications to the 1999 Operating Procedure

(a) The following clauses of the Operating Procedure include the following elections, alternates, options or values:

101(j) Enlargement: one hundred thousand dollars ($100,000.00)

204 Voting Procedures:

- (b) Negative Vote: seventy-five percent (75%); seventy-five percent (75%)
- (e)(i) General Vote: two (2) or more Owners; sixty-five percent (65%)
- (e)(ii) General Vote: two (2) or more Owners; sixty-five (65%)
- (e)(iii) General Vote: two (2) or more Owners; sixty-five percent (65%)
- (f) Removal of Operator: two (2) or more Owners; ninety-five percent (95%)
- (f)(i) Removal of Operator: sixty-five percent (65%)
- (g) Replacement of Operator: two (2) or more Owners; sixty-five percent (65%)
- (h)(i) Amendment of Appendices: Appendices II; III; VI; VII; VIII; IX; X; XI; XII and XIII two (2) or more Owners; sixty-five percent (65%)
- (h)(ii) Amendment of Appendices: Appendices IV and V
  - (1) Amendment of Appendices: two (2) or more Owners; ninety-five percent (95%)
  - (2) Amendment of Appendices: two (2) or more Owners; ninety-five percent (95%)
  - (3) Amendment of Appendices: two (2) or more Owners; ninety-five percent (95%)
- (i) Termination: two (2) or more Owners; ninety-five percent (95%)

602(b)(iii) Set-off: Alternate A

5 Distribution of Proceeds: Alternate A

(Complete one only of the following for the Alternate chosen for 805 above).

A: three (3%)

B: __________ (\$__/m^3); __________ (\$__/10^3m^3); __________ (\$__/t)

C: __________ (\$__)

901 Disposal of Interest: Alternate C

902 Unrestricted Disposal:

(d) shall X / shall not ___apply

(e) shall ___/ shall not X apply

1109 Statute of Limitations: See Operating Procedure modifications below.

(b) The Operating Procedure is modified as follows:

(i) the page numbers in the Table of Contents has been amended to conform to the actual page numbers of the attached Operating Procedure;

(ii) the blanks throughout the agreement have been filled in as per the above chosen Elections and Modifications.

(iii) the Appendices described in the Table of Contents have been amended to reflect the actual appendices attached to the Exhibit "A";

(iv) Clause 101 (b) amended to be the same as the 1993 CAPL Assignment Procedure;

(v) Clause 102 (b) the words "or partnership" has been added in line 2 after the word "politic";

(vi) Clause 303 the word "shall" has been inserted between the words "Operator be";

(vii) Subclause 304(c) of the Operating Procedure has been amended;

(viii) Articles 501 (a) and (b) of the Operating Procedure has been amended by inserting one of these two phrases, "and their respective directors" or "or their respective directors" after the word "Affiliates"; also the words "consultants" and "contractors" have been removed from these clauses.

(ix) Articles 504 and 505 have been revised;

(x) Clause 1107, line 2 of the Operating Procedure has been changed by inserting the "exclusive" prior to the word "jurisdiction";

(xi) Clause 1109 has been amended to the industry standard;
Clause 1113 has three typos corrected. Lines 2 and 4 have the word "form" corrected to the word "from" and the words "iter alia" has been corrected to "inter alia";

(xii) Clause 1119, "Restrictions" has been added to the Operating Procedure to reflect ExxonMobil's Drug and Alcohol Policy; and

(xiii) the blanks have been filled in throughout the agreement.

(c) If any provision contained in the Operating Procedure conflicts with a provision contained in this Elections and Modifications Form, the provision in the Elections and Modifications Form shall prevail.

Agreement for the Construction, Ownership and Operation of the South East Hooker Gathering System

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Agreement for the Construction, Ownership and Operation of the South East Hooker Gathering System

1999 PJVA OPERATING PROCEDURE

ARTICLE I

INTERPRETATION

101. Definitions

All capitalized terms used herein shall have the meaning assigned in the Head Document and the Accounting Procedure, and, in addition, the following words and phrases shall have the following respective meanings, namely:

(a) "Accounting Procedure" means the Appendix titled "ACCOUNTING PROCEDURE";

(b) "Affiliate" means a corporation or partnership that is affiliated with the party for which the expression is being applied, and, for the purpose of this definition:

(i) a corporation or partnership is affiliated with another corporation or partnership if it directly or indirectly controls or is controlled by that other corporation or partnership, and for the purpose of determining whether a corporation or partnership so controls or is so controlled, it shall be deemed that:

A. a corporation is directly controlled by another corporation or partnership if shares of the corporation to which are attached more than Fifty percent (50%) of the votes that may be cast to elect directors of the corporation are beneficially owned by that other corporation or partnership and the votes attached to those shares are sufficient, if exercised, to elect a majority of the directors of the corporation;

B. a partnership is directly controlled by a corporation or another partnership if that corporation or other partnership beneficially owns more than Fifty percent (50%) interest in the partnership; and

C. a corporation or partnership is indirectly controlled by another corporation or partnership if control, as defined in A. or B. above, as the case may be, is exercised through one or more other corporations or partnerships.

(ii) where two or more corporations or partnerships are affiliated at the same time with the same corporation or partnership, they will be deemed to be affiliated with each other.

(c) "Agreement" means the Head Document together with the Operating Procedure and the Appendices;

(d) "Appendix" means any of the appendices (as amended) attached to the Operating Procedure, as indicated in Article II of the Head Document;

(e) "Capacity" means, with respect to any Functional Unit, the daily volumetric handling capability of such Functional Unit, as set forth initially in the Head Document and as may be redetermined under this Agreement;

(f) "Capacity Ownership" means an Owner's share of Capacity equal to its Functional Unit Participation;

(g) "Capital Costs" means all expenditures incurred in connection with the Initial Construction of the Facility (including commissioning and testing immediately after Initial Construction), any Modification or Enlargement and any other expenditures so designated by the Operating Committee;

(h) "Day" means a period commencing at 0800 hours on any calendar day and ending at 0800 hours on the immediately next succeeding calendar day, or at such other time as may hereinafter be set by the Operating Committee;

(i) "Effective Date" has the meaning ascribed to it in the Head Document;

(j) "Enlargement" means an expansion, addition or enhancement to the Facility that:

(i) increases the Capacity of an existing Functional Unit and has a total installed cost of one hundred thousand dollars ($100,000.00) or more, and is required to process, treat or handle, as the case may be, additional volumes of Inlet Substances or the components thereof, in excess of an Owner's Capacity Ownership in an existing Functional Unit, or

(ii) adds a new Functional Unit to the Facility that duplicates the function of an existing Functional Unit or adds a new function to the Facility;

(k) "Exhibit "A"" means this Operating Procedure and the Appendices;

(l) "Facility" means all real and personal property of every nature and kind attached to, forming part of or used in connection with Joint Operations, maintained and held by Operator in accordance with this Agreement and as described under the Appendix titled "DESCRIPTION OF FACILITY AND FUNCTIONAL UNITS, MAP AND SCHEMATIC";

(m) "Facility Inlet" means the point at which Inlet Substances first enter the Facility;

(n) "Facility Outlet" means the point at which Facility Products leave the Facility;

(o) "Facility Participation" means the percentage voting interest of each Owner as set forth opposite such Owner's name under the Appendix titled "FACILITY AND FUNCTIONAL UNIT PARTICIPATION";

(p) "Facility Products" means all substances recovered from the processing or handling of Inlet Substances in the Facility, which are available for delivery from the Facility, excluding such substances as are unavoidably lost, consumed as fuel or flared in Joint Operations;

(q) "Fixed Operating Costs" means those Operating Costs that do not vary with production or throughput volume, such as, but not limited to, property taxes, insurance and surface lease rentals;

(r) "Forecast" means a written statement, initiated by Operator, of the Joint Operations which are anticipated to be conducted during the Forecast Period, together with a written statement of the estimated expenditures to be made in connection with such Joint Operations;

(s) "Forecast Period" means a period of one (1) Year, provided that if this Agreement does not come into effect as of the beginning of a Year, the first such period for the Year in which this Agreement comes into effect shall comprise the portion of such Year remaining after this Agreement comes into effect;

(t) "Functional Unit" means a separate component of the Facility described under the Appendix titled "DESCRIPTION OF FACILITY AND FUNCTIONAL UNITS, MAP AND SCHEMATIC" (and means the whole of the Facility if there is no separation into Functional Units), and all real and personal property of every nature and kind attached to, forming part of or used in connection with the operation thereof;

(u) "Functional Unit Inlet" means with respect to any Functional Unit, the point where Functional Unit Products, Inlet Substances or any portion thereof, first enter such Functional Unit;

(v) "Functional Unit Outlet" means, with respect to any Functional Unit, the point where Functional Unit Products leave such Functional Unit;

(w) "Functional Unit Participation" means, with respect to any Functional Unit, the percentage interest ownership of each Owner in such Functional Unit as set forth opposite such Owner's name under the Appendix titled "FACILITY AND FUNCTIONAL UNIT PARTICIPATION";

(x) "Functional Unit Products" means all substances recovered from the processing or handling of Inlet Substances or products of other Functional Units in a Functional Unit, which are available for delivery from the Functional Unit, excluding such substances as are unavoidably lost, consumed as fuel or flared in Joint Operations;

(y) "Gross Negligence" means:

(i) a marked and flagrant departure from the standard of conduct of a reasonable person acting in the circumstances at the time of the alleged misconduct, or

(ii) such wanton and reckless conduct or omissions as constitutes in effect an utter disregard for harmful, foreseeable and avoidable consequences,

provided that Gross Negligence shall not include any act or omission, insofar as it was done or omitted to be done in accordance with the instructions or express concurrence of the Operating Committee;

(z) "Head Document" means the agreement to which this Exhibit "A" is attached;

(aa) "Initial Construction" means construction of the Facility completed by Operator pursuant to Article IV prior to the first Day of the Month in which the Facility commences operation and is capable of delivering specification Facility Products to the Facility Outlet for an uninterrupted period of thirty (30) Days;

(bb) "Inlet Substances" means Owner's Substances and Outside Substances;

(cc) "Joint Account" means the account set up pursuant to Clause 601 showing the charges paid and credits received as a result of Joint Operations and which are to be shared by the Owners in accordance with the terms of this Agreement;

(dd) "Joint Operations" means all activities resulting in Capital Costs (including, if applicable, Initial Construction), Operating Costs and all other activities undertaken in connection with the Facility, where such activities are conducted for the Joint Account under the terms of this Agreement;

(ee) "Market Price" means the price at which Facility Products are to be sold pursuant to Article VIII if an Owner does not take its share of Facility Products in kind and separately dispose of the same, which price is not unreasonable having regard to market conditions applicable to similar production in arm's length transactions at the time of such disposition, including, without restricting the generality of the foregoing, such factors as the volumes available, the kind and quality of Facility Products to be sold, the effective date of the sale, the term of the sale agreement, the point of sale of the Facility Products and the type of transportation service available for the delivery of the Facility Products to be sold;

(ff) "Modification" means an expansion, addition or enhancement to the Facility that is not an Enlargement;

(gg) "Month" means a calendar month, commencing at the beginning of the first Day thereof and ending at the last Day thereof, or at such other times as may hereafter be set by the Operating Committee;

(hh) "Non-Operator" means an Owner other than Operator;

(ii) "Operating Committee" means the committee composed of the duly authorized representatives of each of the Owners, established pursuant to Article II of the Operating Procedure;

(jj) "Operating Costs" means all costs and expenses, except Capital Costs, incurred in connection with the testing, operation, repair and maintenance of the Facility

(kk) "Operating Procedure" means Exhibit "A", excluding the Appendices;

(ll) "Operator" means the Owner so designated under the Head Document or such other Owner as subsequently may be designated by the Operating Committee;

(mm) "Outside Substances" means those Inlet Substances which are not Owner's Substances;

(nn) "Owner" means a party to this Agreement;

(oo) "Owner's Substances" has the meaning ascribed to it in the Head Document;

(pp) "Person" means an individual, firm, body corporate, partnership or other legal entity, as the case may be;

(qq) "Regulations" means all statutes, laws, rules, orders and regulations in effect from time to time (including any amendments thereto or replacements thereof) and made by governments or governmental boards or agencies having jurisdiction over the Facility or Joint Operations;

(rr) "Surplus Capacity" means with respect to any Functional Unit, that portion of the Capacity which is available from time to time, but which is not being utilized by the Owner(s) entitled to use such Capacity;

(ss) "Variable Operating Costs" means those Operating Costs that remain after excluding Fixed Operating Costs and that vary with throughput volume of Inlet Substances; and

(tt) "Year" means a calendar year, commencing at the beginning of the first Day of January and ending at the last Day of December, or at such other times as may hereafter be set by the Operating Committee.

102. References

Unless otherwise expressly stated:

(a) the words "hereinbefore", "hereinafter", "hereunder", "herein", and "hereof" in the Operating Procedure refer to the provisions of this Operating Procedure, and references to Articles, Clauses, Subclauses or Paragraphs in the Operating Procedure refer to Articles, Clauses, Subclauses or Paragraphs of this Operating Procedure;

(b) whenever the singular, masculine or neuter is used in this Agreement, the same shall be construed as meaning plural or feminine or body politic or partnership or corporate or vice versa, as the context so requires;

(c) all times referred to in this Agreement are in respect of time for the applicable time zone or legislated method of determining time for the area in which the Facility is located;

(d) all references to "dollars" or "$" in this Agreement shall mean the lawful currency of Canada, and all payments and receipts shall be made and recorded in lawful currency of Canada;

(e) wherever the phrase "within" or "at least" is used with reference to a specific number of Days herein, the Day of receipt of the relevant notice or the Day of the relevant event shall be excluded in determining the applicable time period. However, if the time for doing any act expires on a Saturday, Sunday or statutory holiday in either the Province of Alberta or Canada, the time for doing that act shall be extended to the next normal business Day, except as prescribed in the Accounting Procedure with respect to the payment of billings; and

(f) All conversions between Imperial units and Systems International (metric) units required to be made pursuant to this Agreement shall be conducted utilizing the conversion factors prescribed in the publication entitled "Metric Practice Guide for the Petroleum and Natural Gas Industry and Services, Fifth Edition, 1989", as may be amended or supplemented from time to time.

103. Derivatives

If a term is defined, a derivative of that term shall have a corresponding meaning unless the context otherwise requires.

104. Correction of Appendices

If Operator becomes aware of a mistake or mechanical error in the Operating Procedure or an Appendix, Operator shall prepare a corrected Operating Procedure or Appendix and supply each Owner with a copy thereof.

105. Revision of Exhibit "A"

(a) This Operating Procedure may be revised, amended or replaced by a vote of the Operating Committee in accordance with Clause 202 of the Head Document.

(b) Appendices shall be revised by Operator as provided for under this Agreement, and when required, to accurately reflect routine consequential changes, such as Facility Participations and amalgamations.

106. Effective Time of Exhibit "A"

Except as otherwise expressly provided in this Agreement:

(a) subject to Subclause 106 (b), any revised Operating Procedure or Appendix shall be effective in its revised or amended form as of the time specified by the provision of this Agreement allowing such revision or amendment, or if no such time is specified, such revised or amended Operating Procedure or Appendix shall be effective as of the first Day of the Month next following the date that all required documentation was received by Operator or on such other date or time as directed by the Operating Committee; and

(b) any Appendix which is corrected pursuant to Clause 104, to rectify an error therein, shall, unless otherwise directed by the Operating Committee, be effective in its corrected form as of the date on which the incorrect version of the Appendix would have been effective, and the incorrect version of the Appendix shall be deemed conclusively never to have been effective.

107. Revised Appendices Deemed Correct

Subject to the provision set forth in Subclause 106 (b), each Appendix, and each revised or corrected version thereof, shall for purposes of this Agreement be deemed conclusively to be correct and binding on the Owners from the time at which it becomes effective until the time at which a revised or corrected version thereof becomes effective.

108. Identification of Revised Appendices

Revised and corrected versions of Appendices shall be numbered consecutively, shall indicate the date on which they become effective, shall reference the ballot issued to the Operating Committee for approval, if applicable, and shall indicate whether they are revised or corrected versions of an Appendix, or both.

109. Preparation and Distribution of Revised Appendices

Each time that an Appendix is to be revised or corrected pursuant to this Agreement, Operator shall effect the required revisions or corrections in a timely and diligent manner and shall provide each Owner with one (1) copy of the revised or corrected version of the Appendix.

ARTICLE II

SUPERVISION AND CONTROL OF JOINT OPERATIONS

201. Operating Committee

The Owners shall form an Operating Committee composed of their duly appointed representatives to supervise and control all Joint Operations. As soon as possible after the Effective Date, each Owner shall notify Operator in writing of the names and addresses of its primary representative and one (1) or more alternate representatives. The representative of an Owner shall be deemed to have full power and authority to represent and bind such Owner with respect to all matters within the power of the Operating Committee, and all acts done by such representative in such capacity shall be deemed to be the acts of the Owner appointing such representative. An alternate representative shall have full power to act for an Owner in the absence of the primary representative. An Owner may change any of its representatives from time to time by written notice to Operator. Two (2) or more Owners may appoint the same Person as their representative, who shall in such cases, cast a separate vote for each Owner being represented.

202. Chairman

The representative of the Operator shall be the chairman of the Operating Committee.

203. Powers

The Operating Committee shall, in accordance with the terms of this Agreement, exercise overall supervision and control of and shall determine all matters of importance relating to Joint Operations, except for those matters:

(a) specifically designated in this Agreement to be within the exclusive jurisdiction and control of Operator; or

(b) specifically excluded in this Agreement from the jurisdiction and control of the Operating Committee.

204. Voting Procedure

Subject to Clause 208, the Operating Committee shall determine all matters properly coming before it by vote, in accordance with the following voting procedure:

(a) Voting Interest

For the purpose of determining the number of Owners having voted or deemed to have voted on any matter pursuant to this Article II, Owners who are Affiliates of each other and who vote the same in respect of a matter hereunder shall be deemed to be one (1) Owner only.

Except as may otherwise be provided in this Agreement, each Owner shall have a voting interest equal to:

(i) its Facility Participation, if the matter materially affects or involves the entire Facility;

(ii) its Functional Unit Participation in a specific Functional Unit, if the matter relates to such Functional Unit and does not materially affect or involve any other Functional Unit; and

(iii) its aggregate weighted interest in the applicable Functional Units, if the matter affects or involves more than one (but less than all) of the Functional Units, with this interest calculated by adding the percentages obtained after multiplying the applicable Functional Unit Participations by the relative weightings of Functional Unit Participations set forth in the Appendix titled "FACILITY AND FUNCTIONAL UNIT PARTICIPATION".

Any dispute as to whether a matter materially affects or involves more than one (1) Functional Unit shall be decided by a vote in accordance with Paragraph 204 (e) (i) hereof.

Notwithstanding Subclause 204 (c), if an Owner is precluded from voting pursuant to Paragraph 602 (b) (ii), the voting interest of each non-defaulting Owner shall be revised so as to bear the same ratio to the other as do their Functional Unit Participations or Facility Participations, so that the voting interests of all non-defaulting Owners equals one hundred percent (100%).

(b) Negative Vote

Notwithstanding Subclause 204 (e) and (h), but subject to Subclauses 204 (f), (g) and (i), no single Owner shall be able to defeat a vote on a matter, unless such Owner's voting interest with respect to such matter is greater than seventy-five percent (75%), and if a single Owner with a voting interest of seventy-five percent (75%) or less is the only Owner voting negatively on a matter, such Owner shall be shown to have voted negatively in recording the results of the vote, but such matter shall be conclusively deemed carried in the affirmative.

(c) Deemed Vote

Subject to Subclauses 204 (f), (g) and (i), an Owner who does not vote or abstains from voting on any matter shall be conclusively deemed to have voted in the affirmative on the matter. In recording the result of a vote, such Owner shall be shown as having abstained from voting, been absent from the meeting in which such vote was taken, if applicable, or otherwise having failed to vote on such matter, as the case may be.

(d) Effect of Vote

A determination of a matter by the vote of the Owners in accordance with the provisions of this Agreement shall be binding upon all of the Owners, except as otherwise provided in this Agreement.

(e) General Vote

Except as otherwise provided herein, a matter being voted on by the Operating Committee shall be decided by the affirmative vote of:

(i) two (2) or more Owners having a combined Facility Participation of sixty-five percent (65%) or more, if such matter materially affects or involves the entire Facility;

(ii) two (2) or more Owners having a combined Functional Unit Participation in the applicable Functional Unit of sixty-five percent (65%) or more, if such matter relates to one (1) Functional Unit and does not materially affect or involve any other Functional Unit; and

(iii) two (2) or more Owners having a combined aggregate weighted interest of sixty-five percent (65%) or more in the applicable Functional Units, if the matter affects or involves more than one (but less than all) of the Functional Units, with this interest calculated by adding the percentages obtained after multiplying the applicable Functional Unit Participations by the relative weightings of Functional Unit Participations set forth in the Appendix titled "FACILITY AND FUNCTIONAL UNIT PARTICIPATION".

(f) Vote for Removal of Operator

Operator may be removed by the affirmative vote of two (2) or more Owners having a combined Facility Participation of ninety-five percent (95%) or more of the remaining Facility Participation, after excluding the Facility Participations of Operator and its Affiliates, provided that:

(i) subject to Clause 303 and Subclause 602 (e), Operator may not be removed by a vote of the Operating Committee if Operator and its Affiliates collectively hold Facility Participations totalling sixty-five percent (65%) or more, and

(ii) the provisions of Subclauses 204 (b) and (c) shall not apply to a vote taken under this Subclause 204 (f).

(g) Vote for Replacement Operator

A successor Operator that consents to assume all the duties and obligations of Operator shall be appointed by an affirmative vote of two (2) or more Owners having a combined Facility Participation of sixty-five percent (65%) or more. In voting on the appointment of a successor Operator, the departing Operator and its Affiliates shall not be entitled to vote to have the departing Operator or any of its Affiliates succeed the departing Operator. In addition:

(i) should more than one (1) potential successor Operator be voted on, the potential successor Operator that receives the greatest combined Facility Participation vote shall be the successor Operator, and the requirement for the specified number of Owners voting in the affirmative and the provisions of Subclauses 204 (b) and (c) shall not apply; and

(ii) should two (2) or more potential successor Operators receive an equal Facility Participation voting percentage, the potential successor Operator holding the largest Facility Participation shall be the successor Operator.

(h) Amendment of Appendices

The Appendices may be revised, amended or replaced from time to time in the following manner:

(i) Appendices II; III; VI; VII; VIII; IX; X; XI; XII and XIII at the direction of the Operating Committee by an affirmative vote of two (2) or more Owners having a combined Facility Participation of sixty-five percent (65%) or more.

(ii) Appendices IV and V at the direction of the Operating Committee by an affirmative vote of:

(1) two (2) or more Owners having a combined Facility Participation of ninety-five percent (95%) or more, if such matter materially affects or involves the entire Facility;

(2) two (2) or more Owners having a combined Functional Unit Participation in the applicable Functional Unit of ninety-five percent (95%) or more, if such matter relates to one (1) Functional Unit and does not materially affect or involve any other Functional Unit; and

(3) two (2) or more Owners having a combined aggregate weighted interest of ninety-five percent (95%) or more in the applicable Functional Units, if the matter affects or involves more than one (but less than all) of the Functional Units, with this interest calculated by adding the percentages obtained after multiplying the applicable Functional Unit Participations by the relative weightings of Functional Unit Participations set forth in the Appendix titled "FACILITY AND FUNCTIONAL UNIT PARTICIPATION".

(i) Vote for Termination of Agreement

Subject to the provisions of Article X, this Agreement may be terminated by the affirmative vote of two (2) or more Owners having a combined Facility Participation of ninety-five percent (95%) or more; provided that the provisions of Subclauses 204 (b) and (c) shall not apply to a vote taken under this Subclause.

(j) Vote by Proxy

An Owner may appoint a proxy to attend any meeting on its behalf. Such proxy appointment shall be by written instrument signed by the Owner, setting forth the extent of the authority granted to the proxy holder. A proxy appointment shall not be effective unless such instrument is deposited with the chairman of the Operating Committee prior to or during the first meeting in respect of which such proxy has been appointed to attend. An Owner who has submitted an instrument appointing a proxy may revoke such instrument at any time prior to the commencement of or during any meeting to which the proxy appointed thereby is to attend, provided that the revocation of an appointment of proxy during a meeting shall not apply to any vote conducted during that meeting prior to the revocation of that appointment. In addition to revocation in any other manner permitted by law, an instrument appointing a proxy shall be deemed to be automatically revoked for a meeting to which the proxy appointment relates, insofar as the Operating Committee representative of the Owner who appointed the proxy attends that meeting.

(k) Vote by Notice

(i) An Owner not represented at a meeting may vote on any matter on the agenda by prior written notice to Operator, indicating the position of such Owner regarding such matter.

(ii) Operator may, without calling a meeting, call for a vote on any matter by submitting such matter, together with reasonable details regarding the same, to each Owner by mail ballot notice. Each Owner shall, by notice to Operator, cast its vote within fifteen (15) Days from the date of deemed receipt of such mail ballot notice by the Owners. Such vote shall be binding, unless, within seven (7) Days after sending such mail ballot notice, Operator calls a meeting or is requested to call a meeting to consider the matter in accordance with Clause 205. Operator shall promptly notify the Owners of the result of such vote after the expiry of such fifteen (15) Day period.

(iii) All mail ballots shall be numbered consecutively. Such numbering shall include the Year in which the mail ballot is issued.

205. Meetings

The following procedures shall apply to meetings of the Operating Committee:

(a) The Operating Committee shall hold meetings whenever called by Operator. Operator may call a meeting at any time and from time to time on its own motion. One (1) or more Owners having Facility Participations totalling five percent (5%) or more shall have the right to request the Operator to call a meeting to deal with specific stated items. Operator shall issue the notice of such meeting within ten (10) Days of receipt of a written request by an Owner, and the meeting shall be held within thirty (30) Days of receipt by Operator of such request.

(b) At least ten (10) Days' notice of each meeting shall be given to each Owner, unless all of the Owners agree in writing or by vote at a meeting, to waive or shorten such notice period. Notice of any meeting shall be accompanied by an agenda together with reasonable details of the matters on the agenda and any motions to be voted on at the meeting. Any Owner shall have the right to require Operator to place an item on the agenda for such meeting, provided such item and reasonable details sufficient to enable the Owners to consider beforehand the nature of such item shall be furnished to the other Owners by such Owner within five (5) Days of the date of deemed receipt of the notice of such meeting. A motion not contained in the agenda or an amendment to be made to a motion which is contained in the agenda shall not be voted on at a meeting unless all of the Owners, whether or not present at such meeting, agree to add or amend such motion; provided that if any motion principally relates to one (1) Functional Unit and does not materially affect or involve any other Functional Unit, such motion may be added to the agenda or amended if all of the Owners, including any Owner not present at the meeting, having Functional Unit Participations in the affected Functional Unit, agree to such addition or amendment.

(c) Motions voted on at a meeting shall be numbered in accordance with Paragraph 204 (k) (iii).

(d) A representative of any Owner attending a meeting of the Operating Committee may be accompanied by a reasonable number of advisors, and the chairman may be accompanied by such additional attendees as are required to record the minutes of the meeting or otherwise assist in the conduct thereof.

(e) All meetings of the Operating Committee shall be held at the office of the Operator or at such other place as the Operating Committee may decide.

206. Minutes

Operator shall keep minutes of the proceedings of each meeting of the Operating Committee and a copy thereof shall be forwarded to each Owner within thirty (30) Days of the date of such meeting. The minutes shall contain the names of all Owners' representatives present at the meeting, indicating their capacity and the Owners that they represent, a description of the matters reviewed, the result of any vote and any dissenting Owner opinion. The minutes for any Operating Committee meeting shall be deemed to be correct as written and distributed, unless an Owner receiving the minutes gives Operator notice of an error or omission regarding such minutes within thirty (30) Days of the date upon which such minutes were sent to the Owners. Upon receiving such a notice:

(a) Operator shall promptly correct and re-issue the minutes if Operator agrees with the claim of an error or omission; or

(b) Operator shall promptly submit the matter to the Operating Committee for resolution by a vote in accordance with Subclause 204 (e) if Operator does not agree with the claim of an error or omission.

Any revised version of the minutes shall be deemed to replace all prior versions of the same and shall be deemed correct as written and distributed, subject to the terms of this Clause, which shall apply to such revised version of the minutes as if they were the original version of the same.

207. Reduction in Owners

Subject to Clause 208, if the number of Owners having a Facility Participation or Functional Unit Participation decreases after the Effective Date to a level equal to or less than the minimum number of Owners required to determine a matter under Subclause 204 (e), (f), (g), (h) or (i), the minimum number of Owners required to determine a matter shall always be one less than the number of Owners entitled to vote.

208. Unanimous Approval

If and for so long as there are only two Owners for voting purposes, Subclauses 204(b), (e), (f), (g), (h) and (i) shall not have any effect, and all matters coming before the Operating Committee shall be determined by the unanimous approval of the representatives of the Owners. At any time where unanimous approval cannot be reached in respect of any matter, either Owner may invoke the provisions of the Appendix titled "DISPUTE RESOLUTION", to resolve such matter.

209. Subcommittees

The Operating Committee may from time to time establish subcommittees to deal with defined mandates as provided by the Operating Committee. Any such subcommittee shall not have any powers of supervision or control, but shall only be entitled to report and make recommendations to the Operating Committee.

210 Enlargement

Any Enlargement shall be approved and conducted in accordance with the Appendix titled "ENLARGEMENT".

211. Environmental Matters

The Appendix titled "ENVIRONMENTAL MATTERS" shall only be effective from the first Day of the Month next following ecution of this Agreement by one hundred percent (100%) of the Owners, and shall not apply prior to such date.

ARTICLE III

APPOINTMENT AND REPLACEMENT OF OPERATOR

301. Assumption of Duties of Operator

Operator named in the Head Document, and any succeeding Operator appointed hereunder, shall assume the duties and obligations of Operator hereunder and shall have all the rights of Operator hereunder.

302. Resignation of Operator

Operator may resign as Operator on giving each of the Owners a minimum of one ninety (90) Days' notice of its intention to do so, provided that such resignation shall be effective at the end of a Month.

303. Replacement of Operator

Operator shall immediately cease to be Operator in the circumstances described in Subclauses (a) and (b) below and in all circumstances described in this Clause a replacement Operator shall be appointed pursuant to Clause 304, if:

(a) Operator becomes bankrupt or insolvent, commits or suffers any act of bankruptcy or insolvency, is placed in receivership or a receiver/manager or Person filling that role is appointed with respect to its property, seeks debtor relief protection under applicable legislation (including, without restricting the generality of the foregoing, the Bankruptcy and Insolvency Act of Canada and the Companies' Creditors Arrangement Act of Canada) or permits any judgement to be registered against its interest in the Facility or any portion thereof, and without restricting the generality of the foregoing, an Operator shall be deemed insolvent for the purposes of this Clause if it is unable to pay its debts as they fall due in the usual course of business;

(b) subject to Clauses 307 and 402, Operator assigns or attempts to assign its general powers and responsibilities of supervision and management as Operator hereunder, unless such assignment is to an Affiliate of Operator who is also an Owner;

(c) the Operating Committee votes pursuant to Subclause 204 (f) to remove Operator and such motion is carried;

(d) Operator ceases to be an Owner; or

(e) Operator resigns pursuant to this Article.

304. Appointment of Successor Operator

(a) Interim Operator

Upon Operator resigning or otherwise ceasing to be Operator and until a replacement Operator is appointed, the Owner with the largest Facility Participation, excluding the Facility Participation of the departing Operator and any Affiliate of the departing Operator, shall automatically become the interim Operator. The interim Operator shall immediately cease to be interim Operator upon the appointment of a replacement Operator.

(b) Appointment

If an Operator resigns or otherwise ceases to be Operator, a successor Operator shall be appointed by the Operating Committee. An Interim Operator is not disqualified from being elected as the successor Operator.

(c) Two Party Agreement

Notwithstanding Subclauses 204 (g), 304 (a) and (b), if there are only two (2) Owners and Operator resigns or otherwise ceases to be Operator, the Owner who was not Operator previously shall automatically become Operator effective the date that the previous Operator ceases to be Operator, unless, in the case of an assignment by Operator of its Facility Participation pursuant to Article IX, the Owners cannot agree on who should be Operator, in which case the Owner with the largest Facility Paticipation shall become Operator.

(d) Consent

Subject to Subclauses 304 (a) and (c), no Owner shall be appointed as Operator unless it has given its written consent to the appointment.

(e) Re-appointment

No provision of this Article shall be construed to re-appoint as next-succeeding Operator an Operator who has ceased to be Operator or any Affiliate of that former Operator, except with the unanimous consent of the Owners.

(f) Effective Time

Except as otherwise determined by the Operating Committee, the appointment of a successor Operator (including an automatic appointment as Operator pursuant to the terms of this Article), shall be effective immediately upon the previous Operator ceasing to be Operator.

305. Transfer of Property on Change of Operator

At the effective date of the resignation or replacement of an Operator as provided in this Article, Operator being replaced shall immediately deliver to the successor Operator possession and control of:

(a) the Facility;

(b) any and all funds held for the Joint Account;

(c) any and all Inlet Substances and Facility Products, if any, which have not been delivered in kind;

(d) all Material held for the Joint Account;

(e) copies of books of account and records kept for the Joint Account; and

(f) all documents, agreements and other papers relating to property transferred hereunder.

Upon compliance with such obligation, the departing Operator shall be released and discharged from, and the successor Operator shall assume, all duties and obligations of Operator, except those unsatisfied duties and obligations of the departing Operator which had accrued prior to the effective date of the change of Operator, for which the departing Operator shall continue to remain liable. If the departing Operator holds any real or personal property on behalf of the Owners, such property shall continue to be held by the departing Operator in trust for the Owners until title and possession of such property has been transferred to the successor Operator in trust for the Owners.

306. Inventory and Audit of Accounts on Change of Operator

Subject to Clause 307, within ninety (90) Days after the successor Operator commences to act as Operator, the Operating Committee may cause an audit to be made of the books of account and records kept for the Joint Account and may cause an inventory of Controllable Material to be taken. The cost of the audit and inventory shall be for the Joint Account.

307. Assignment of Operatorship

If Operator wishes its assignee to replace it as Operator after having disposed of all or a portion of its Facility Participation to such assignee pursuant to Article IX, such assignee shall have the right to become Operator if it is an Affiliate of Operator or, if it is not an Affiliate of Operator, if the Operating Committee approves that it shall become Operator.

ARTICLE IV

FUNCTIONS AND DUTIES OF OPERATOR

401. Control and Management of Joint Operations

Operator shall consult with the Operating Committee from time to time with respect to decisions to be made for the conduct of Joint Operations, and Operator shall keep the Owners informed in a timely manner with respect to important or significant Joint Operations. Operator is hereby delegated the management of the Facility on behalf of the Owners and shall, subject to the direction of the Operating Committee, conduct or cause to be conducted all Joint Operations diligently, in a good and workmanlike manner, in accordance with good oil field and environmental practice, the Regulations and the terms of this Agreement. In the absence of specific instructions from the Operating Committee, Operator shall conduct or cause to be conducted, all Joint Operations, as would a prudent operator under the same or similar circumstances. Without limiting the generality of any of the foregoing provisions of this Clause, Operator shall conduct and oversee all Joint Operations, and in particular shall:

(a) make and file all reports as required by governmental authorities relating to Joint Operations;

(b) maintain in the Province of Alberta complete and accurate accounts, books, records and documents in relation to the Facility and Joint Operations and provide each Owner with reasonable access thereto;

(c) provide Owners with reports as required and on a frequency and containing the information about Joint Operations as directed by the Operating Committee;

(d) on behalf of the Owners, complete all applications and obtain all licenses and approvals required by Regulations to conduct Joint Operations;

(e) promptly pay and discharge all expenses and taxes (other than income taxes) incurred in connection with Joint Operations and keep the Facility free and clear from all adverse claims and liens occasioned by Joint Operations, except claims or liens created under or pursuant to this Agreement or being contested in good faith;

(f) acquire and maintain all necessary surface rights, Material and services required to conduct Joint Operations and where Operator deems appropriate, use its own equipment and facilities to serve such operations, subject to the Accounting Procedure;

(g) procure and maintain for the Joint Account the insurance set forth in the Appendix titled "INSURANCE" and use reasonable efforts to require contractors and subcontractors to procure and maintain such insurance as Operator deems necessary;

(h) comply with and, where applicable, require its agents, contractors and their subcontractors to comply with Regulations governing Joint Operations;

(i) subject to Clause 402, subcontract such portion of Joint Operations as Operator deems appropriate;

(j) furnish each Owner as soon as practicable with written notice of:

(i) physical damage to the Facility in excess of Operator's expenditure limit as provided in the Accounting Procedure; and

(ii) any environmental, health, safety or other occurrence which is required to be reported under any Regulation and which either requires remediation costs exceeding the single expenditure limit set forth in the Accounting Procedure or could result in a punishable offence under the Regulations;

(k) extend to each Owner, at that Owner's sole risk and expense, the right to examine and inspect the Facility at all reasonable times in the presence of a representative of Operator and after giving Operator reasonable notice, except for portions of the Facility which are proprietary to a licensor to the extent that such licensor expressly prohibits examinations and inspection by such Owner;

(l) prepare and submit to the Operating Committee for approval the Forecasts provided for in Clause 605;

provided further that, during Initial Construction of the Facility or any Enlargement or Modification, Operator shall also:

(m) carry out or cause the construction of the Facility and any Enlargement or Modification;

(n) contract with such Persons as Operator may deem appropriate for the performance of such work or undertaking, or any portion thereof;

(o) supervise all work related to such construction;

(p) acquire all Material required for such construction and the commencement and continuation of Joint Operations;

(q) supervise and have direct charge of all matters regarding design, construction and installation of the Facility and any Enlargement or Modification; and

(r) provide Owners with reports as required and on a frequency, and containing the information about construction, a Modification or an Enlargement as directed by the Operating Committee;

402. Subcontracting

Provided that Operator is not in default or in the process of being replaced pursuant to Clause 303, Operator may subcontract all or substantially all of its duties and responsibilities to a reliable and competent third party subcontractor or an Affiliate of Operator, with the approval of and on terms approved by the Operating Committee, provided that Operator retains full control and supervision of such subcontractor or Affiliate and that any third party subcontractor is retained on a genuine arm's length basis. It shall be a condition of such subcontracting that the Owners have the right to audit the books and records of the third party subcontractor or Affiliate with respect to its subcontracting activities hereunder on the same terms and conditions as provided under the Accounting Procedure to audit Operator.

403. Operator as an Owner

Operator shall have all of the rights and obligations of an Owner with respect to its Facility Participation and Functional Unit Participation.

404. Independent Status of Operator

Operator is an independent contractor in conducting Joint Operations. Operator shall determine the number of employees and contractors respecting its operations, their selection, their hours of labour and their compensation hereunder. All employees and contractors used in its operations hereunder shall be the employees and contractors of Operator.

405. Title

Operator shall hold and maintain title to the Facility and all associated licences and approvals required under the Regulations on behalf of the Owners. Operator shall perform all duties to maintain such licences and approvals in good standing. However, nothing in this Clause shall be construed to require or permit Operator to conduct any Joint Operations without the approval of the Operating Committee, if such approval is required pursuant to the terms of this Agreement.

ARTICLE V

INDEMNITY AND LIABILITY

501. Limit of Liability

(a) Notwithstanding Clause 404 and the obligation in Clause 401 to conduct Joint Operations diligently, in a good and workmanlike manner in accordance with good oilfield and environmental practice, Operator, its Affiliates and their respective directors, officers, agents and employees shall not be liable to the other Owners, or any of them, for any loss, expense, injury, death or damage to Owners, whether contractual or tortious, suffered or incurred by the Owners resulting from or in any way attributable to or arising out of any act or omission, whether negligent or otherwise, of Operator or its Affiliates or their respective directors, officers, agents or employees in conducting or carrying out Joint Operations, except when and to the extent that such loss, expense, injury, death or damage is a direct result of, or is directly attributable to the Gross Negligence of Operator or its Affiliates or their respective directors, officers, agents or employees.

(b) To the extent that the Gross Negligence condition in Subclause (a) of this Clause applies, Operator shall be solely liable for such loss, expense, injury, death or damage and, in addition, shall indemnify and save harmless each other Owner, its Affiliates and their respective directors, officers, agents and employees from and against the same and also from and against all actions, causes of action, suits, claims and demands by any Person in respect of such loss, expense, injury, death or damage, and any costs and expenses relating thereto. However, in no event shall the responsibility of Operator prescribed by this Clause 501 extend to losses suffered by the Owners respecting the loss of profits or other consequential or indirect losses, including, without restricting the generality of the foregoing, loss or delay of production.

502. Indemnification of Operator

Except as otherwise provided in Clause 501, the Owners indemnify and save harmless Operator, its Affiliates and their respective directors, officers, agents and employees from and against any and all actions, causes of action, suits, claims, demands, costs, losses and expenses resulting from loss, expense, injury, death or damage respecting any Person (including the Owners), which may be brought against or incurred or suffered by Operator, its Affiliates and their respective directors, officers, agents or employees or which Operator, its Affiliates and their respective directors, officers, agents or employees may sustain, pay or incur by reason of, or which may be attributable to or arise out of, any act or omission of Operator or its Affiliates or their respective directors, officers, agents or employees in conducting Joint Operations.

503. Burden of Responsibility

Except where Operator is to be held solely liable pursuant to the terms of Clause 501, all liabilities and indemnities arising from Joint Operations shall be for the Joint Account and shall be borne by the Owners in the proportions of their respective Functional Unit Participations in the Functional Unit to which such liabilities and indemnities relate. However, if it cannot be clearly determined as to which Functional Unit a liability or indemnity relates, and such liability or indemnity cannot be logically apportioned between the affected Functional Units, such liability or indemnity shall be borne by the Owners in the proportions of their respective Facility Participations.

504. Continuation of Legal Responsibilities

Notwithstanding the assignment by an Owner of all or a portion of its Functional Unit Participation in any Functional Unit, such Owner shall, as regards the other Owners and notwithstanding the terms of such assignment, remain liable for its proportionate share of any liabilities and indemnities which arose in respect of that Functional Unit, the Facility or under this Agreement, other than environmental liabilities, prior to the date that such Owner's assignee becomes an Owner with respect to the assigned interest pursuant to Article IX.

505. Environmental Responsibilities

Any Person who becomes an Owner shall be responsible for its proportionate share of environmental liabilities arising in relation to Joint Operations (and the associated indemnities, if any) whether they accrued before or after such Person became an Owner.

ARTICLE VI

ACCOUNTING MEASURES

601. Joint Account

Operator shall set up a Joint Account and administer it as set forth in the Accounting Procedure. All proper costs and expenses incurred by Operator in connection with Joint Operations shall be in accordance with the Accounting Procedure, or as otherwise permitted hereunder. Such costs and expenses shall be allocated to the Owners in accordance with the Appendix titled "STRUCTURE AND SHARING OF THE JOINT ACCOUNT."

602. Operator's Lien and Remedies

(a) Effective from the Effective Date, Operator shall have a lien and charge, which is first and prior to any other lien, charge, mortgage or other security interest, with respect to the Functional Unit Participations of each Owner in the Facility and such Owner's share of Facility Products, to secure payment of such Owner's proportionate share of the costs and expenses incurred by Operator for the Joint Account.

(b) If an Owner fails to pay or advance any of the costs or expenses incurred for the Joint Account which are to be paid or advanced by it within the time period prescribed by the Accounting Procedure, Operator may, without limiting Operator's other rights as contained in this Agreement or otherwise held at law or in equity:

(i) charge such Owner compound interest, as computed Monthly, with respect to such unpaid amount from the Day such payment is due until the Day it is paid, at the rate of two percent (2%) per annum higher than the rate designated as the prevailing prime rate for Canadian commercial loans by the principal Canadian chartered bank used by Operator, regardless of whether Operator has notified such Owner in advance of its intention to charge interest with respect to such unpaid amount;

(ii) withhold from such Owner any further information and privileges with respect to Joint Operations, including the right to vote pursuant to provisions of Article II, which information and privileges shall be conveyed or restored, as the case may be, to such Owner upon such default being fully rectified;

(iii) set-off against the amount unpaid by such defaulting Owner, any sums due or accruing to such Owner from Operator in accordance with ALTERNATE A, immediately below:

ALTERNATE A. pursuant to this Agreement;

ALTERNATE B. pursuant to this Agreement and from any other agreement between Operator and such Owner, whether executed before or after the Effective Date;

(iv) maintain an action or actions for such unpaid amounts and interest thereon on a continuing basis as such amounts are payable, but not paid by such defaulting Owner, as if the obligation to pay such amounts and the interest thereon were liquidated demands due and payable on the relevant date such amounts were due to be paid, without any right or resort of such Owner to set-off or counter-claim; and

(v) treat the default as an immediate and automatic assignment to Operator of the proceeds of the sale of such Owner's share of Facility Products. Service of a copy of this Agreement upon a purchaser of such Owner's share of Facility Products, together with written notice from Operator, shall constitute a written irrevocable direction by such defaulting Owner to any such purchaser to pay to Operator the proceeds from any such sale up to the amount owed to Operator by such defaulting Owner hereunder (including any accrued interest with respect thereto), and such purchaser is authorized by such defaulting Owner to rely upon the statement of Operator as to the amount so owed to it by such Owner.

However, Operator may not exercise the rights granted in Paragraphs (iii) - (v) of this Subclause with respect to such default until at least thirty (30) Days following the issuance of a notice to such Owner specifying such default and requiring the same to be remedied.

(c) The obligation to pay interest at the rate specified in Subclause (b) of this Clause with respect to a default is to apply until such default is rectified and shall not merge into a judgement for principal and interest, or either of them. The Owners waive the application of any Regulations to the contrary, insofar as such waiver is permitted or not prohibited by the Regulations.

(d) Books and records kept by the Operator for the Joint Account shall constitute proof of the existence of any financial default hereunder, subject, however, to the rights of inspection and audit provided for elsewhere in this Agreement.

(e) If Operator is the Owner which defaults in paying its share of any cost or expense incurred for the Joint Account, the other Owners may, subject to Subclause 304 (c), appoint an Owner pending the appointment of a successor Operator pursuant to Subclause 204 (g), to exercise any of the rights and remedies otherwise available to Operator pursuant to this Agreement in order to rectify such default.

603. Reimbursement of Operator

If Operator has not received full payment of an Owner's share of the costs and expenses of Joint Operations within three (3) Months following the date the payment was due, each other Owner, upon being billed therefor by Operator, shall contribute a fraction of the unpaid amount, excluding interest thereon, which fraction shall have:

(a) as its numerator, the applicable Functional Unit Participation of such Owner; and

(b) as its denominator, the aggregate applicable Functional Unit Participations of all Owners except the defaulting Owner.

Thereupon, each such contributor shall be proportionately subrogated to Operator's rights pursuant to Clause 602 and to the interest thereafter payable thereunder on the unrecovered portion of its contribution. Notwithstanding the foregoing portion of this Clause, if the unpaid amount pertains to more than a single Functional Unit, the reimbursement obligation in this Clause shall be based on the Facility Participations or the aggregate weighted interests in the applicable Functional Units, as the case may be.

604. Commingling of Funds

Operator may commingle with its own funds the moneys which it receives from or for the Joint Account pursuant to this Agreement. Notwithstanding that moneys of a Non-Operator have been commingled with Operator's funds, the moneys of a Non-Operator advanced or paid to Operator, whether for the conduct of Joint Operations or as proceeds from the sale of Facility Products, shall be deemed to be trust moneys and, subject to Clause 602, shall be applied only to their intended use and shall in no way be deemed to be funds belonging to Operator, other than in its capacity as the Non-Operator's trustee.

605. Forecasts

(a) As soon as practicable after the execution hereof, Operator shall submit to the Operating Committee for approval a Forecast for the Forecast Period. In each subsequent Year, Operator shall submit a Forecast for the Forecast Period to the Operating Committee for approval, on or before the end of the current Year. If the Operating Committee does not approve a Forecast, or any portion thereof, such Forecast or the portion thereof not approved, shall be revised by Operator in accordance with the instructions of the Operating Committee. A copy of each revised Forecast shall be promptly furnished to each Owner.

(b) Each Forecast shall include a detailed and specific description of expenditures therein, identifying Operating Costs and Capital Costs separately, and providing an estimate of Owner's Substances and Outside Substances to be handled by the Facility. Any single Operating Cost in excess of the single expenditure limit set forth in the Accounting Procedure for which the Operator requests approval through approval of the Forecast should be clearly and separately identified. Each Forecast shall also provide for comparison, a summary of the Forecast and a projection of expected final expenditures for the current Year.

(c) Approval of a Forecast shall constitute approval of all expenditures in accordance with this Agreement, except single Capital Cost expenditures in excess of the single expenditure limit set forth in the Accounting Procedure. If directed by the Operating Committee, separate approval for projects, categorized as Operating Costs, that have an estimated cost in excess of Operator's single expenditure limit set forth in the Accounting Procedure, shall be required.

ARTICLE VII

MEASUREMENT

701. Accuracy

(a) The metering facilities described under the Appendix titled "MEASUREMENT", shall be tested at reasonable intervals by Operator. If any question arises as to the accuracy of measurement, any meter shall be tested by Operator upon demand of an Owner and if found to be correct, or to be in error by not more than two percent (2%) with respect to gas measurement, or one and one-half percent (1.5%) with respect to equilibrium liquid product measurement or one-half of one percent (0.5%) with respect to liquid measurement (hereinafter called the "relevant percentage"), the expense of such testing shall be borne by the Owner demanding the test. The expense shall be for the Joint Account if a meter is found to be in error by more than the relevant percentage. An Owner, at its sole cost and risk, may witness any test.

(b) If, upon any test, the measuring equipment is found to be in error by not more than the relevant percentage, the previous readings of such equipment shall be considered correct in computing the volumes being metered, but such equipment shall be adjusted properly as soon as practicable to record accurately.

(c) If, upon any test, the measuring equipment is found to be inaccurate by more than the relevant percentage, any previous reading of such equipment shall, subject to applicable legal limitation periods, be corrected to zero (0) error for any period which is known definitely or agreed upon by the Operating Committee; however, if the period is not known definitely or agreed upon by the Operating Committee, such correction shall be for a period covering the last half of the time elapsed since the date of the last test.

(d) If the measuring equipment is out of service or requires repair, so that the volume being measured is not correctly indicated by the reading thereof, the volume attributable to the period shall be estimated and agreed upon on the basis of the best data available, using the most appropriate of the following methods:

(i) by using the readings from any other measuring equipment, if installed and accurately registering; or

(ii) by correcting the error if the percentage of error is ascertainable by calibrations, test or mathematical calculation; or

(iii) by estimating on the basis of actual volumes measured during the preceding periods under similar conditions when the meter was registering accurately.

(e) Operator shall preserve and make available for inspection by the Owners all original test and sample data, charts and other similar records for a period of at least seven (7) Years after the end of the Year to which they relate, or such further period required by the Operating Committee or the Regulations, as well as any records to which an audit query relates until all such queries are resolved.

702. Unit of Volume and Weight

The standards of measurements shall be governed by the following:

(a) the unit volume of gas for purposes of measurement shall be one thousand cubic metres (10^3m^3) of gas at a temperature of fifteen degrees Celsius (15°C) and an absolute pressure of one hundred one point three two five kilopascals (101.325 kPa);

(b) the unit of volume of liquids for purposes of measurement shall be one cubic metre (1 m^3) as defined in the Weights and Measures Act (Canada), as amended; and

(c) the unit of weight of solids for purposes of measurement shall be one tonne (1 t) being one thousand kilograms (1000 kg).

703. Determination of Volumes

(a) For purposes of measurement and meter calibration the atmospheric pressure at the point of measurement hereunder shall be assumed to be constant at the pressure stated in the Appendix titled "MEASUREMENT" irrespective of the actual elevation or location of any of the meters above sea level or variations in the atmospheric pressure from time to time.

(b) Volumes of gas measured by orifice meters shall be computed in accordance with the methods prescribed in the publication entitled "Orifice Metering of Natural Gas, Standard 2530, American National Standards Institute/American Petroleum Institute", including the Appendix thereto as updated in 1985, and as amended. Volumes of gas shall be suitably corrected for deviation from Boyle's Law in accordance with the Regulations.

(c) Volumes of liquids shall be computed taking into consideration the compressibility and specific gravity, if applicable, and volumes so measured shall be corrected to fifteen degrees Celsius (15°C).

704. Change of Measurement Methodology

Notwithstanding any provisions of this Agreement to the contrary, if in order to comply with, or by reason of, the Regulations, the basis or method of measurement hereunder must change, all charges incurred by Operator relating to changing the basis or method of measurement shall be charged to the Joint Account. Operator may change the basis or method of measurement in any manner approved by the Regulations, but if not required to do so, the charges incurred by Operator may be charged to the Joint Account only with the approval of the Operating Committee.

ARTICLE VIII

PRODUCTION AND FACILITY PRODUCTS

801. Owner's Share of Facility Products

Each Owner shall own the Facility Products that are attributable to Inlet Substances delivered to the Facility by or on behalf of such Owner. Allocation of Facility Products will be in accordance with the Appendix titled "FACILITY PRODUCT ALLOCATION PROCEDURE".

802. Losses in Handling, Flaring and Operation of the Facility

Each Owner owning Inlet Substances shall bear a share of any volumes of those Inlet Substances and Facility Products that are lost as a result of rupture, release, flaring or handling in the Facility during each Month in accordance with the Appendix titled "FACILITY PRODUCT ALLOCATION PROCEDURE". Notwithstanding that Appendix, if Operator is able to identify the ownership of those lost volumes, those losses shall be borne by the Owners in proportion to their ownership of those volumes.

803. Fuel Gas Usage

Operator shall be entitled to use a portion of the Inlet Substances for fuel in Joint Operations. Fuel gas usage shall be allocated to each Owner in accordance with the Appendix titled "FACILITY PRODUCT ALLOCATION PROCEDURE".

804. Disposition of Facility Products

(a) Each Owner shall separately take in kind or dispose of its share of Facility Products at its own cost. To the extent that an Owner (hereinafter in this Article called "non-taking Owner") fails to take or otherwise adequately dispose of its share of Facility Products, then so long as such failure continues, Operator in its sole discretion, as agent and for the account and at the expense and risk of the non-taking Owner, may sell or purchase at Market Price or store all or any portion of the non-taking Owner's share of Facility Products in any reasonable manner Operator sees fit, subject to the provisions of this Clause.

Each Owner shall provide Operator with such information respecting such Owner's arrangements for the disposition of its share of Facility Products as Operator may reasonably require to fulfil its obligations hereunder. If an Owner fails to provide such information, or if any of the disposition arrangements specified are inadequately provided for or are otherwise unworkable or impracticable, Operator shall forthwith so notify such Owner, who shall be deemed to be a non-taking Owner.

(b) The authority of Operator to enter into contracts for the sale of the non-taking Owner's share of Facility Products shall be restricted to contracts that are only for such reasonable periods of time as are consistent with the minimum needs of the industry under the circumstances, provided that in no event shall the term thereof exceed one (1) Month, unless such term may be terminated without penalty on no more than one (1) Month's notice, or unless the non-taking Owner has otherwise agreed in writing. Such authority shall be revocable, subject to the terms of any existing contracts for the sale of the non-taking Owner's share of Facility Products and the terms hereof, at the will of the non-taking Owner. When Operator has so contracted, the non-taking Owner may take its share of Facility Products in kind upon the expiration of the current sales contract, if the non-taking Owner provides written notice to Operator of its intention to resume taking in kind at least thirty (30) Days in advance of the expiration of that arrangement. However, any such revocation shall only be effective so long as such Owner continues to take in kind and separately dispose of its share of Facility Products.

Notwithstanding the foregoing, if due to Regulations or shipping restrictions, arrangements to sell, store or otherwise dispose of Facility Products must be made prior to the date that the same are actually produced, then at the request of the Operator each Owner shall make such arrangements at its own cost prior to the date of production and shall give Operator notice of the same prior to the commencement of the actual Month of production. If any Owner fails to make such arrangements and give such notice, such Owner shall be deemed to have failed to take in kind or dispose of its share of Facility Products to be allocated to it at the actual time and place of production, and Operator shall be entitled to exercise its rights as aforesaid with respect to the non-taking Owner's share of Facility Products as of the date that the non-taking Owner was required to give notice as outlined above.

Insofar as Operator disposes of all or a portion of a non-taking Owner's share of Facility Products pursuant to this Subclause, Operator shall advise the non-taking Owner of the manner pursuant to which it has disposed of such Facility Products and other relevant information pertaining to the disposition within one (1) Month of the commencement of that disposition.

805. Distribution of Proceeds

Subject to the provisions of Clause 804, and unless otherwise agreed to by Operator, if Operator disposes of another Owner's share of Facility Products pursuant to Clause 804, Operator shall forthwith pay to that Owner the proceeds of such sale, less any costs associated with such sale and any other moneys payable with respect to the Facility to Operator by that Owner. Such costs shall, unless otherwise agreed to by Operator, include an administration fee to cover Operator's cost of arranging for and carrying out the sale of a non-taking Owner's share of Facility Products not taken in kind and disposed of by that Owner, as described by ALTERNATE A, immediately below:

ALTERNATE A. three percent (3%) of the gross proceeds of the sale of Facility Products;

ALTERNATE B. ______________________ dollars per cubic metre ($___/$m^3$) in the case of petroleum;

______________________ dollars per one thousand cubic metres ($___/$10^3m^3$) in the case of natural gas;

______________________ dollars per cubic metre ($___/$m^3$) in the case of natural gas liquids and substances other than petroleum and natural gas (but not including sulphur);

______________________ dollars per tonne ($___/t) in the case of sulphur;

ALTERNATE C. A flat fee of ______________________ dollars ($___) per Month.

Operator shall include with such payment a statement showing the manner in which the amount was calculated. If Operator does not pay such amount within thirty (30) Days following its receipt, the interest provisions of Subclause 602 (b) shall apply with respect to such outstanding amounts.

806. Audit by Non-Taking Owner

To the extent only that Operator sells all or a portion of the share of Facility Products of a non-taking Owner, the audit provisions of the Accounting Procedure shall, with the necessary changes, apply with respect to such sale between Operator and the non-taking Owner on whose behalf such Facility Products were sold, provided that Operator shall not be required to provide the auditors with access to any of Operator's proprietary marketing information and that the non-taking Owner shall bear all costs of such audit.

807. Operator to be Indemnified

If an Owner does not take in kind and separately dispose of its share of Facility Products and Operator disposes of such Facility Products on behalf of the non-taking Owner pursuant to this Article, the non-taking Owner shall indemnify Operator with respect to any injury, loss or damage which Operator may suffer with respect to such sale by virtue of defects in the non-taking Owner's title to such Facility Products.

808. Indemnification for Royalties and Other Payments

Each Owner shall pay or be responsible for the payment of and shall indemnify the other Owners against liability for any and all royalties, overriding royalties, production payments, taxes and any and all other payments chargeable against its share of Facility Products.

809. Warranty by Owners

Each Owner warrants that it has the right to produce its portion of the Inlet Substances and dispose of its portion of the Facility Products and agrees to indemnify and save harmless the other Owners from all actions, causes of actions, claims and demands that may be made by any Person who has or claims to have an interest in such Inlet Substances or Facility Products.

ARTICLE IX

DISPOSAL OF FACILITY INTEREST

901. Disposal of an Interest in the Facility

Except as provided in this Article IX, no Owner shall sell, transfer, assign, mortgage or otherwise dispose of all or part of its interest in the Facility or any Functional Unit. An Owner who intends to dispose of all or a part of its interest in the Facility or any Functional Unit (in this Article called "the Disposing Owner") shall comply with the provisions of ALTERNATE B immediately below:

ALTERNATE A. The Disposing Owner shall be under no obligation to obtain the consent of the other Owners or to provide the other Owners with a right to acquire that Disposing Owner's interest in the Facility.

ALTERNATE B. The Disposing Owner shall obtain the consent of the other Owners, and shall provide them with information regarding the disposition, including the description of the Functional Unit Participation proposed to be disposed and the identity of the proposed assignee. Such consent shall not be unreasonably withheld, and it shall be reasonable for an Owner to withhold its consent to the disposition if it reasonably believes that the disposition would be likely to have a material adverse effect on its Functional Unit Participation or Joint Operations, including, without limiting the generality of all or any part of the foregoing, a reasonable belief that the proposed assignee does not have the financial capability to meet prospective obligations arising out of this Agreement, provided that an Owner which withholds its consent shall include in its notice its reasons for withholding consent. However, an Owner shall be deemed to have consented to the disposition to the proposed assignee, unless, within twenty (20) Days, the Owner advises the other Owners, by notice, that it is not prepared to consent to such disposition.

ALTERNATE C.

(a) The Disposing Owner shall, by notice, advise each other Owner (in this Article called an "Offeree") of its intention to make the disposition, including in such notice a description of the Functional Unit Participation proposed to be disposed, the identity of the proposed assignee, the price or other consideration for which the Disposing Owner is prepared to make such disposition, the proposed effective date and closing date of the transaction and any other information respecting the transaction which the Disposing Owner reasonably believes would be material to the exercise of the Offerees' rights hereunder (such notice in this Article called "the Disposition Notice").

(b) If the consideration described in the Disposition Notice cannot be matched in kind and the Disposition Notice does not include the Disposing Owner's bona fide estimate of the value, in cash, of such consideration, an Offeree may, within seven (7) Days of the receipt by the Offerees of the Disposition Notice, request the Disposing Owner to provide such estimate to the Offerees, whereupon the Disposing Owner shall provide such estimate in a timely manner and the election period provided herein to the Offerees shall be suspended until such estimate is received by the Offerees.

(c) If there is a dispute as to the reasonableness of an estimate of the cash value of the consideration described in the Disposition Notice or provided pursuant to Subclause (b), as the case may be, the matter shall be referred directly to arbitration under the Appendix titled "DISPUTE RESOLUTION" within seven (7) Days of the receipt of such estimate. The Disposing Owner and the applicable Offeree shall thereupon diligently attempt to complete such arbitration in a timely manner. The equivalent cash consideration determined in such arbitration shall thereupon be deemed to be the sale price for the Functional Unit Participation described in the Disposition Notice.

(d) Within the later of i) thirty (30) Days from the receipt of the Disposition Notice, as modified by any suspension pursuant to Subclause (b) of this Alternate C; or ii), if Subclause (c) of this Alternate C is applicable, fifteen (15) Days from receipt of notice of the arbitrated value determined pursuant to the preceding Subclause, an Offeree may give notice to the Disposing Owner that it elects to purchase the Functional Unit Participation described in the Disposition Notice for the applicable price (in this Article called a "Notice of Acceptance"). A Notice of Acceptance shall create a binding contractual obligation upon the Disposing Owner to sell, and upon an Offeree giving a Notice of Acceptance to purchase, for the applicable price, all of the Functional Unit Participation included in such Disposition Notice on the terms and conditions set forth in the Disposition Notice. However, if more than one Offeree gives a Notice of Acceptance, each such Offeree shall purchase the Functional Unit Participation to which such Notice of Acceptance pertains in the proportion its Functional Unit Participation bears to the total Functional Unit Participation of all such Offerees.

(e) If the Functional Unit Participation described in the Disposition Notice is not disposed of to one or more of the Offerees pursuant to the preceding Subclause, the disposition to the proposed assignee shall be subject to the consent of the Offerees. Such consent shall not be unreasonably withheld, and it shall be reasonable for an Offeree to withhold its consent to the disposition if it reasonably believes that the disposition would be likely to have a material adverse effect on its Functional Unit Participation or Joint Operations, including, without limiting the generality of all or any part of the foregoing, a reasonable belief that the proposed assignee does not have the financial capability to meet prospective obligations arising out of this Agreement, provided that an Owner which withholds its consent shall include its reasons for withholding consent in its notice. However, an Offeree shall be deemed to have consented to the disposition to the proposed assignee, unless, within the time period prescribed in Subclause (d), the Offeree advises the other Owners, by notice, that it is not prepared to consent to such disposition.

(f) If the Functional Unit Participation described in the Disposition Notice is not disposed of to one or more of the Offerees pursuant to Subclause (d) of this Alternate C, the Disposing Owner may, subject to obtaining the consents prescribed by the preceding Subclause, dispose of such Functional Unit Participation at any time within one hundred and fifty (150) Days from the issuance of such Disposition Notice, provided that such disposition is not on terms that are more favourable to such proposed assignee than those offered in the Disposition Notice.

(g) Following a disposition herein or one hundred and fifty (150) Days following the issuance of a Disposition Notice from which a disposition did not result, as the case may be, the provisions of this Clause 901 shall once again apply to the Functional Unit Participation described in the Disposition Notice.

902. Unrestricted Disposals

Notwithstanding anything contained in this Article IX, an Owner may transfer all or a portion of its interest in the Facility without providing prior notice or the option to acquire such interest to the other Owners in the following instances, namely:

(a) a disposition to an Affiliate of the Owner, or in consequence of a merger or amalgamation of the Owner with another corporation or pursuant to an assignment, sale or disposition made by an Owner of its entire Facility Participation to a corporation in return for shares in that corporation or to a registered partnership in return for an interest in that partnership;

(b) if a portion of an Owner's interest in the Facility is disposed of as a result of the conversion of a gross overriding royalty interest or other interest to a working interest in a well pursuant to an agreement in existence as of the Effective Date, and the production from such well is required to be delivered to the Facility;

(c) a disposition made by an Owner of all, or substantially all, or of an undivided interest in all or substantially all, of its petroleum and natural gas rights in the province or territory where the Facility is situated, and for the purposes of this Subclause, "substantially all" means a percentage of ninety percent (90%) or more of the net hectares held by such Owner in that province or territory;

(d) Subclause (d) shall X /shall not ___ apply:

a disposition made by an Owner of all, or substantially all, or of an undivided interest in all or substantially all, of its petroleum and natural gas rights in wells producing to the Facility, and for the purposes of this Subclause, "substantially all" means a percentage of ninety percent (90%) or more of the working interest held by such Owner in such wells; and

(e) Subclause (e) shall X /shall not __ apply:

a disposition made by an Owner of a portion of its petroleum and natural gas rights in wells producing to the Facility, where such disposition is accompanied by the disposition of a proportionate part or share of the Facility.

However, an Owner making such a disposition pursuant to Subclause (a), (b), (c), (d) or (e) of this Clause shall advise the Operator of such disposition in a timely manner, and shall comply with the provisions of Clause 905.

If the transfer is to an Affiliate, the Owner shall execute and deliver to Operator a continuing guarantee of all obligations to be assumed by the Affiliate under this Agreement. Such guarantee shall also provide that the guarantor waives notice of any extensions, modifications or amendments to this Agreement and agrees to be bound thereby; that no such extensions, modifications or amendments will release the guarantor; and that the guarantor will not be released by any waiver of any obligation of the Affiliate by the indulgence or concession granted to it.

903. Financing

Notwithstanding anything contained in this Article IX:

(a) An Owner may mortgage its interest in the Facility; provided that any such mortgage shall expressly provide that the mortgagee shall hold the interest subject to all the terms and provisions of this Agreement, and shall also provide that upon any realization of the security, the party acquiring the interest in the Facility shall be required to assume all obligations of the mortgagor under this Agreement, including the obligations imposed under Clause 905; and

(b) An Owner may assign its interest in the Facility in connection with an arrangement for the financing of its interest in the Facility provided that:

(i) any such assignment shall expressly provide that the assignee shall hold the interest subject to all the terms and provisions of this Agreement;

(ii) until the assignee gives notice to Operator of a default by the assignor under the arrangement for financing and complies with the provisions of Clause 905, the assignor shall not be released from its obligations under this Agreement, shall remain an Owner for the purposes of Exhibit "A", under the Appendix titled "FACILITY AND FUNCTIONAL UNIT PARTICIPATION", and the Owners shall be entitled to deal exclusively with the assignor in all matters under this Agreement;

(iii) until the assignee gives notice to Operator of a default by the assignor under the arrangement for financing and complies with the provisions of Clause 905, the assignor shall have full power and authority to act on behalf of and bind the assignee for all matters respecting this Agreement, and any information , notices or billings served on or by, or any payment to the assignor shall be deemed to have been served on or by or payment made to the assignee and the other Owners shall neither honour notices from nor give notices to the assignee; and

(iv) any such assignment shall expressly provide that immediately upon receipt by the Operator of notice from the assignee that the assignor is in default under the arrangement for financing, realization of the security or otherwise, the assignee shall be required to assume all obligations of the assignor under this Agreement.

904. Admission of New Owners Through Enlargement

No Person shall become an Owner through an Enlargement except with the approval of the Operating Committee and upon such terms and conditions as may be imposed by the Operating Committee, which shall include the condition that any Person becoming an Owner shall execute and deliver to Operator one (1) counterpart of this Agreement.

905. Disposal of Interest Documentation

(a) Every disposition of an interest in a Functional Unit shall be made subject to this Agreement and shall not be binding on the other Owners until the first Day of the Month next following the date:

(i) the Person acquiring the interest, if not already an Owner, has executed and delivered to Operator one (1) counterpart of this Agreement; and

(ii) a copy of the instrument, executed by both the disposing Owner and its assignee, evidencing such change in ownership has been delivered to Operator.

Once such disposition becomes effective, the assignor shall thereupon be relieved from all obligations that thereafter accrue hereunder with respect to the assigned interest, subject to Clauses 504, 505, 902 and 1001.

(b) Subject to Clause 307, the assignment of any interest in the Facility by an Owner while acting in the capacity of Operator shall not confer upon the Person acquiring such interest the position of Operator.

906. Change of Name

An Owner whose name is changed by due legal process shall notify and supply evidence of the change to Operator as soon as possible.

ARTICLE X

TERM AND TERMINATION

1001. Term

This Agreement shall remain in full force and effect from the Effective Date so long as all or any portion of the Facility is held pursuant to this Agreement and so long thereafter as may be necessary to decommission, abandon, dispose of and reclaim the Facility, in accordance with the Regulations, and final settlement of accounts has been made among the Owners, provided that those provisions related to audit, liability, indemnity, disposal and salvage of Material and enforcement of default shall survive for six (6) Years thereafter or such later time as may be prescribed by the Regulations.

1002. Termination

Subject to the provisions of Clause 1001, this Agreement shall terminate upon a vote of the Operating Committee in accordance with Subclause 204 (i).

1003. Salvage or Disposition

If required by the Regulations or directed by the Operating Committee to salvage the Facility or any Functional Unit or portion thereof as the case may be, Operator shall, for the Joint Account:

(a) salvage as much of the Facility, Functional Unit or portion thereof, as the case may be, as can economically and reasonably be salvaged or otherwise dispose of the same in the manner determined by the Operating Committee; and

(b) clean up and restore the site of the Facility, Functional Unit or portion thereof, as the case may be, in accordance with the Regulations and to the satisfaction of any governmental body having jurisdiction with regard thereto and to the reasonable satisfaction of the owner or occupier of the land upon which the Facility is located.

1004. Proceeds and Costs

The proceeds and costs of salvaging, decommissioning, abandonment, reclamation or disposing of any portion of the Facility, incurred pursuant to Clause 1003, shall be shared and borne by the Owners of the Functional Unit to which such salvage or disposal relates, based on each Owner's respective Functional Unit Participation in such Functional Unit.

ARTICLE XI

GENERAL PROVISIONS

1101. Enurement

Subject to the provisions of Clause 905, this Agreement shall enure to the benefit of, and be binding upon, the respective heirs, executors, administrators, successors and permitted assigns of the Owners.

1102. No Partnership

Nothing herein contained shall be read or construed as creating a partnership, or as imposing upon any Owner any partnership duty, obligation or liability of any kind, it being the express intention of the Owners that the respective rights, obligations and liabilities of each of the Owners under this Agreement and in respect of the subject matter hereof generally, shall be several, and not joint or joint and several.

1103. Force Majeure

(a) For the purposes of this Clause, "force majeure" means an occurrence beyond the reasonable control of the Owner claiming suspension of an obligation hereunder, which has not been caused by such Owner's negligence and which such Owner was unable to prevent or provide against by the exercise of reasonable diligence at a reasonable cost and includes, without limiting the generality of the foregoing, an act of God, war, revolution, insurrection, blockage, riot, strike, a lockout or other industrial disturbance, fire, lightning, unusually severe weather, storms, floods, explosion, accident, shortage of labour or materials, or government restraint, action, delay or inaction.

(b) If any Owner is prevented by force majeure from fulfilling any obligations hereunder, the obligations of that Owner, insofar as its obligations are affected by the force majeure, shall be suspended while the force majeure continues to prevent the performance of such obligation and for that time thereafter as that Owner may reasonably require to commence to fulfil such obligation. An Owner prevented from fulfilling any obligation by the force majeure shall promptly give the other Owners notice of the force majeure and the affected obligations, including reasonably full particulars in respect thereof.

(c) The Owner claiming suspension of an obligation as aforesaid shall promptly remedy the cause and effect of the applicable force majeure, insofar as it is reasonably able so to do, and such Owner shall promptly give the other Owners notice when the force majeure ceases to prevent the performance of the applicable obligation. However, the terms of settlement of any strike, lockout or other industrial disturbance shall be wholly in the discretion of such Owner, notwithstanding Subclause (a), and that Owner shall not be required to accede to the demands of its opponents in any strike, lockout or industrial disturbance solely to remedy promptly the force majeure thereby constituted.

(d) Notwithstanding anything contained in this Clause, lack of finances shall not be considered a force majeure, nor shall any force majeure suspend any obligation for the payment of money hereunder.

1104. Notices

All notices and other communications to be given in connection with this Agreement shall be in writing and shall be sufficiently given:

(a) if delivered by hand or by courier to an Owner at its address for service, such delivery shall be deemed received by the Owner when actually delivered, if such delivery is during Owner's normal business hours, on any Day other than a Saturday, a Sunday or statutory holiday. If such notice or other communication is not delivered during the Owner's normal business hours, such notice or other communication shall be deemed to have been received by Owner on the Day next following the date of delivery, other than a Saturday, Sunday or statutory holiday;

(b) except during any period of actual or impending postal disruption, if sent by first class mail, or by airmail if sent from outside Canada or the United States, postage prepaid, to an Owner at its address for service, such mailing shall be deemed received by the Owner on the fourth Day following the date of mailing (Saturdays, Sundays and statutory holidays excepted). However, if postal service is interrupted or operating with unusual or imminent delay, such notice or other communication shall not be sent by such means during such interruption or period of delay; and

(c) to an Owner which has provided a direct telecommunication number as part of its address for service, if sent by telecommunication to the Owner's designated telecommunication number, such transmission shall be deemed received by the Owner when actually received, if such transmission is during Owner's normal business hours on any Day other than a Saturday, Sunday or a statutory holiday. If such notice or other communication is not received during the Owner's normal business hours, such notice or other communication shall be deemed to have been received by Owner on the Day next following the date of transmission, other than a Saturday, Sunday or a statutory holiday.

For the purposes of this Clause 1104, the address for service for each Owner initially shall be the address set forth below its signature on the execution page of the Head Document. Operator may change its address for service by giving written notice thereof to each of the other Owners, and any other Owner may change its address for service by giving written notice thereof to Operator.

1105. Suits

An Owner who is sued on an alleged cause of action arising out of Joint Operations shall forthwith notify every other Owner.

1106. Compliance with Laws and Regulations

In exercising their respective rights and discharging their respective obligations under this Agreement, the Owners shall comply in all material respects with all Regulations.

1107. Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein, and each of the Owners submits to the exclusive jurisdiction of the courts of the Province of Alberta for the interpretation and enforcement hereof.

1108. Waiver

No waiver by any Owner of any breach (whether actual or anticipated) of any of the covenants, provisions or conditions herein contained shall take effect or be binding upon that Owner unless the same is expressed in writing under the authority of that Owner. Any waiver so given shall extend only to the particular breach so waived and shall not limit or affect any rights with respect to any other or future breach.

1109. Statute of Limitations

The two (2) year period for seeking a remedial order under section 3(1)(a) of the *Limitations Act*, R.S.A. 2000 c. L-12, including any amendments thereto or replacements thereof, for any claim (as defined in Act) arising in connection with this Agreement is extended to:

(a) for claims disclosed by an audit, two (2) years after the time this agreement permitted that audit to be performed; or

(b) for all other claims, four (4) years.

1110. Further Assurances

Each Owner shall from time to time and at all times do all such further acts and execute and deliver all further documents as may be reasonably required in order to perform and carry out the terms of this Agreement.

1111. Partitioning

No Owner shall resort to any action for partition, or sale in lieu of partition, of any real property comprised in the Facility, or any portion thereof.

1112. United States Taxes

If for the purposes of the United States Internal Revenue Code of 1986, as amended ("the Code"), this Agreement or the relationship established thereby constitutes a partnership as defined in Section 761 (a) of the Code, each Owner who is entitled under such Section to elect, hereby elects to have such partnership excluded from the application of Subchapter K of Chapter 1 of Subtitle A of the Code, or such portion thereof as the Secretary of the Treasury of the United States, or his delegate, permits to be so excluded. Operator is authorized to execute such election on behalf of the applicable Owners and to file the election with the proper United States government office or agency. Operator is further authorized and directed to execute and file such additional and further evidence of such election as may be required, all at the expense solely of those Owners subject to the Code. However, if Operator is not subject to the Code with respect to the Facility, the obligations of Operator under this Clause shall be fulfilled by the Owner who is subject to the Code with respect to the Facility and who, among those Owners subject to the Code, holds the greatest Facility Participation.

1113. Confidentiality

Each Owner entitled to information obtained hereunder or pursuant to this Agreement may use such information for its sole benefit. However, the Owners shall take such measures with respect to Joint Operations and internal security as are appropriate in the circumstances to keep confidential from third Persons all such information, except information which the Owners have expressly agreed among themselves to release and information disclosed by an Owner:

(a) when and to the extent required by the Regulations and securities laws applicable to such Owner, provided that such Owner shall invoke any confidentiality protection permitted by such Regulations and securities laws;

(b) to an Affiliate, provided that such Owner shall be deemed to have required such Affiliate to maintain the confidential status of the disclosed information in accordance with this Clause 1113, that such Affiliate shall be deemed to have accepted such obligation and that such Owner shall be liable for any loss suffered by the other Owners, or any of them, because of the failure of such Affiliate to maintain such information confidential;

(c) to a third Person to which such Owner is seeking to assign all or a portion of its interest hereunder, provided that a binding covenant is obtained from such third Person prior to disclosure which provides, inter alia, that none of such information shall be disclosed by it to any other third Person;

(d) to the technical, financial or other professional consultants of such Owner which require such information to provide their services to such Owner or to a bank or other financial institution from which such Owner is attempting to obtain financing, provided that a binding covenant is obtained from such consultant or financier, as the case may be, prior to such disclosure, which provides, inter alia, that none of such information shall be disclosed by it to any other third Person or used for any purposes other than advising such Owner or providing financing to such Owner, as the case may be.

However, the confidentiality obligation in this Clause shall not extend to information to the extent it is in the public domain, provided that specific items of information shall not be considered to be in the public domain merely because more general information is in the public domain.

Notwithstanding the foregoing provisions of this Clause, any Owner which otherwise ceases to be bound by the provisions of the Agreement shall nevertheless remain bound by the provisions of this Clause with respect to information obtained hereunder or pursuant to this Agreement until and to the extent that such information is in the public domain.

1114. General Business Conduct

Except as otherwise provided herein, none of the Owners nor any of their Affiliates, directors, officers, consultants, agents or employees shall give or receive any commission, fee, rebate, gift or entertainment of significant cost or value in connection with this Agreement.

1115. Supersedes Previous Agreements

Unless otherwise provided in the Head Document, this Agreement supersedes all other previous agreements, documents, writings and verbal understandings among the Owners relating to the Facility, and expresses all of the terms and conditions agreed upon by the Owners with respect to the Facility.

1116. Time of the Essence

Time is of the essence in this Agreement.

1117. No Implied Covenants

The Owners have expressed herein their entire understanding and agreement concerning the subject matter of this Agreement. No implied covenant, condition or term shall be read into this Agreement, nor shall any prior oral or written understanding entered into modify or compromise any of the terms and conditions herein.

1118. Waiver of Relief

The Owners acknowledge that any default, forfeiture or assignment provisions contained in this Operating Procedure are reasonable and equitable. Each Owner waives any and all rights which it may have at law, in equity or by the Regulations, against default, forfeiture or penalty if such provisions are invoked.

1119. Restrictions

The Owners hereby agree that within the area of the Facility, their respective employees and the employees of contractors and subcontractors employed thereon, shall not be permitted to:

a. possess, use, distribute or sell alcoholic beverages;

b. misuse legitimate drugs;

c. possess, use, distribute or sell illicit drugs or non-prescribed prescription drugs or other controlled substances; or

d. perform hereunder while under the influence of alcohol or any such other drugs or substances.

The Operator shall adopt and enforce work rules and shall use its best efforts to include appropriate provisions in all relevant contracts to uphold such restrictions.

APPENDIX I of EXHIBIT "A" to

Agreement for the Construction, Ownership and Operation of the South East Hooker Gathering System

FACILITY AND FUNCTIONAL UNIT PARTICIPATION

101. Facility Participation and Functional Unit Participation

Exxon Mobil Canada Energy		54.8822%
MFC Resource Partnership *		45.1178%
*** Denotes Operator**	**Total**	**100.0000%**

102. Basis for Determination

(a) Facility Participation

The initial Facility Participation of each Owner has been determined and expressed as a percentage representing the proportion that each Owner's estimated investment value in the Facility bears to the total aggregrate estimated investment value of all Owner's in the Facility as per Appendix X of this Agreement..

(b) The initial Facility Participation shall be subject to a Capital equalization based upon a Capital audit of Facility costs.

REVISION 04
EFFECTIVE May 1, 2014

APPENDIX II of EXHIBIT "A" to

Agreement for the Construction, Ownership and Operation of the South East Hooker Gathering System

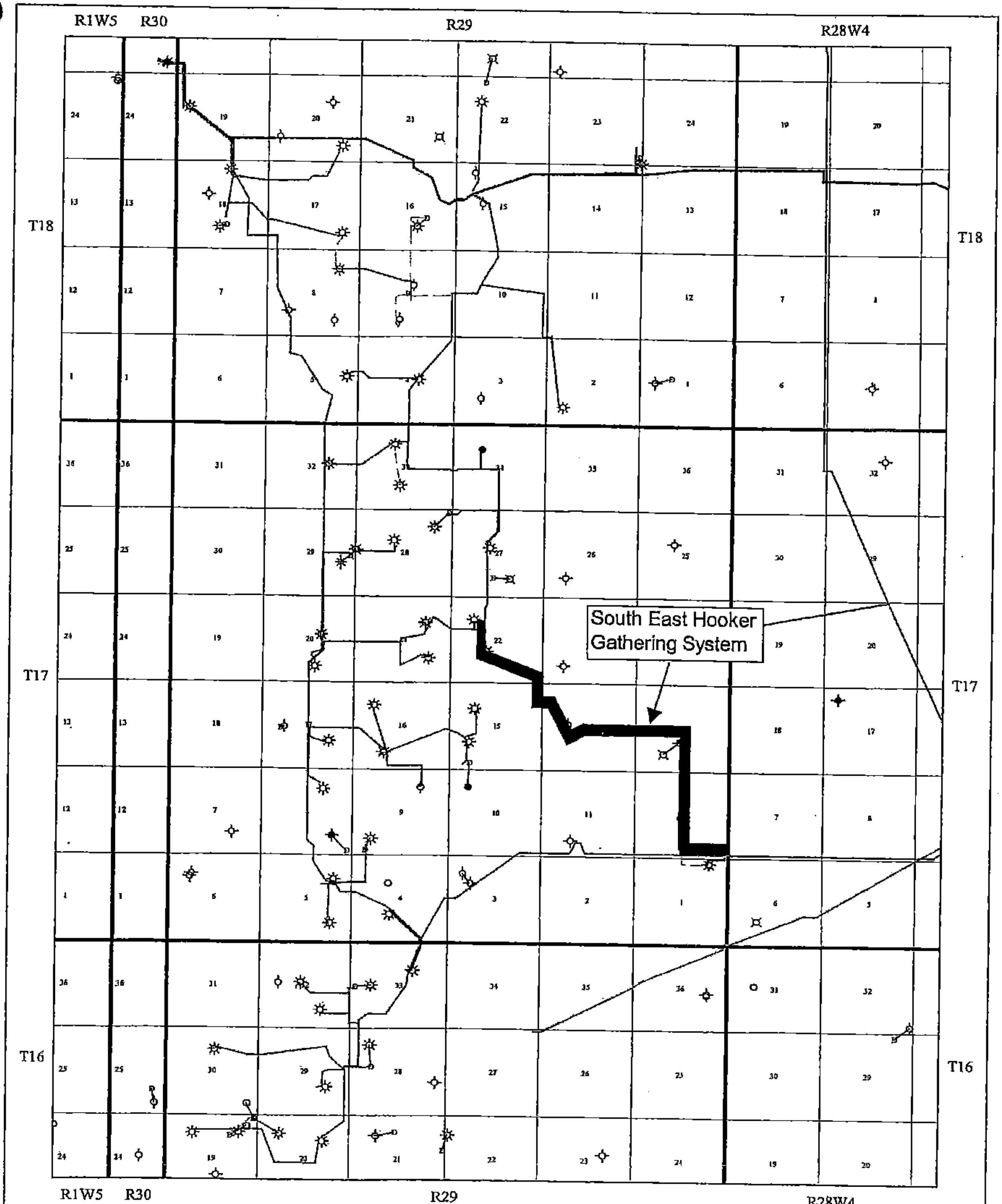
DESCRIPTION OF FACILITY AND FUNCTIONAL

UNITS, MAP AND SCHEMATIC

101. Facility Description

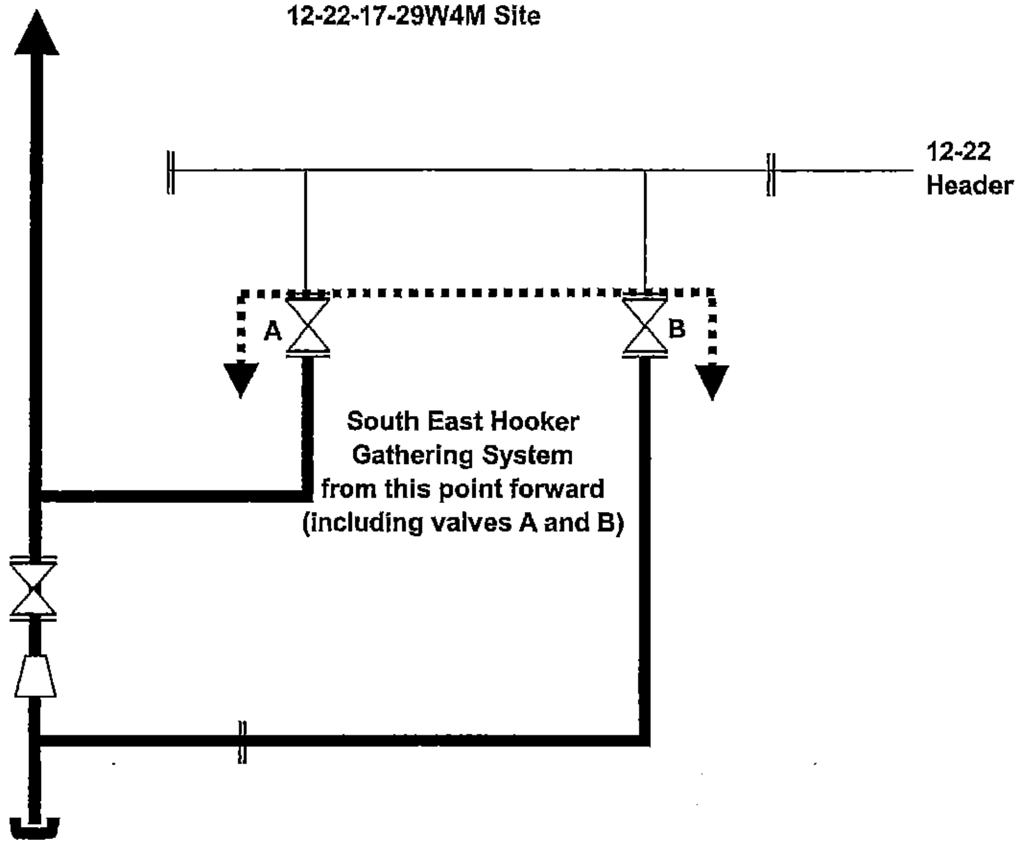
The Facility shall include the 6" line running from 01-12-017-29 W4M to 12-22-017-29 W4M. (License 34551 Line #43 and License 39946 Line #1)

FACILITY MAP

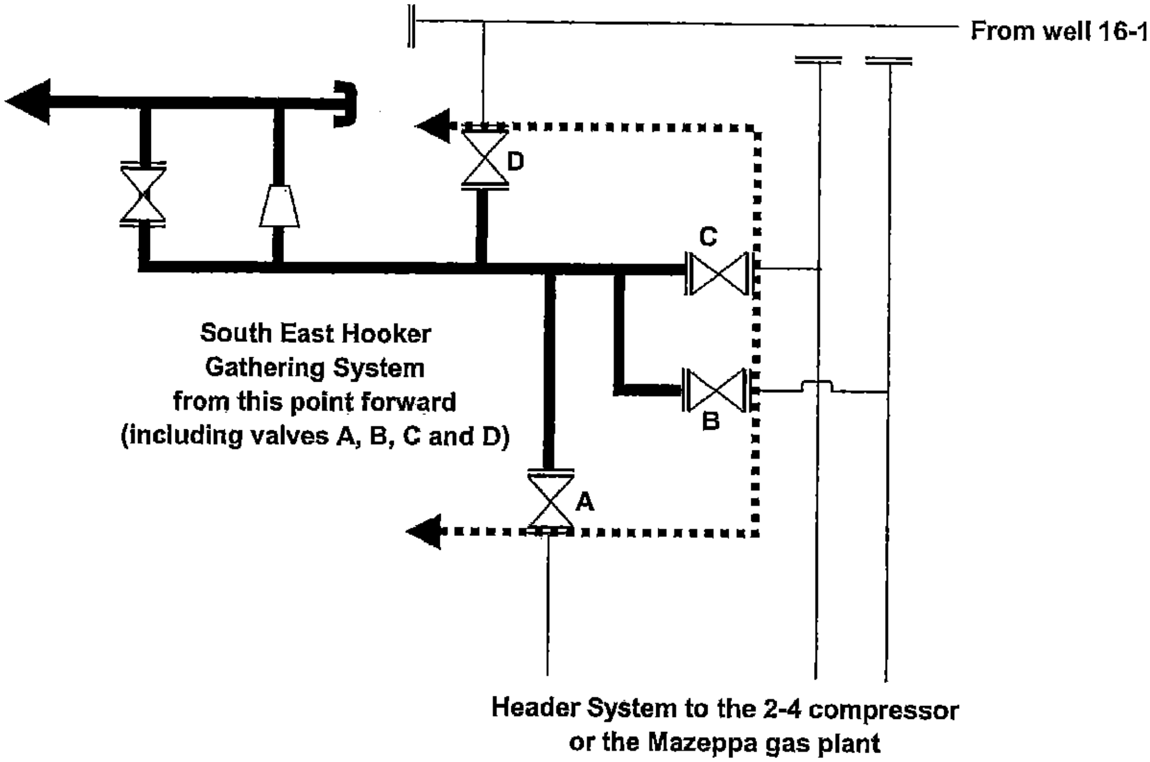


Map Software by IHS Energy

South East Hooker Gathering System
12-22-17-29W4M Site



South East Hooker Gathering System
1-12-17-29W4M Site



APPENDIX III of EXHIBIT "A" to

Agreement for the Construction, Ownership and Operation of the South East Hooker Gathering System

ACCOUNTING PROCEDURE

101. Accounting Procedure Chosen

Alternate A immediately below shall apply as a schedule to this Appendix:

ALTERNATE A.	The Accounting Procedure is the 1996 Petroleum Accountants Society of Canada's Accounting Procedure and has been modified only as shown in Clause 103 hereof. The elections chosen and values inserted are described in Clause 102 hereof.
ALTERNATE B.	The Accounting Procedure is unique to this Agreement and is attached hereto as Schedule A.

RATES, ELECTIONS AND MODIFICATIONS TO THE 1996 PETROLEUM ACCOUNTANTS SOCIETY OF CANADA (PASC) ACCOUNTING PROCEDURE AND EXPLANATORY TEXT

When using this model care should be taken to ensure consistency and avoid conflicts with the body of the Agreement (which takes precedence).

Some general areas which should be checked are:

References to the parties and approval process should be consistent with the Agreement. The model refers to approval by the Owners, but the Agreement may refer to an Operating Committee.

Clauses 110, 111, and 112 in the model may be covered in the Agreement, in which case they should be changed to refer to the appropriate clause in the Agreement. (These accounting matters are best covered in the accounting procedure with reference to the Agreement.)

102. Rates and Elections

The following clauses of the Accounting Procedure are modified to include the indicated election,alternate, option or value:

105. **Operating Fund:** 10 %

110. **Approvals:** Clause 204 (e) ; from;__________percent (____%)

112. **Expenditure Limitations:**
(a) excess of Fifty Thousand dollars ($50,000.00)
(c) excess of Ten Thousand dollars ($10,000.00)

202. **Employee Benefits:**
(b) exceed Twenty-two percent (22%)

213. **Camp and Housing:**

(b) shall / shall not XX

216. **Warehouse Handling:**
Five percent (5.0 %)

221. **Allocation Options:**

CLAUSE	OPTIONS FOR CHARGING JOINT ACCOUNT			
	Fixed $/ Month			
	Subject to 302 (e)	Not subject to 302 (e)	Percentage of Direct Cost	Other (Specify) (Well/m^3)
204	N/A	N/A	N/A	N/A
207(c)	N/A	N/A	N/A	N/A
212	N/A	N/A	N/A	N/A
213(a)	N/A	N/A	N/A	N/A
214	N/A	N/A	N/A	N/A

302. Overhead Rates:
(a) Exploration Project N/A percent (N/A %)
OR
(1) ____ percent (___ %); ____________ dollars ($ ____________)
(2) ____ percent (___ %); ____________ dollars ($ ____________)
(3) ____ percent (___ %).

(b) Drilling of a well N/A percent (N/A %)
OR
(1) ____ percent (___ %); ____________ dollars ($ ____________)
(2) ____ percent (___ %); ____________ dollars ($ ____________)
(3) ____ percent (___ %).

(c) Initial Construction ____ percent (____ %)
OR
(1) Five percent (5 %); Fifty Thousand dollars ($ 50,000.00)
(2) Three percent (3 %); One Hundred Thousand dollars ($ 100,000.00)
(3) One percent (1 %).

(d) Construction Project ____ percent (____ %)
OR
(1) Five percent (5 %); Fifty Thousand dollars ($ 50,000.00)
(2) Three percent (3 %); One Hundred Thousand dollars ($ 100,000.00
(3) One percent (1 %).

(e) Operation and Maintenance:
(1) Ten percent (10 %) of Cost; and
(2) N/A dollars ($ N/A) or
(3) N/A dollars ($ N/A)

Subclause 302(e)(2) and 302(e)(3) hereof shall ____ / shall not XX

406. Dispositions: Fifty Thousand dollars($ 50,000.00)

103. <u>Modifications to the PASC Accounting Procedure</u>

The Accounting Procedure is modified as follows:

The clauses contained in the Accounting Procedure are deleted and replaced as follows:

Clause 102 - The Operator shall bill each Non-Operator on or before the last day of each month for its proportionate share of the Joint Account for the preceding month. Such bills shall be accompanied by statements which identify the authority for expenditure, lease or facility, and all charges and credits, summarized in accordance with the Joint Interest Billing Exchange Chart of Accounts as most recently recommended ***from time to time*** by the Petroleum Accountants Society of Canada classifications, as a minimum.

In the event that production revenue settlement statements are submitted by the Operator, sufficient volumetric, pricing, and revenue information by product, production month and year shall be provided to enable each Non-Operator to correctly calculate and record its income and pay its obligations attached hereto.

Subclause 107(b) - Subject to Subclause 107(c) hereof, payment of any bills or requests for advances shall not prejudice the right of the Non-Operator to protest or question the correctness thereof; provided however, all bills and statements rendered to the Non-Operator during any calendar year shall be presumed to be true and correct after the later of twenty-six (26) months following the end of such calendar year or any approved extensions pursuant to Subclause 108(b) of this Accounting Procedure, unless before the end of the said twenty-six (26) months ***or any approved extensions pursuant to Subclause 108(b), whichever is later***, the Non-Operator takes written exception thereto and makes claim on the Operator for an adjustment.

Subclause 108(d) - The status of all claims of discrepancies issued by the audit committee shall be reported to the Owners within twelve (12) months of the date the claims were issued. Claims reported as unresolved shall be submitted forthwith by the Operator to the Owners for resolution in accordance with the provisions of the Agreement for resolution of disputes, ***or in the absence of such provisions, in accordance with the Arbitration Act for the Province of Alberta***. All necessary adjustments resulting from the Owners' resolution shall be reported by the Operator to the audit committee and adjustments processed within thirty (30) days of the date of resolution.

Subclause 109(b) - The Operator shall maintain records of all Controllable Material stored at ***~~joint stock locations~~*** ***a joint Warehouse***.

113. Value Added Tax

(a) For refundable value added, goods and services or sales taxes, the Operator is authorized to make all elections and file all forms or documents required to administer such taxes on behalf of the Joint Account, including any documents which are required to deem all purchases of goods and services to be purchases of the Operator, and all recoveries to be recoveries of the Operator.

(b) For all amounts payable by one Owner to any other Owner, including any payment as a result of a breach of this Agreement, applicable value added, goods and services or sales taxes and similar levies, shall be added to the amount payable unless the transaction is covered under 113(a) above.

Subclause 201(a)(6) - Salaries and wages of the Operator's employees engaged in Production Engineering who are either temporarily or permanently assigned to and directly employed off-site in direct support of Joint Operations. ***[STANDARD PASC MODIFICATION]***

Subclause 207(d) - Maintaining and operating an On-Site Warehouse that is part of the Joint Property. When additional operations or activities are served by the On-Site Warehouse, the cost of maintaining and operating the On-Site Warehouse shall be allocated among all operations and activities served, on an equitable basis or as otherwise agreed to by the Owners pursuant to Clause 216 of this Accounting Procedure. ***[STANDARD PASC MODIFICATION]***

Clause 406 - The Operator shall make timely disposition of idle and/or surplus Material, either through sale to the Non-Operators or sale to other parties. The Operator may purchase, but shall be under no obligation to purchase, the interest of the Non-Operator's surplus Material. All sales of Material, regardless of Condition, the proceeds from disposition of which is greater than <u>**fifty thousand**</u> dollars ($ <u>**50,000.00**</u>) shall be subject to approval by the Owners. All other disposals of Material shall be at the discretion of the Operator excepting sale to the Operator or its Affiliates. Exceptions shall be priced pursuant to Clause 402 of this Accounting Procedure unless prior approval by the Owners is obtained.

Clause 501(b) - The Operator shall conduct an inventory of stock maintained in a Warehouse which is part of the Joint Operations on a annual basis or as otherwise approved by the Owners. ***[STANDARD PASC MODIFICATION]***

104. <u>Warranty as to Modifications</u>

Except as otherwise provided for in Clause 101, 102 and 103 hereof, the Accounting Procedure published by the Petroleum Accountants Society of Canada, 1996 (copyright) is hereby incorporated in its entirety in the Agreement and the Parties so warrant that said Accounting Procedure has been amended only to the extent set forth herein.

APPENDIX IV of EXHIBIT "A" to

Agreement for the Construction, Ownership and Operation of the South East Hooker Gathering System

STRUCTURE AND SHARING OF THE JOINT ACCOUNT

101. Structure of the Joint Account

The Joint Account for the Facility and all statements furnished to the Owners shall be segregated by Functional Units and divided into Capital Costs and Operating Costs.

102. Sharing of Joint Account Amongst Owners

(a) The Owners shall reimburse Operator for Capital Costs and Operating Costs as follows:

(i) Capital Costs - in proportion to their Functional Unit Participations.

(ii) Variable Operating Costs - Monthly on an interim basis in proportion to their Functional Unit Participations which shall be subject to annual adjustment pursuant to Subclause (d) hereof.

(iii) Fixed Operating Costs - in proportion to their Functional Unit Participations.

(b) Operator shall distribute non-Owner fee income, as may be charged from time to time pursuant to Clause 104 of the Appendix titled "CAPACITY USAGE", to the Owners Monthly on an interim basis in proportion to their Functional Unit Participations and such distribution shall be subject to an annual adjustment pursuant to Subclause (d) hereof.

(c) Operator shall distribute the Surplus Capacity usage charges, as may be charged from time to time pursuant to Clause 103 of the Appendix titled "CAPACITY USAGE", to the Owners Monthly on an interim basis on available excess capacity and such distribution shall be subject to an annual adjustment pursuant to Subclause (d) hereof.

(d) Operator shall, within one hundred and eighty (180) Days of the end of the preceding year adjust the distribution of the costs, fee income and Surplus Capacity usage charges made pursuant to Subclauses (a), (b) and (c) hereof to reflect the following basis for sharing:

(i) Operating Costs and non-Owner fee income (Operating Cost Component) shall be shared by the Owners on the basis of each Owner's volume of Inlet Substances.

(ii) Surplus Capacity usage charges and non-Owner fee income (Capital Component) shall be shared by the Owners contributing Surplus Capacity on the basis of each such Owner's prorated share of Surplus Capacity so contributed."

APPENDIX V of EXHIBIT "A" to

Agreement for the Construction, Ownership and Operation of the South East Hooker Gathering System

CAPACITY USAGE

101. Determination of Capacity

The Capacity shall be redetermined by Operator, for the approval of the Operating Committee pursuant to Subclause 204 (e) of the Operating Procedure, at reasonable intervals to take into consideration prevailing operating conditions. If the sum of all Owners' and non-Owners' average daily throughput for any given Month exceeds the Capacity of that Functional Unit, then Operator shall deem the actual throughput to be the Capacity for all Accounting purposes for that Month and shall refer the matter to the Operating Committee for decision as to whether or not Appendix IV, Table I Capacity should be revised.

102. Owner Surplus Capacity Usage

(a) Determination of utilized Surplus Capacity

(i) Operator shall determine each Owner's throughput through each Functional Unit on a Monthly basis.

(ii) Operator shall determine each Owner's Surplus Capacity or utilized Surplus Capacity in each Functional Unit for the period specified in Paragraph (i) of this Subclause 102 (a) by taking the difference between each Owner's average daily throughput and that Owner's Capacity Ownership in the respective Functional Unit.

(iii) Operator shall prorate the total utilized Surplus Capacity in a Functional Unit to those Owners with Surplus Capacity in the proportion that their respective Surplus Capacities bear to the total Surplus Capacity in the Functional Unit.

(iv) If more than one Owner desires to utilize Surplus Capacity, such Surplus Capacity shall be prorated among the Owners desiring to utilize it for the processing of Owner's Substances, in the proportion that each Owner's Functional Unit Participation in that Functional Unit bears to the total Functional Unit Participation of all Owners desiring to utilize such Surplus Capacity in that Functional Unit. If under the foregoing prorationing, an Owner is eligible to utilize more of the Surplus Capacity than such Owner desires to utilize, that Owner shall be allocated only its desired share of Surplus Capacity, which share of Surplus Capacity shall be subtracted from the total Surplus Capacity available. The remaining Surplus Capacity shall be prorated in the above manner to the other Owners until all of the Surplus Capacity is fully utilized.

(b) Calculation of utilized Surplus Capacity charge

(i) An Owner that has utilized Surplus Capacity in a Functional Unit shall pay a utilized Surplus Capacity charge of $\$0.74 / 10^3M^3$

The above fees are for fixed capital expenses only. Operating costs will be proportionate to throughput and adjusted annually.

(ii) Operator shall, at reasonable intervals but at least once for every Year, perform a calculation on the Surplus Capacity of each Owner in the Facility. If performed annually, such calculation shall be performed within one hundred and eighty (180) Days of the end of the preceding Year. The calculation performed hereunder shall result in a utilized Surplus Capacity charge being made to those Owners utilizing Surplus Capacity, and a credit of such amounts to the Owners furnishing Surplus Capacity.

103. Non-Owner Capacity Usage

Capacity Ownership not utilized by an Owner for it's Owner's Substances or from production from a well where Owner's Substances are unavoidably commingled with Outside Substances, may be allocated by the Operator to non-Owners. All requests received from non-Owners who wish to utilize Surplus Capacity for handling or processing of Outside Substances shall be referred to the Operator. Operator shall seek approval of the Operating Committee prior to commiting the Facility or any Functional Unit Capacity to be used be a non-Owner.

Operator shall charge each non-Owner utilizing a Capacity usage fee of $1.73 / 10^3M^3$

The above are fixed and include both capital and operating costs. No annual adjustments will be made.

104. Distribution of Surplus Capacity and Non-Owner Capacity Usage Charges

Distributions of charges made pursuant to Clauses 102 and 103 hereof shall be performed by Operator as provided in the Appendix titled "STRUCTURE AND SHARING OF THE JOINT ACCOUNT".

105. Order of Cutbacks

(a) If the Facility or a Functional Unit cannot handle all Inlet Substances the Owners and non-Owners wish to deliver to the Facility or to such Functional Unit on any Day, the Inlet Substances shall be cut back as follows:

(i) non-Owner volumes being handled on an interruptible basis; followed by

(ii) Owner volumes in excess of such Owner's Capacity Ownership; followed by

(iii) Owner volumes, and non-Owner volumes being handled on a firm service basis, in the proportion that the sum of Owner's Capacity and Capacity committed to firm service bears to the total available Capacity of the Facility or Functional Unit, whichever is applicable.

(b) For the purposes of cutbacks, non-Owner volumes produced from a well jointly owned by an Owner and a non-Owner in an unavoidably commingled stream and delivered to the Facility shall be deemed to be Owner's volumes, provided that such non-Owner volumes are within that Owner's Capacity Ownership. Non-Owner volumes exceeding an Owner's Capacity Ownership shall not be deemed to be Owner's volumes. All non-Owner volumes shall be subject to non-Owner Capacity usage fees as further set out herein.

(c) Intermittent cutbacks during a Day that may be necessary pursuant to this Clause shall be made at the Operator's discretion exercised reasonably, and applying the principles described in Subclause (a) hereof to the extent possible.

TABLE I
CAPACITY

The Capacity of the facility is 563 E^3m^3 / day @ 380 PSIG

APPENDIX VI of EXHIBIT "A" to

Agreement for the Construction, Ownership and Operation of the South East Hooker Gathering System

INSURANCE

101. Insurance

(a) Without in any way limiting the obligations or liabilities of Operator, Operator shall also comply with the provisions of ALTERNATE _B_ immediately below:

ALTERNATE A.

(b) Operator shall, prior to the commencement of Joint Operations, hold or cause to be held with a reputable insurance company or companies, and thereafter maintain or cause to be maintained for the Joint Account and benefit of the Owners and their respective Affiliates, directors, officers, consultants, agents and employees, the insurance hereinafter set forth and any other insurance which is specifically required to comply with the Regulations. The insurance required pursuant to this Subclause shall, subject to Subclause 101 (d), be as follows:

(i) Automobile Liability Insurance covering all motor vehicles or snowcraft and all terrain vehicles, owned and/or leased, operated or licensed by Operator and used in Joint Operations, with an inclusive bodily injury, death and property damage limit of ___________ dollars ($_________) per accident;

(ii) Commercial General Liability Insurance with an inclusive bodily injury, death, and property damage limit of _______________ dollars ($___________) per occurrence, and, without restricting the generality of the provisions of this Paragraph, such coverage shall include, but not be limited to, Employer's Liability, Employer's Contingent Liability, Contractual Liability, Contractor's Protective Liability, Products and Completed Operations Liability, and, such policy shall _____ /shall not _____ include Pollution Liability;

(iii) If aircraft are used, Aircraft Liability Insurance covering all aircraft, owned, leased, operated or licensed by Operator and used in Joint Operations, with an inclusive bodily injury, death and property damage limit of ___________ dollars ($_________) per occurrence;

(iv) If required, Builder's Risk Course of Construction Insurance in an amount not less than the full value of any work being performed in respect of the Initial Construction or any Enlargement, which shall cover all risks of physical loss or damage to the Facility or the work being performed in respect thereto, including all machinery, materials and supplies at the site of such work, in transit thereto and intended to become a part of the finished work, or on site awaiting erection or installation, testing or final acceptance by Operator; and

(v) If required, Wrap-up General Liability Insurance for a combined single limit of ____________ dollars ($_________) for each occurrence or accident, including property damage, bodily injury (including death at any time resulting therefrom) and personal injuries sustained by any person because of bodily injury or destruction of property (including loss of use or occupancy); and contractual liability and employer's liability. Such coverage shall extend to include contractors and sub-contractors as additional insureds in connection with the work. The policy should provide for coverage during the term of Initial Construction or any Enlargement, including twelve (12) Months completed operations liability.

ALTERNATE B.

(b) Operator shall, prior to the commencement of Joint Operations, hold or cause to be held with a reputable insurance company or companies, and thereafter maintain or cause to be maintained for the Joint Account and benefit of the Owners and their respective Affiliates, directors, officers, consultants, agents and employees:

(i) insurance that is specifically required to comply with the Regulations.

(ii) Shall ____/shall not X provide Builder's Risk Course of Construction Insurance in an amount not less than the full value of any work being performed in respect of the Initial Construction or any Enlargement, which shall cover all risks of physical loss or damage to the Facility or the work being performed in respect thereto, including all machinery, materials and supplies at the site of such work, in transit thereto and intended to become a part of the finished work, or on site awaiting erection or installation, testing or final acceptance by Operator; and

(iii) Shall ____/shall not X provide Wrap-up General Liability Insurance for a combined single limit of N/A dollars ($ N/A) for each occurrence or accident, including property damage, bodily injury (including death at any time resulting therefrom) and personal injuries sustained by any person because of bodily injury or destruction of property (including loss of use or occupancy); contractual liability and employer's liability. Such coverage shall extend to include contractors and sub-contractors, as additional insureds, in connection with the work. The policy should provide for coverage during the term of Initial Construction or any Enlargement, including twelve (12) Months' completed operations liability.

The following conditions shall be applicable to the ALTERNATE which is specified:

(c) It is the intention of the Owners that, except as provided in Subclause 101 (b) of this Appendix and in Article V of the Operating Procedure, the cost of any accident, loss or any claim of or liability to third parties or to each other for bodily injury, death or property damage arising out of any Joint Operation shall be borne individually by the Owners in proportion to their respective Functional Unit Participations in the affected Functional Unit, insofar as the matter relates to such Functional Unit, and in proportion to their respective Facility Participations in all other cases.

(d) Operator shall provide information regarding deductibles specified for each accident or occurrence in any insurance policy maintained for the Joint Account to any Owner who requests in writing such information. Operator shall maintain deductibles in accordance with its internal policy unless otherwise directed by the Operating Committee.

(e) (i) If the policies which Operator is required to obtain or maintain for the Joint Account are, in Operator's reasonable opinion, unavailable or available only at an unreasonable cost, then Operator shall promptly notify the Owners, in order that the Operating Committee may redetermine the policies which shall be held for the Joint Account. Subject to the provisions of this Clause, policies obtained for the Joint Account pursuant to this Clause may contain terms, conditions or exclusions affecting or limiting the risks covered thereby or the circumstances under which the insurer may be required to indemnify or compensate the Owners thereunder, provided that such terms, conditions or exclusions are, in Operator's reasonable opinion, the best available from the marketplace on reasonable terms and ordinary or appropriate. However, Operator shall obtain the prior approval of the Operating Committee with respect to any such change which is made after the relevant policy or policy renewal has been acquired for the Joint Account.

(ii) Except as provided in subparagraph (i), failure by the Operator to maintain the insurance required to be maintained for the Joint Account shall be deemed to be Gross Negligence.

(f) If Operator makes any payments with respect to any losses, damages, claims or liabilities arising out of Joint Operations which are covered by insurance policies maintained for the Joint Account hereunder with the approval of the insurers thereof or if Operator makes any payments authorized hereunder with respect to any other losses, damages, claims or liabilities arising out of such operations, such payments shall be a charge for the Joint Account. However, Operator shall diligently attempt to process its claims under such policies with respect to such losses, damages, claims or liabilities, and shall promptly credit the Joint Account the amount it ultimately recovers under such policies. Insofar as such charge is one which is not to be borne for the Joint Account pursuant to Article V of the Operating Procedure, Operator shall adjust the Joint Account accordingly at such time as it is determined that the charge is not to be borne for the Joint Account.

(g) Operator shall use reasonable efforts to ensure that each insurance policy maintained for the Joint Account pursuant to this Clause includes:

(i) a provision that coverage is primary to any other coverage carried by the Owners (other than coverage maintained by an Owner to reduce its exposure to a deductible);

(ii) a provision that such policy shall survive the default or bankruptcy of the insured for claims arising out of an event before such default or bankruptcy; and

(iii) a provision that the insurer shall provide Operator with sixty (60) Days' written notice of cancellation of such policy.

(h) Each Owner shall be responsible for insuring its own interest in the Facility with respect to physical damage to property, loss of income, Operator's Extra Expense, Seepage, Pollution, Contamination and Clean-up costs relating to the well(s) and any insurance other than that referred to in the ALTERNATE specified in Subclause 101 (a) of this Appendix. Each Owner shall ensure that each policy maintained by it for its own account hereunder shall contain a waiver of all rights, by subrogation or otherwise, against the other Owners and their respective Affiliates, directors, officers, consultants, agents, contractors and employees.

(i) Operator shall provide each Owner with notice of damages or losses incurred hereunder as soon as practicable after the damage or loss has been discovered. Operator shall provide the Owners with such assistance and materials as is required to substantiate such damages or losses for the purposes of the Owners' insurance coverage.

(j) Operator shall, with respect to Joint Operations, use every reasonable effort to have its contractors and sub-contractors:

(i) comply with all Regulations applicable to workers employed by them; and

(ii) carry such insurance in such amounts as Operator deems necessary, provided that such insurance policies shall either include waivers of all rights, by subrogation or otherwise, against the Owners and their respective Affiliates, directors, officers, consultants, agents, contractors and employees, or include the Owners as insureds under such policies.

APPENDIX VII of EXHIBIT "A" to

Agreement for the Construction, Ownership and Operation of the South East Hooker Gathering System

SPECIFICATIONS OF INLET SUBSTANCES AND FACILITY PRODUCTS

101. Inlet Substances Specification

(a) All Owner's Inlet Substances delivered to the Facility shall be of a kind, quality and composition and at a temperature and pressure so as to be within the design and operating parameters of the Facility; and

(b) All Owner's Inlet Substances delivered to the Facility shall be free from substances in such quantities that may obstruct, damage or be detrimental to the operation of the Facility or that may result in Owner's Inlet Substances having objectionable odours, solid matter, dust, gums and gum forming constituents which might affect its merchantability or cause injury to or interference with the proper operation of the lines, regulators, metering facilities or other appliances through which such Owner's Inlet Substances flows;

(c) The temperature for Inlet Substances delivering to the Facility shall not exceed sixty degrees Celsius (60^{o}

(d) H_2S content of Inlet Substances shall not exceed the anticipated licenced limited of three point five percent (3.5%) for the Facility.

(e) No free water shall enter the Facility without prior permission of the Operator;

(f) Condensate rates for Inlet Substances delivering to the Facility shall not exceed .067438 m^3/e^3m^3 without prior permission of the Operator;

(g) Hydrates shall be controlled with methanol injection. All methanol used in the Facility must be in the form of "inhibited" methanol which is compatible with the gathering systems downstream of the Facilities; and

(h) The Operator will conduct a corrosion control program, which is compatible with the gathering systems downstream of the Facilities.

102. Acceptance of Inlet Substances

Inlet Substances delivered to the Facility Inlet which are not in strict compliance with Clause 101 of this Appendix:

(a) may be accepted into the Facility provided that the off-specification is, in Operator's opinion, not injurious to the Facility and not at risk of contaminating other Inlet Substances or Facility Products associated with the Facility; and

(b) shall be refused acceptance into the Facility immediately upon detection by Operator of the off-specification condition if Operator is of the opinion that off-specification Inlet Substances are likely to be injurious to the Facility or a contaminant to other Inlet Substances, or Facility Products. Immediate refusal shall nonetheless require Operator to shut-in the inlet stream affected by the off-specification Inlet Substances in a manner which will minimize flaring and losses. The Operator shall immediately notify the Owners of the affected Inlet Substances that the inlet stream has been shut-in.

An Owner may request that the acceptance or refusal of off-specification Inlet Substances be referred to the Operating Committee for a decision.

103. Facility Products Specification

The Facility Products will be compatible with the inlet specifications of the Mazeppa gas gathering system and the Mazeppa gas plant.

APPENDIX VIII of EXHIBIT "A" to

Agreement for the
Construction, Ownership and Operation of the
South East Hooker Gathering System

FACILITY PRODUCT ALLOCATION PROCEDURE

The Operator shall determine and monitor the volume of Inlet Substances produced by or on behalf of each Owner and non-Owner and shall allocate a proportional amount of such Inlet Substances less any Inlet Substances consumed as fuel or lost due to flaring and metering differences, to each Owner and non-Owner at the Facility Outlet.

APPENDIX IX of EXHIBIT "A" to

Agreement for the Construction, Ownership and Operation of the South East Hooker Gathering System

MEASUREMENT

101. Measurement Equipment

(a) All Inlet Substances or, as the context so requires in this Article, Facility Products shall be measured at the Facility Inlet or at the Facility Outlet, as the case may be, by suitable meters or gauges of standard make, furnished, installed, operated and maintained by Operator for the Joint Account.

(b) Effluent from each well producing Inlet Substances (hereinafter called "Well Effluent") shall be metered. Well Effluent metering (hereinafter called the "Well Effluent Meters") and sampling equipment shall be installed by the applicable well owner at its sole cost risk and expense. Well Effluent Meters and sampling equipment shall be of a make and shall be installed in a manner and at a location as approved by Operator. Operator shall, on behalf of and for the sole account of the well owner in question, operate or be in control of all Well Effluent Meters and sampling equipment.

(c) Where during any Month the volume of Well Effluent measured by the Well Effluent Meters and delivered to a Facility Inlet is different from the volume of Inlet Substances measured at the respective Facility Inlet, the volume as measured at the Facility Inlet shall be assumed to be correct unless it is proven by test that the Facility Inlet meters are incorrect. The correct volume of Inlet Substances shall be prorated by Operator to each well or stream upstream of the Facility Inlet in proportion that the volume of Well Effluent measured by each Well Effluent Meter bears to the total volume of Well Effluent measured by all Well Effluent Meters. Operator shall make arrangement with the owners of Well Effluent Meters to provide accurate measurement data when required to settle measurement differences which may arise pursuant to this Subclause. Any dispute as to the proration by Operator of Inlet Substances shall be referred to the Operating Committee whose decision shall be final and binding.

102. Samples

Samples of Well Effluent shall be collected and an analysis made by Operator as soon as the Facility is placed in operation and at such reasonable intervals thereafter as determined by Operator and as specified by the Regulations.

103. Atmospheric Pressure

The atmospheric pressure at the point of measurement shall be assumed to be constant at ninety-one point seven kilopascals (91.7 kPa).

APPENDIX X of EXHIBIT "A" to

Agreement for the Construction, Ownership and Operation of the South East Hooker Gathering System

INVESTMENT VALUES

101. Estimated Initial Construction Costs

The estimated as built costs of the Facility to the completion of Initial Construction are as follows.

	AFE	AFE	Total Cost	Ownership
ExxonMobil Canada	$ 567,510		$ 567,510	54.8822%
Esprit Exploration Ltd.	171,418		171,418	16.5773%
Compton Petroleum	224,673	$ 70,450	295,123	28.5405%
Total Cost	**$ 963,601**	**$ 70,450**	**$ 1,034,051**	**100.0000%**

102. Initial Construction As Built Costs

The as built costs of the Functional Units at the completion of Initial Construction are as follows.

FUNCTIONAL UNIT	COST ($)

103. Revised As Built Costs

The as built costs of the Functional Units, as revised by Mail Ballot ______, are as follows.

FUNCTIONAL UNIT	COST ($)

104. History of Revisions to Investment Values

(a) Revision No. ____

Mail Ballot:

Description:

(b) Revision No. ____

Mail Ballot:

Description:

APPENDIX XI of EXHIBIT "A" to

Agreement for the Construction, Ownership and Operation of the South East Hooker Gathering System

ENLARGEMENT

101. Notice and Elections

Any Owner wishing to enlarge the Facility shall give notice to the Operator stating the purpose of the proposed Enlargement and such other information as the Operator may reasonably require. Pursuant to Clause 102 of this Appendix, the Operator shall prepare and submit an Enlargement proposal to the Operating Committee for approval which, subject to each Owner's rights under Clause 103 of this Appendix, shall consider its compatibility with the existing Facility. The Operating Committee shall also approve a methodology to allocate the cost of previous capital investment in common facilities which the Enlargement significantly utilizes. Common facilities include, but are not limited to, steam facilities, power facilities, office facilities, warehouse facilities or roads.

Upon approval by the Operating Committee, the Operator shall issue a notice to each Owner and each Owner wishing to participate in the Enlargement (the "Participating Owner") shall give the Operator written advice, within thirty (30) Days of receipt of notice, of its capacity nomination in the Enlargement. No Owner shall be obligated to participate in an Enlargement.

The Participating Owners and the Operator shall promptly consult to determine the design and construction of the Enlargement, which shall be approved by unanimous consent of the Participating Owners. If the original scope of the Enlargement, as defined in the Enlargement proposal, is revised, then a new Enlargement proposal shall be issued to the Operating Committee. When the final design of the Enlargement has been approved, the Operator, on behalf of the Participating Owners, shall proceed with the construction thereof at the sole cost, risk and expense of the Participating Owners in proportion to each Participating Owner's capacity nomination. The Operator shall carry out the construction with as little interference as possible in the operation of the Facilities. Should it be necessary to shut-down the Facilities in order to tie-in the Enlargement, the time of shut-down and subsequent start-up shall be determined by the Operator who shall give notice to all Owners. The cost shall be limited to the direct cost of shut-down and subsequent start-up and shall be borne by the Participating Owners.

102. Information in the Enlargement Proposal

The Enlargement proposal shall specifically identify the purpose of the Enlargement, the proposed process, capacity estimates, location of facilities, construction timing, description of how the Enlargement will be integrated with the existing Facilities and an estimate of capital and operating costs. The Enlargement proposal shall also include a methodology to allocate the cost of previous capital investment in common facilities which the Enlargement significantly utilizes.

103. Adjustment of Facility and Functional Unit Participation, Capacity and Capacity Ownership

(a) Notwithstanding other provisions in this Agreement, an Owner that does not participate in an Enlargement (a "Non-Participating Owner") that will result in a new Functional Unit shall be entitled to the same Capacity in existing Functional Units that it would have otherwise been entitled to had the Enlargement not proceeded.

(b) Notwithstanding other provisions in this Agreement, a Non-Participating Owner in an Enlargement that will become part of an existing Functional Unit shall be entitled to the Capacity in the enlarged Functional Unit it would have otherwise been entitled to, had the Enlargement not proceeded.

(c) Upon completion of the Enlargement, in the case of an Enlargement to an existing Functional Unit, the Functional Unit Participation shall be redetermined based on the total of each Owner's capacity in the Enlargement and such Owner's Capacity in the Functional Unit prior to the Enlargement.

(d) Equalization of investments in the enlarged Functional Unit and in the common facilities as described in Clause 101 of this Appendix, shall be conducted by the Operator in the manner approved by the Operating Committee.

104. Capacity of Enlarged Functional Unit

(a) Notwithstanding other provisions in this Agreement, the new Capacity for an enlarged Functional Unit shall reflect Capacity contributed through previous capital expenditures in the Functional Unit and Capacity contributed through capital expenditure in the Enlargement. Should there be any doubt as to the change in actual Capacity resulting from the Enlargement, a Capacity test shall be conducted if:

(i) approved by the Operating Committee, in which case the costs of the Capacity test shall be borne by all Owners in accordance with their Functional Unit Participation;

(ii) requested by the Non-Participating Owners, in which case, if not approved by the Operating Committee, the costs of the Capacity test shall be borne by the Non-Participating Owners; or

(iii) requested by the Participating Owners, in which case, if not approved by the Operating Committee, the costs of the Capacity test shall be borne by the Participating Owners.

(b) If a Capacity test is conducted, subject to Subclause 104 (a) of this Appendix, the actual Capacity of the Enlargement, as approved by the Operating Committee, shall be retroactive to the earlier of the first Day of the Month following;

(i) the date of approval by the Operating Committee to conduct the Capacity test; or

(ii) the date of request to conduct the Capacity test.

(c) Table I Capacity in Appendix IV shall be revised by the Operator to reflect the Capacities resulting from the Enlargement.

105. Participating Owners' Rights

The provisions of the Operating Procedure relating to the rights, duties, liabilities and obligations of the Operator and the Owners shall apply with such modifications as the context may require among the Participating Owners with respect to the construction and start-up of the Enlargement.

106. Non-Participating Owners' Rights

The Non-Participating Owners shall not bear any portion of the Capital Costs of an Enlargement. If a new Functional Unit is added as part of the Enlargement, the Operator shall review the Appendix which covers the structure and sharing of the Joint Account to determine if a revision is required. If a revision is required, the Operator shall propose a revision to the Operating Committee.

107. Liability during Construction of Enlargement

The Participating Owners in an Enlargement shall indemnify the Non-Participating Owners against all direct costs and liabilities associated with construction and start-up of the Enlargement and agree to be liable for any damage caused to the existing Facility as a result of construction and start-up of the Enlargement. The Participating Owners shall not be responsible for loss of profits or production of the Non-Participating Owners due to a shut-down of the Facilities to tie-in the Enlargement.

APPENDIX XII of EXHIBIT "A" to

Agreement for the Construction, Ownership and Operation of the South East Hooker Gathering System

DISPUTE RESOLUTION

101. Definitions

In this Appendix, in addition to all terms herein before defined, the following words and phrases shall have the following meaning namely:

> "Dispute" means any dispute or controversy amongst any of the Owners and/or any of the Owner(s) and Operator concerning any matter arising out of this Agreement; except that any matter which is within the powers of the Operating Committee and which has been voted on by the Owners pursuant to Article II of the Operating Procedure shall be deemed to be a matter not in dispute.

102. Disputes Initially Referred To Mediation

The Owners will attempt to resolve any Dispute through consultation and negotiation in good faith. If those attempts fail, an Owner may, by notice to the other Owners at any time during those negotiations, request the other Owners to attempt to resolve that Dispute through mediation, including with that notice sufficient detail to enable the other Owners to understand the issues that remain in dispute. The Owners will attempt to agree on the selection of a mediator within ten (10) Days of receipt of that notice, unless an Owner gives notice to the other Owners within that period that it is not prepared to proceed with mediation respecting that Dispute. If the Owners are proceeding with a mediation and are unable to select a mediator within that period, any Owner may deliver a written request to the Canadian Foundation for Dispute Resolution to select, within two (2) business Days of the receipt of that request, a mediator qualified by education and experience to resolve that Dispute, and the Owners agree that the person so selected will be the mediator for the Dispute. Unless otherwise unanimously agreed, the Owners will commence a mediation within twenty (20) Days of the selection of the mediator. The mediation will continue until the Dispute is resolved, or an Owner serves notice to the other Owners that it wishes to terminate the mediation, or the mediator makes a written determination that the Dispute cannot be resolved through mediation, or sixty (60) Days pass after the receipt of the original notice, whichever occurs first. All Owners which participate in or are affected by the mediation will each bear their own costs associated with a mediation, but will share the common costs of a mediation based on their Facility Participation, including, without limitation, the cost of the mediator.

103. Arbitration Proceedings

Unless a Dispute has otherwise been resolved, any dispute described in Alternate A below shall be submitted to binding X / non-binding____ arbitration in accordance with the provisions of this section:

ALTERNATE A. Any Dispute which the Agreement specifically provides to be resolved by arbitration; or

ALTERNATE B. Any Dispute.

Any such arbitration and any other arbitration the Owners agree to conduct hereunder will be conducted under the Commercial Arbitration Rules of The Canadian Foundation for Dispute Resolution.

104. Location of and Representation at Mediation and Arbitration

The place for mediation and arbitration shall be Calgary, Alberta. Any Owner may have another Owner, provided that other Owner agrees to same in writing, represent their interests in the dispute resolution.

105. Interim Relief

All limitation periods respecting the commencement of an action will be stayed during the period that the Owners are attempting to resolve a Dispute under Clauses 102 and 103 of this Appendix. An Owner may, at any time it believes is necessary to protect its interest, seek interim or provisional relief, in the form of a temporary restraining order, preliminary injunction or other interim equitable relief concerning a dispute under this Agreement, notwithstanding anything to the contrary in this Appendix.

APPENDIX XIII of EXHIBIT "A" to

Agreement for the Construction, Ownership and Operation of the South East Hooker Gathering System

ENVIRONMENTAL MATTERS

This Environmental Matters Appendix shall become effective pursuant to the provisions of Clause 211 of the Operating Procedure. Any decisions to be made by the Operating Committee pursuant to this Appendix XIV shall be made in accordance with Clause 204 (e) of the Operating Procedure.

Audit Provisions

101. The initial environmental audit may be conducted at any time following the effective date of this Appendix, but no later than three (3) years following the effective date of this Appendix, in accordance with Clause 103 hereof.

102. Subsequent environmental audits shall be conducted at a maximum five (5) year intervals in accordance with Clause 103 herein unless otherwise determined by the Operating Committee.

103. An environmental audit relating to the Joint Operations hereunder shall be conducted by:

(i) a competent internal or third party environmental auditor chosen by the Operator and approved by the Operating Committee. Prior to execution of the audit the Operating Committee shall approve the "Terms of Reference" that define the type of environmental audit to be done and the standards to be included in the assessment and that include, but are not necessarily limited to, the scope of work; the name(s) of the firm or representative who will conduct the work, the schedule and the estimated cost, including rates of remuneration and expenses. The costs of such audit shall be borne by all Owners at their Facility Participations. Deficiencies disclosed by such audit shall be dealt with by the Operator in accordance with Clause 104 hereof;

(ii) a competent internal or third party environmental auditor chosen by an Owner or Owners, who shall give reasonable written notice to Operator and the other Owners of the intention to conduct an environmental audit, which Owner or Owners shall bear the total cost and risk thereof. Deficiencies identified by such audit and disclosed to the Operator and other Owners shall be dealt with by the Operator in accordance with Clause 104 hereof; or

(iii) both.

104. The Operator shall expedite consideration of the findings of the environmental audit referred to in Clause 103 hereof and within eight (8) weeks of receipt of the environmental audit report, shall present for approval of the Operating Committee a plan for resolution or remediation of any identified deficiencies. A deficiency that is a violation of the Regulations shall be remedied as quickly as possible. Within three (3) Months of the completion date of deficiency remediation specified in the Operator's plan, Operator will provide the Owners with a detailed report on such remediation. If the deficiencies have not been corrected adequately or in a timely manner, the Operating Committee may authorize any other Owner or Owners to complete such deficiency remediation at the expense of the Joint Account and such Owner or Owners shall be subrogated to the Operator's rights pursuant to Article VI of the Operating Procedure.

105. Environmental audit reports and communications relative to environmental issues as referenced in Clause 103 shall not be disclosed to any party who is not an Owner without the express consent of all the Owners, unless required by the Regulations or court order.

106. Each environmental audit shall be conducted so as to cause a minimum of inconvenience to Operator. If two (2) or more Owners desire to conduct audits, such Owners shall make every reasonable effort to conduct joint or simultaneous audits.

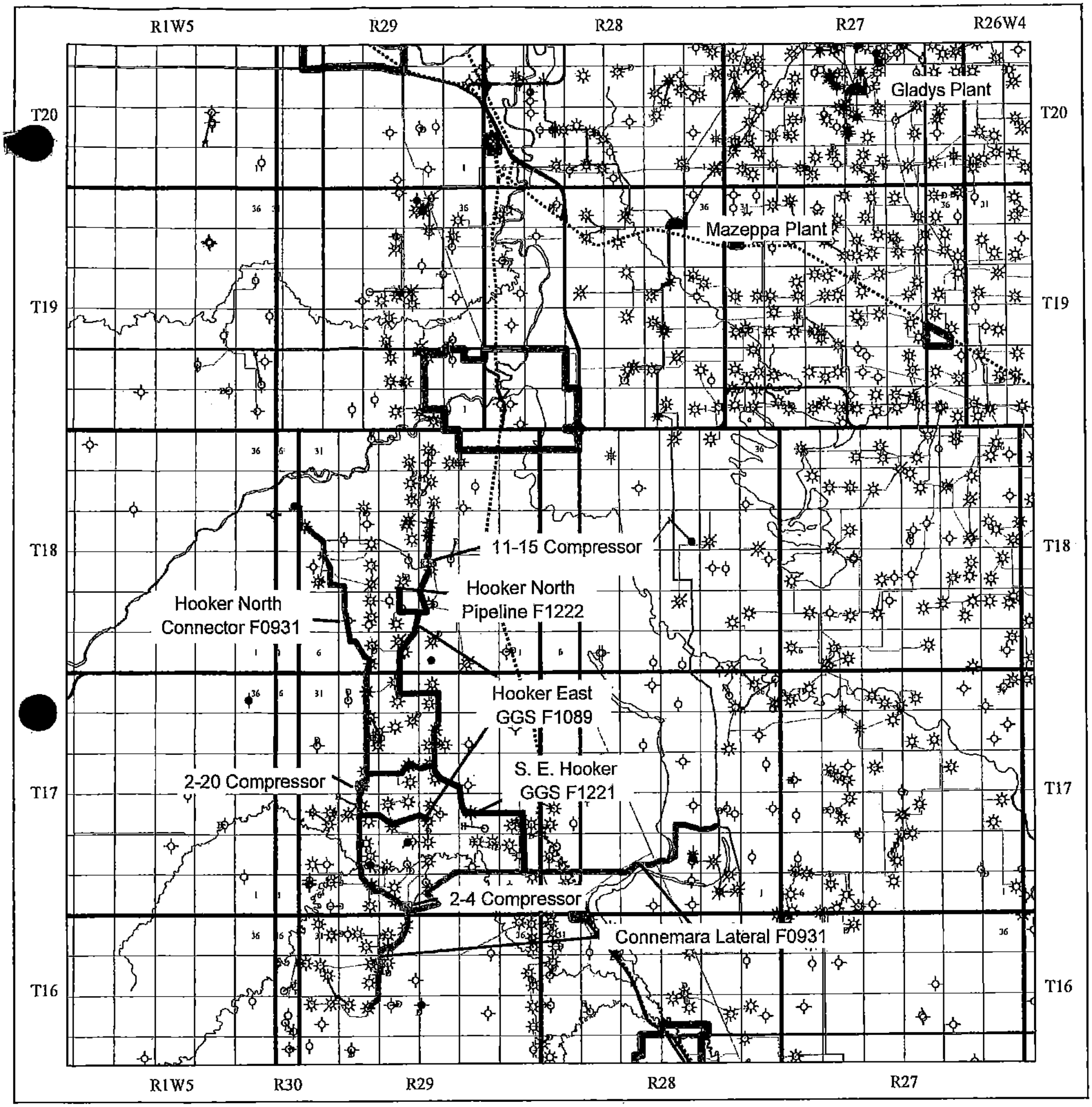
THIS IS EXHIBIT " 6 " REFERRED
TO IN THE AFFIDAVIT OF
Neely Noor-Ali
SWORN THE 30 DAY OF
April, 20 18

A Commissioner for Oaths/Notary Public
In and for the Province of Alberta

JAMES G. HANLEY
Barrister & Solicitor
A Commissioner for Oaths
in and for Alberta

Agreements

Agreements



WELL LEGEND

Bottom Hole Locations:

- Location
- Service or Drain
- Gas
- Suspended Oil
- Suspended Gas
- Abandoned Service
- Suspended
- Oil
- Dry & Abandoned
- Abandoned Oil
- Abandoned Gas
- Injection

Surface Hole Locations:

- Directional
- Horizontal

STD. PIPELINES LEGEND

Pipeline Substances:

- Pipes - Gas (Natural)
- Pipes - Oil Well Effl
- Pipes - Gas (Sour)

ExxonMobil or an Affiliate

Mazeppa (High River/Hooker) Compton Processing Agreement

Created in AccuMap™
Product of IHS
Datum: NAD27
Vol. 23 No. 07, Jul 25 2013
(403) 770-4646

Author: wgs
Date: August 22, 2013
File: Compton - Mazeppa Process. & T
Scale: 1 : 210000
Projection: Stereographic
Center: N50.52708 W113.84368

Grid Information:
DLS: IHS Enhanced Grid
NTS: Theoretical Grid
FPS: Theoretical Grid
US: IHS US Grid

DLS Version Information:
AB: ATS 2.6
BC: PRB 2.0
SK: STS 2.5
MB: MUJ07

Scale 1:210000

0 Kilometers 9

0 Miles 5

FULLY EXECUTED
EMC COPY (File 1089)

PETROLEUM JOINT VENTURE ASSOCIATION

CF 08493

AGREEMENT FOR THE CONSTRUCTION, OWNERSHIP AND OPERATION OF THE HOOKER EAST COMPRESSION AND GAS GATHERING SYSTEM

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Execution Copy Dated June 18, 2002

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Agreement for the Construction, Ownership and Operation of the Hooker East Compression and Gas Gathering System

TABLE OF CONTENTS

HEAD DOCUMENT

Agreement for the Construction, Ownership and Operation of the Hooker East Compression and Gas Gathering System

HEAD DOCUMENT

This Agreement is dated as of the first day of October, 2000.

WHEREAS the Owners desire to enter into an agreement to provide for the construction, ownership and operation of the Facility to compress and transport Inlet Substances to a gas processing plant.

Owners hereby agree as follows;

ARTICLE I

INTERPRETATION

101. Definitions

All capitalized terms used herein shall have the meaning assigned in the Operating Procedure and, in addition, the following words and phrases shall have the following respective meanings, namely:

(a) "Effective Date" means October 1, 2000; and

(b) "Owner's Substances" means an Owner's working interest or royalty interest share of production from any well connected to the Facility that meets the specifications set out in the Appendix titled "SPECIFICATIONS OF INLET SUBSTANCES AND FACILITY PRODUCTS"

102. Headings

The headings of the Articles and Clauses of this Agreement have been inserted for convenience of reference only and shall not affect the interpretation hereof.

103. References

Unless otherwise expressly stated the words "hereinbefore", "hereinafter", "hereunder", "herein", and "hereof" in the Head Document refer to the provisions of this Head Document and references to Articles, Clauses, Subclauses or Paragraphs in the Head Document refer to Articles, Clauses, Subclauses or Paragraphs of this Head Document.

104. Conflicts

If any provision contained in this Head Document conflicts with a provision contained in Exhibit "A", the provision in the Head Document shall prevail. If any provision contained in an Appendix conflicts with a provision contained in the Operating Procedure, the provision in the Operating Procedure shall prevail, except when using a defined term in the Appendix titled "ACCOUNTING PROCEDURE", in which case the meaning assigned to that term in the Appendix titled "ACCOUNTING PROCEDURE" shall prevail for the purposes of the Appendix titled "ACCOUNTING PROCEDURE". If there is a conflict between any provision in this Agreement and the Regulations, the Regulations shall govern, except that the allocation of responsibility for losses as provided herein (including, without restricting the generality of the foregoing, Article V of the Operating Procedure) shall govern the relationship of the Owners. If there is a conflict as provided above, the Head Document, the Operating Procedure or the Appendix, as the case may be, shall be modified accordingly to the extent necessary to resolve such conflict and, as so modified, shall continue in full force and effect.

ARTICLE II

EXHIBIT "A"

201. Exhibit "A"

Exhibit "A", being the Operating Procedure and a series of Appendices, which sets forth certain business and technical matters relating to Joint Operations, is attached hereto and forms part of this Agreement. Only the following Appendices, as indicated below, are part of this Agreement:

		FORMS PART OF THIS AGREEMENT AS APPENDIX NO.:
(a)	**"FACILITY AND FUNCTIONAL UNIT PARTICIPATION"** which describes the Facilities which are subject to this Agreement and the ownership each Owner has in such Facility;	I
(b)	**"DESCRIPTION OF FACILITY AND FUNCTIONAL UNITS, MAP AND SCHEMATIC"** which provides the descriptions which are necessary to identify the location of the Facility, the Functional Units and may also include schematic diagrams and maps related to the Facilities;	II
(c)	**"ACCOUNTING PROCEDURE"** which describes the costs and related credits the Operator is allowed to bill the Owners, which, in respect to Joint Operations conducted hereunder, the Operator has incurred on behalf of the Owners and certain other rights, obligations and limitations related to the Joint Account;	III
(d)	**"STRUCTURE AND SHARING OF THE JOINT ACCOUNT"** which describes the structure of the Joint Account and sets forth the basis of sharing costs among the Owners and distributing fee income among the Owners;	IV
(e)	**"CAPACITY USAGE"** which describes, pursuant to Clause 604; nominal capacities, the priority to use capacity and the fees related to excess capacity usage by Owners and non-Owners;	V
(f)	**"INSURANCE"** which describes; the types, limits, responsibilities for carrying and similar insurance management matters pertaining to the Facilities and Joint Operations;	VI
(g)	**"SPECIFICATIONS OF INLET SUBSTANCES AND FACILITY PRODUCTS"** which describes the specifications of Inlet Substances and Facility Products;	VII
(h)	**"FACILITY PRODUCT ALLOCATION PROCEDURE"** which, subject to Articles VII and VIII of the Operating Procedure, describes the procedure for allocating Facility Products;	VIII

(i)	**"MEASUREMENT"** which, subject to Article VII of the Operating Procedure, describes the procedures and responsibilities for measurement where such procedures and responsibilities are specific to measuring Inlet Substances, components of Inlet Substances and Facility Products within the respective Functional Unit, at the Functional Unit Inlet and at the Functional Unit Outlet;	**IX**
(j)	**"INVESTMENT VALUES"** which is a record of historical Facility Capital Costs borne by the Owners;	**X**
(k)	**"ENLARGEMENT"** which describes the terms and conditions by which the Owners agree to have Operator proceed with an Enlargement, including the terms and conditions of Owner's participation;	**XI**
(l)	**"DISPUTE RESOLUTION"** which describes the dispute resolution and arbitration processes to be followed by the Owners;	**XII**
(m)	**"WELLS"** which is a list of Wells which are served by the Facility;	**NO**
(n)	**"ENVIRONMENTAL MATTERS"** which sets out the rights of the Owners and the responsibility of Operator to identify, report and react to environmental matters; and	**XIII**
(o)	**OTHER.**	**NO**

202. Amendment of Operating Procedure and Appendices

(a) Subject to Subclause 202(c) hereto, and Subclause 204(h) of the Operating Procedure, the Operating Procedure and the Appendices may only be revised, amended or replaced by the unanimous agreement of the Owners.

(b) An affirmative vote of Owners having a combined Facility Participation of one hundred percent (100%) and conducted in accordance with Clause 204 of the Operating Procedure, excepting thereout Subclause 204(b) therein, shall be deemed to constitute unanimous agreement between all of the Owners and each Owner, whether such Owner voted or was deemed to have voted, shall be bound thereby.

(c) The operation of this Clause shall not restrict the Operator from revising Appendices as provided for under this Agreement, and when required, to accurately reflect routine consequential changes, such as Facility Participations and amalgamations.

(d) Operator shall provide each Owner with one copy of any revision, amendment or replacement in a timely manner.

Head Doc 08493

which, subject to Article VII of the Operating Procedure, describes the procedures and responsibilities for measurement where such procedures and responsibilities are specific to measuring Inlet Substances, components of Inlet Substances and Facility Products within the respective Functional Unit, at the Functional Unit Inlet and at the Functional Unit Outlet; **IX**

(j) **"INVESTMENT VALUES"**
which is a record of historical Facility Capital Costs borne by the Owners; **X**

(k) **"ENLARGEMENT"**
which describes the terms and conditions by which the Owners agree to have Operator proceed with an Enlargement, including the terms and conditions of Owner's participation; **XI**

(l) **"DISPUTE RESOLUTION"**
which describes the dispute resolution and arbitration processes to be followed by the Owners; **XII**

(m) **"WELLS"**
which is a list of Wells which are served by the Facility; **NO**

(n) **"ENVIRONMENTAL MATTERS"**
which sets out the rights of the Owners and the responsibility of Operator to identify, report and react to environmental matters; and **XIII**

(o) **OTHER.** **NO**

202. Amendment of Operating Procedure and Appendices

(a) Subject to Subclause 202(c) hereto, and Subclause 204(h) of the Operating Procedure, the Operating Procedure and the Appendices may only be revised, amended or replaced by the unanimous agreement of the Owners.

(b) An affirmative vote of Owners having a combined Facility Participation of one hundred percent (100%) and conducted in accordance with Clause 204 of the Operating Procedure, excepting thereout Subclause 204(b) therein, shall be deemed to constitute unanimous agreement between all of the Owners and each Owner, whether such Owner voted or was deemed to have voted, shall be bound thereby.

(c) The operation of this Clause shall not restrict the Operator from revising Appendices as provided for under this Agreement, and when required, to accurately reflect routine consequential changes, such as Facility Participations and amalgamations.

(d) Operator shall provide each Owner with one copy of any revision, amendment or replacement in a timely manner.

ARTICLE III

PURPOSE OF THIS AGREEMENT AND THE FACILITY

ARTICLE III

PURPOSE OF THIS AGREEMENT AND THE FACILITY

301. Agreement Purpose

The purpose of this Agreement is to document the terms of ownership of the Facility and the allocation of Facility costs, provide terms for the construction and operation of the Facility and set out the basis upon which a share of the Facility Products shall be allocated and distributed to each Person delivering Inlet Substances to the Facility Inlet.

302. Facility Purpose

The purpose of the Facility is to compress and gather Inlet Substances for delivery to a gas processing plant.

ARTICLE IV

BASIS OF PARTICIPATION

401. Initial Participation

The Owners of the Facility agree that Facility Participation as of the Effective Date is based on the estimated investment value.

402. Investment Values

Investment value as of the Effective Date shall be expressed in dollars and calculated by Operator. The investment value for the Facility is seven million, three hundred and forty-three thousand eight hundred and four dollars ($7,343,804.00).

403. Future Participation

The basis of participation in an Enlargement of the Facility or any Functional Unit shall be determined pursuant to Exhibit "A", under the Appendix titled "ENLARGEMENT".

ARTICLE V

COMMITMENT TO DELIVER TO THE FACILITY

501. Commitment to Deliver to the Facility

(a) Alternate D immediately below shall apply:

ALTERNATE A.	Owner's Substances are hereby dedicated to the Facility.
ALTERNATE B.	Owner's Substances produced from the wells listed under the Appendix titled "WELLS" are hereby dedicated to the Facility.

ALTERNATE C. Owner's Substances produced from the ___________ zone in the wells listed under the Appendix titled "WELLS" are hereby dedicated to the Facility.

ALTERNATE D. The Owners agree that there is no commitment to deliver Owner's Substances to the Facility.

ALTERNATE E. [Other]

(b) Subject to the provisions of this Agreement, and unless excused by the Operating Committee or otherwise precluded from delivery under the Regulations, each Owner shall only be committed to deliver or cause to be delivered in accordance with alternate A, B, C or E of Clause 501(a) all of its Owner's Substances, up to Alternate N/A immediately below:

ALTERNATE A. such Owner's share of Functional Unit Capacity,

ALTERNATE B. the overall available surplus Functional Unit Capacity in the Facility,

and the Operator shall accept all Owner's Substances if delivered within the specifications as set out in the Appendix titled "SPECIFICATIONS OF INLET SUBSTANCES AND FACILITY PRODUCTS".

ARTICLE VI

OPERATIONS AND OPERATORSHIP

601. Initial Operator

The Owners hereby designate Compton Petroleum as the initial Operator and Compton Petroleum accepts such designation.

602. Construction and Operation of the Facility

The Facility shall be constructed and operated according to the terms of this Agreement.

603. Ownership

Each Owner shall own an undivided percentage interest in each Functional Unit equal to its Functional Unit Participation. Operator shall hold such interests in trust for the Owners subject to the provisions of this Agreement.

604. Capacity

(a) Each Owner shall have the right to use its Capacity Ownership to compress and transport: (i) its Owner's Substances and (ii) outside Substances produced from a well jointly owned with the Owner in an unavoidably commingled stream. The Capacity and terms and conditions related to the use of Capacity shall be as set forth in the Appendix titled "CAPACITY USAGE".

(b) The Facility is designed for and is deemed to have an initial Capacity as set out in Appendix V, Table 1 to process Inlet Substances meeting the specifications initially set forth in the Appendix titled "SPECIFICATIONS OF INLET SUBSTANCES AND FACILITY PRODUCTS". The foregoing capacity may be redetermined under this Agreement and set forth in the Appendix titled "CAPACITY USAGE".

ARTICLE VII

EFFECTIVE DATE

701. Effective Date

Alternate A immediately below shall apply:

ALTERNATE A. This Agreement shall be effective on the Effective Date.

ALTERNATE B. This Agreement shall be effective on the Effective Date if on or before __________, 200_ Owners having Facility Participations totalling one hundred percent (100%), as set forth in Exhibit "A", under the Appendix titled "FACILITY AND FUNCTIONAL UNIT PARTICIPATION", have executed and delivered to the Operator one (1) counterpart of this Agreement. The Operator shall promptly notify all Owners of the Effective Date. If an Effective Date is not established by the first day of ________, 200_, this Agreement shall become null and void and cease to bind any person having executed same, unless the representatives of those proposed Owners who have then executed and delivered counterparts unanimously agree to extend the time.

ALTERNATE C. [Other]

ARTICLE VIII

PRIOR COMMITMENTS

801. Prior Commitments

The Owners hereby acknowledge that prior to the execution of this Agreement, Operator may have contracted with various parties for the design and construction of the Facility. Subject to Clause 802, the Owners hereby acknowledge that any commitments, expenditures, covenants, obligations, duties, responsibilities, rights and agreements of Operator made, arising or incurred as a result thereof have been made, incurred or performed by the Operator on behalf of the Owners and the Owners hereby ratify and confirm the same and agree to be responsible for them in accordance with each Owner's Facility Participation or Functional Unit Participation, as the case may be, except to the extent that they arise from the Gross Negligence of the Operator.

802. Existing Conditions

Alternate(s) C immediately below shall apply:

ALTERNATE A. Conditions existing prior to and excluded from the operation of Clause 801 which are not the responsibility of the Owners are specifically described herein as follows:

ALTERNATE B. Specific conditions existing prior to and included in the operation of Clause 801 which shall be the responsibility of the Owners are specifically described herein as follows:

ALTERNATE C. There are no existing conditions.

ARTICLE IX

OPERATING AND ACCOUNTING PROCEDURES

901. Operating Procedure

The Operating Procedure is the Operating Procedure contained in the 1999 PJVA Model Construction, Ownership and Operating Agreement and has not been modified except as specifically noted in Exhibit "A".

902. Accounting Procedure

The Accounting Procedure is the 1996 PASC Accounting Procedure and has not been modified except as specifically noted in the Appendix titled "Accounting Procedure".

903. Prevailing Provisions

In the event that modifications are made to either the Operating Procedure or the Accounting Procedure and such modifications are not appropriately noted pursuant to Clauses 901 and 902 then the applicable provisions in the standard Operating Procedure and Accounting Procedure named in Clauses 901 and 902 are deemed to prevail.

ARTICLE X

NO AMENDMENT EXCEPT IN WRITING

1001. No Amendment Except in Writing

No amendment or variation of the provisions of this Head Document shall be binding upon any Owner unless and until it is evidenced in writing and executed by each of the Owners.

ARTICLE XI

AGREEMENT EXECUTION

1101. Execution in Counterpart

This Agreement may be executed in as many counterparts as are necessary and all executed counterparts shall constitute one Agreement.

The Operator shall promptly supply each Owner with copies of a full set of counterpart execution pages.

IN WITNESS WHEREOF the Owners have executed this Agreement each on the date shown above its execution hereof.

DATE: Oct 15, 2002

OWNER: ExxonMobil Canada Energy
(Company Name)

PER:

NAME: R.P. (Rob) Lesage

TITLE: Joint Venture Manager

PER: ______________________

NAME: ______________________

TITLE: ______________________

EXXONMOBIL
COPY

EXXONMOBIL	
PROD	
CONTR	✓
TAX	✓
TRES	✓
AUDIT	✓
LAW	✓

ADDRESS FOR SERVICE:

____

____

____

Fax No.: ______________________

E-mail: ______________________

This is the Execution Page of the Agreement for the
Construction, Ownership and Operation of the
Hooker East Compression and Gas Gathering System

IN WITNESS WHEREOF the Owners have executed this Agreement each on the date shown above its execution hereof.

DATE: Oct 15, 2002

OWNER: ExxonMobil Canada Energy
(Company Name)

PER:

NAME: R.P. (Rob) Lesage

TITLE: Joint Venture Manager

PER: ____________________

NAME: ____________________

TITLE: ____________________

ADDRESS FOR SERVICE:

Fax No.: ____________________

E-mail: ____________________

This is the Execution Page of the Agreement for the Construction, Ownership and Operation of the Hooker East Compression and Gas Gathering System

IN WITNESS WHEREOF the Owners have executed this Agreement each on the date shown above its execution hereof.

DATE: November 25, 2013

OWNER: Compton Resource Partnership

PER:

NAME: Floyd Krukoff

TITLE: Vice President, Engineering

PER:

NAME: Gord Harvey

TITLE: Manager, Joint Ventures

ADDRESS FOR SERVICE:

400, 1035 – 7th Avenue SE

Calgary, Alberta

T2P 3E9

Fax No.: (403) 205-8234

E-mail: GHarvey@comptonpetroleum.com

This is the Execution Page of the Agreement for the Construction, Ownership and Operation of the Hooker East Compression and Gas Gathering System

IN WITNESS WHEREOF the Owners have executed this Agreement each on the date shown above its execution hereof.

DATE: November 25, 2013

OWNER: Compton Petroleum Corporation

PER:

NAME: Floyd Krukoff

TITLE: Vice President, Engineering

PER:

NAME: Gord Harvey

TITLE: Manager, Joint Ventures

ADDRESS FOR SERVICE:

Suite 500, 850 – 2nd Street SW

Calgary, Alberta

T2P 0R8

Fax No.: (403) 205-8234

E-mail: GHarvey@comptonpetroleum.com

This is the Execution Page of the Agreement for the Construction, Ownership and Operation of the Hooker East Compression and Gas Gathering System

IN WITNESS WHEREOF the Owners have executed this Agreement each on the date shown above its execution hereof.

DATE: Oct 15, 2002

OWNER: COMPTON PETROLEUM CORPORATION
(Company Name)

PER:

NAME: GARY FOLLENSBEE

TITLE: MGR, JOINT VENTURES

PER:

NAME:

TITLE:

ADDRESS FOR SERVICE:

Fax No.:

E-mail:

This is the Execution Page of the Agreement for the
Construction, Ownership and Operation of the
Hooker East Compression and Gas Gathering System

EXHIBIT "A" to

AGREEMENT FOR THE CONSTRUCTION, OWNERSHIP AND OPERATION OF THE HOOKER EAST COMPRESSION AND GAS GATHERING SYSTEM

1999 OPERATING PROCEDURE

Petroleum Joint Venture Association

EXHIBIT "A" to

AGREEMENT FOR THE
CONSTRUCTION, OWNERSHIP AND OPERATION OF THE
HOOKER EAST COMPRESSION AND GAS GATHERING SYSTEM

Elections and Modifications to the 1999 Operating Procedure

(a) The following clauses of the Operating Procedure include the following elections, alternates, options or values:

101(j) Enlargement: one hundred thousand dollars ($100,000.00)

204 Voting Procedures:

(b) Negative Vote: seventy-five percent (75%); seventy-five percent (75%)

(e)(i) General Vote: two (2) or more Owners; sixty-five percent (65%)

(e)(ii) General Vote: two (2) or more Owners; sixty-five (65%)

(e)(iii) General Vote: two (2) or more Owners; sixty-five percent (65%)

(f) Removal of Operator: two (2) or more Owners; ninety-five percent (95%)

(f)(i) Removal of Operator: sixty-five percent (65%)

(g) Replacement of Operator: two (2) or more Owners; sixty-five percent (65%)

(h)(i) Amendment of Appendices: Appendices II; III; VI; VII; VIII; IX; X; XI; XII and XIII two (2) or more Owners; sixty-five percent (65%)

(h)(ii) Amendment of Appendices: Appendices IV and V

(1) Amendment of Appendices: two (2) or more Owners; ninety-five percent (95%)

(2) Amendment of Appendices: two (2) or more Owners; ninety-five percent (95%)

(3) Amendment of Appendices: two (2) or more Owners; ninety-five percent (95%)

(i) Termination: two (2) or more Owners; ninety-five percent (95%)

602(b)(iii) Set-off: Alternate A

805 Distribution of Proceeds: Alternate A

(Complete one only of the following for the Alternate chosen for 805 above).

A: three (3%)

B: __________ ($___/$m^3$); __________ ($___/10^3m^3); __________ ($___/t)

C: __________ ($___)

901 Disposal of Interest: Alternate C

902 Unrestricted Disposal:

(d) shall X / shall not ___apply

(e) shall ___/ shall not X apply

1109 Statute of Limitations: See Operating Procedure modifications below.

(b) The Operating Procedure is modified as follows:

- (i) the page numbers in the Table of Contents has been amended to conform to the actual page numbers of the attached Operating Procedure;
- (ii) the blanks throughout the agreement have been filled in as per the above chosen Elections and Modifications.
- (iii) the Appendices described in the Table of Contents have been amended to reflect the actual appendices attached to the Exhibit "A";
- (iv) Clause 101 (b) amended to be the same as the 1993 CAPL Assignment Procedure;
- (v) Clause 102 (b) the words "or partnership" has been added in line 2 after the word "politic";
- (vi) Clause 303 the word "shall" has been inserted between the words "Operator be";
- (vii) Subclause 304(c) of the Operating Procedure has been amended;
- (viii) Articles 501 (a) and (b) of the Operating Procedure has been amended by inserting one of these two phrases, "and their respective directors" or "or their respective directors" after the word "Affiliates"; also the words "consultants" and "contractors" have been removed from these clauses.
- (ix) Articles 504 and 505 have been revised;
- (x) Clause 1107, line 2 of the Operating Procedure has been changed by inserting the "exclusive" prior to the word "jurisdiction";
- (xi) Clause 1109 has been amended to the industry standard;
  Clause 1113 has three typos corrected. Lines 2 and 4 have the word "form" corrected to the word "from" and the words "iter alia" has been corrected to "inter alia";
- (xii) Clause 1119, "Restrictions" has been added to the Operating Procedure to reflect ExxonMobil's Drug and Alcohol Policy; and
- (xiii) the blanks have been filled in throughout the agreement.

(c) If any provision contained in the Operating Procedure conflicts with a provision contained in this Elections and Modifications Form, the provision in the Elections and Modifications Form shall prevail.

Agreement for the Construction, Ownership and Operation of the Hooker East Compression and Gas Gathering System

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Agreement for the Construction, Ownership and Operation of the Hooker East Compression and Gas Gathering System

1999 PJVA OPERATING PROCEDURE

ARTICLE I

INTERPRETATION

101. Definitions

All capitalized terms used herein shall have the meaning assigned in the Head Document and the Accounting Procedure, and, in addition, the following words and phrases shall have the following respective meanings, namely:

(a) "Accounting Procedure" means the Appendix titled "ACCOUNTING PROCEDURE";

(b) "Affiliate" means a corporation or partnership that is affiliated with the party for which the expression is being applied, and, for the purpose of this definition:

(i) a corporation or partnership is affiliated with another corporation or partnership if it directly or indirectly controls or is controlled by that other corporation or partnership, and for the purpose of determining whether a corporation or partnership so controls or is so controlled, it shall be deemed that:

A. a corporation is directly controlled by another corporation or partnership if shares of the corporation to which are attached more than Fifty percent (50%) of the votes that may be cast to elect directors of the corporation are beneficially owned by that other corporation or partnership and the votes attached to those shares are sufficient, if exercised, to elect a majority of the directors of the corporation;

B. a partnership is directly controlled by a corporation or another partnership if that corporation or other partnership beneficially owns more than Fifty percent (50%) interest in the partnership; and

C. a corporation or partnership is indirectly controlled by another corporation or partnership if control, as defined in A. or B. above, as the case may be, is exercised through one or more other corporations or partnerships.

(ii) where two or more corporations or partnerships are affiliated at the same time with the same corporation or partnership, they will be deemed to be affiliated with each other.

(c) "Agreement" means the Head Document together with the Operating Procedure and the Appendices;

(d) "Appendix" means any of the appendices (as amended) attached to the Operating Procedure, as indicated in Article II of the Head Document;

(e) "Capacity" means, with respect to any Functional Unit, the daily volumetric handling capability of such Functional Unit, as set forth initially in the Head Document and as may be redetermined under this Agreement;

(f) "Capacity Ownership" means an Owner's share of Capacity equal to its Functional Unit Participation;

(g) "Capital Costs" means all expenditures incurred in connection with the Initial Construction of the Facility (including commissioning and testing immediately after Initial Construction), any Modification or Enlargement and any other expenditures so designated by the Operating Committee;

(h) "Day" means a period commencing at 0800 hours on any calendar day and ending at 0800 hours on the immediately next succeeding calendar day, or at such other time as may hereinafter be set by the Operating Committee;

(i) "Effective Date" has the meaning ascribed to it in the Head Document;

(j) "Enlargement" means an expansion, addition or enhancement to the Facility that:

(i) increases the Capacity of an existing Functional Unit and has a total installed cost of one hundred thousand dollars ($100,000.00) or more, and is required to process, treat or handle, as the case may be, additional volumes of Inlet Substances or the components thereof, in excess of an Owner's Capacity Ownership in an existing Functional Unit, or

(ii) adds a new Functional Unit to the Facility that duplicates the function of an existing Functional Unit or adds a new function to the Facility;

(k) "Exhibit "A" means this Operating Procedure and the Appendices;

(l) "Facility" means all real and personal property of every nature and kind attached to, forming part of or used in connection with Joint Operations, maintained and held by Operator in accordance with this Agreement and as described under the Appendix titled "DESCRIPTION OF FACILITY AND FUNCTIONAL UNITS, MAP AND SCHEMATIC";

(m) "Facility Inlet" means the point at which Inlet Substances first enter the Facility;

(n) "Facility Outlet" means the point at which Facility Products leave the Facility;

(o) "Facility Participation" means the percentage voting interest of each Owner as set forth opposite such Owner's name under the Appendix titled "FACILITY AND FUNCTIONAL UNIT PARTICIPATION";

(p) "Facility Products" means all substances recovered from the processing or handling of Inlet Substances in the Facility, which are available for delivery from the Facility, excluding such substances as are unavoidably lost, consumed as fuel or flared in Joint Operations;

(q) "Fixed Operating Costs" means those Operating Costs that do not vary with production or throughput volume, such as, but not limited to, property taxes, insurance and surface lease rentals;

(r) "Forecast" means a written statement, initiated by Operator, of the Joint Operations which are anticipated to be conducted during the Forecast Period, together with a written statement of the estimated expenditures to be made in connection with such Joint Operations;

(s) "Forecast Period" means a period of one (1) Year, provided that if this Agreement does not come into effect as of the beginning of a Year, the first such period for the Year in which this Agreement comes into effect shall comprise the portion of such Year remaining after this Agreement comes into effect;

(t) "Functional Unit" means a separate component of the Facility described under the Appendix titled "DESCRIPTION OF FACILITY AND FUNCTIONAL UNITS, MAP AND SCHEMATIC" (and means the whole of the Facility if there is no separation into Functional Units), and all real and personal property of every nature and kind attached to, forming part of or used in connection with the operation thereof;

(u) "Functional Unit Inlet" means with respect to any Functional Unit, the point where Functional Unit Products, Inlet Substances or any portion thereof, first enter such Functional Unit;

(v) "Functional Unit Outlet" means, with respect to any Functional Unit, the point where Functional Unit Products leave such Functional Unit;

(w) "Functional Unit Participation" means, with respect to any Functional Unit, the percentage interest ownership of each Owner in such Functional Unit as set forth opposite such Owner's name under the Appendix titled "FACILITY AND FUNCTIONAL UNIT PARTICIPATION";

(x) "Functional Unit Products" means all substances recovered from the processing or handling of Inlet Substances or products of other Functional Units in a Functional Unit, which are available for delivery from the Functional Unit, excluding such substances as are unavoidably lost, consumed as fuel or flared in Joint Operations;

(y) "Gross Negligence" means:

(i) a marked and flagrant departure from the standard of conduct of a reasonable person acting in the circumstances at the time of the alleged misconduct, or

(ii) such wanton and reckless conduct or omissions as constitutes in effect an utter disregard for harmful, foreseeable and avoidable consequences,

provided that Gross Negligence shall not include any act or omission, insofar as it was done or omitted to be done in accordance with the instructions or express concurrence of the Operating Committee;

(z) "Head Document" means the agreement to which this Exhibit "A" is attached;

(aa) "Initial Construction" means construction of the Facility completed by Operator pursuant to Article IV prior to the first Day of the Month in which the Facility commences operation and is capable of delivering specification Facility Products to the Facility Outlet for an uninterrupted period of thirty (30) Days;

(bb) "Inlet Substances" means Owner's Substances and Outside Substances;

(cc) "Joint Account" means the account set up pursuant to Clause 601 showing the charges paid and credits received as a result of Joint Operations and which are to be shared by the Owners in accordance with the terms of this Agreement;

(dd) "Joint Operations" means all activities resulting in Capital Costs (including, if applicable, Initial Construction), Operating Costs and all other activities undertaken in connection with the Facility, where such activities are conducted for the Joint Account under the terms of this Agreement;

(ee) "Market Price" means the price at which Facility Products are to be sold pursuant to Article VIII if an Owner does not take its share of Facility Products in kind and separately dispose of the same, which price is not unreasonable having regard to market conditions applicable to similar production in arm's length transactions at the time of such disposition, including, without restricting the generality of the foregoing, such factors as the volumes available, the kind and quality of Facility Products to be sold, the effective date of the sale, the term of the sale agreement, the point of sale of the Facility Products and the type of transportation service available for the delivery of the Facility Products to be sold;

(ff) "Modification" means an expansion, addition or enhancement to the Facility that is not an Enlargement;

(gg) "Month" means a calendar month, commencing at the beginning of the first Day thereof and ending at the last Day thereof, or at such other times as may hereafter be set by the Operating Committee;

(hh) "Non-Operator" means an Owner other than Operator;

(ii) "Operating Committee" means the committee composed of the duly authorized representatives of each of the Owners, established pursuant to Article II of the Operating Procedure;

(jj) "Operating Costs" means all costs and expenses, except Capital Costs, incurred in connection with the testing, operation, repair and maintenance of the Facility

(kk) "Operating Procedure" means Exhibit "A", excluding the Appendices;

(ll) "Operator" means the Owner so designated under the Head Document or such other Owner as subsequently may be designated by the Operating Committee;

(mm) "Outside Substances" means those Inlet Substances which are not Owner's Substances;

(nn) "Owner" means a party to this Agreement;

(oo) "Owner's Substances" has the meaning ascribed to it in the Head Document;

(pp) "Person" means an individual, firm, body corporate, partnership or other legal entity, as the case may be;

(qq) "Regulations" means all statutes, laws, rules, orders and regulations in effect from time to time (including any amendments thereto or replacements thereof) and made by governments or governmental boards or agencies having jurisdiction over the Facility or Joint Operations;

(rr) "Surplus Capacity" means with respect to any Functional Unit, that portion of the Capacity which is available from time to time, but which is not being utilized by the Owner(s) entitled to use such Capacity;

(ss) "Variable Operating Costs" means those Operating Costs that remain after excluding Fixed Operating Costs and that vary with throughput volume of Inlet Substances; and

(tt) "Year" means a calendar year, commencing at the beginning of the first Day of January and ending at the last Day of December, or at such other times as may hereafter be set by the Operating Committee.

102. References

Unless otherwise expressly stated:

(a) the words "hereinbefore", "hereinafter", "hereunder", "herein", and "hereof" in the Operating Procedure refer to the provisions of this Operating Procedure, and references to Articles, Clauses, Subclauses or Paragraphs in the Operating Procedure refer to Articles, Clauses, Subclauses or Paragraphs of this Operating Procedure;

(b) whenever the singular, masculine or neuter is used in this Agreement, the same shall be construed as meaning plural or feminine or body politic or partnership or corporate or vice versa, as the context so requires;

(c) all times referred to in this Agreement are in respect of time for the applicable time zone or legislated method of determining time for the area in which the Facility is located;

(d) all references to "dollars" or "$" in this Agreement shall mean the lawful currency of Canada, and all payments and receipts shall be made and recorded in lawful currency of Canada;

(e) wherever the phrase "within" or "at least" is used with reference to a specific number of Days herein, the Day of receipt of the relevant notice or the Day of the relevant event shall be excluded in determining the applicable time period. However, if the time for doing any act expires on a Saturday, Sunday or statutory holiday in either the Province of Alberta or Canada, the time for doing that act shall be extended to the next normal business Day, except as prescribed in the Accounting Procedure with respect to the payment of billings; and

(f) All conversions between Imperial units and Systems International (metric) units required to be made pursuant to this Agreement shall be conducted utilizing the conversion factors prescribed in the publication entitled "Metric Practice Guide for the Petroleum and Natural Gas Industry and Services, Fifth Edition, 1989", as may be amended or supplemented from time to time.

103. Derivatives

If a term is defined, a derivative of that term shall have a corresponding meaning unless the context otherwise requires.

104. Correction of Appendices

If Operator becomes aware of a mistake or mechanical error in the Operating Procedure or an Appendix, Operator shall prepare a corrected Operating Procedure or Appendix and supply each Owner with a copy thereof.

105. Revision of Exhibit "A"

(a) This Operating Procedure may be revised, amended or replaced by a vote of the Operating Committee in accordance with Clause 202 of the Head Document.

(b) Appendices shall be revised by Operator as provided for under this Agreement, and when required, to accurately reflect routine consequential changes, such as Facility Participations and amalgamations.

106. Effective Time of Exhibit "A"

Except as otherwise expressly provided in this Agreement:

(a) subject to Subclause 106 (b), any revised Operating Procedure or Appendix shall be effective in its revised or amended form as of the time specified by the provision of this Agreement allowing such revision or amendment, or if no such time is specified, such revised or amended Operating Procedure or Appendix shall be effective as of the first Day of the Month next following the date that all required documentation was received by Operator or on such other date or time as directed by the Operating Committee; and

(b) any Appendix which is corrected pursuant to Clause 104, to rectify an error therein, shall, unless otherwise directed by the Operating Committee, be effective in its corrected form as of the date on which the incorrect version of the Appendix would have been effective, and the incorrect version of the Appendix shall be deemed conclusively never to have been effective.

107. Revised Appendices Deemed Correct

Subject to the provision set forth in Subclause 106 (b), each Appendix, and each revised or corrected version thereof, shall for purposes of this Agreement be deemed conclusively to be correct and binding on the Owners from the time at which it becomes effective until the time at which a revised or corrected version thereof becomes effective.

108. Identification of Revised Appendices

Revised and corrected versions of Appendices shall be numbered consecutively, shall indicate the date on which they become effective, shall reference the ballot issued to the Operating Committee for approval, if applicable, and shall indicate whether they are revised or corrected versions of an Appendix, or both.

109. Preparation and Distribution of Revised Appendices

Each time that an Appendix is to be revised or corrected pursuant to this Agreement, Operator shall effect the required revisions or corrections in a timely and diligent manner and shall provide each Owner with one (1) copy of the revised or corrected version of the Appendix.

ARTICLE II

SUPERVISION AND CONTROL OF JOINT OPERATIONS

201. Operating Committee

The Owners shall form an Operating Committee composed of their duly appointed representatives to supervise and control all Joint Operations. As soon as possible after the Effective Date, each Owner shall notify Operator in writing of the names and addresses of its primary representative and one (1) or more alternate representatives. The representative of an Owner shall be deemed to have full power and authority to represent and bind such Owner with respect to all matters within the power of the Operating Committee, and all acts done by such representative in such capacity shall be deemed to be the acts of the Owner appointing such representative. An alternate representative shall have full power to act for an Owner in the absence of the primary representative. An Owner may change any of its representatives from time to time by written notice to Operator. Two (2) or more Owners may appoint the same Person as their representative, who shall in such cases, cast a separate vote for each Owner being represented.

202. Chairman

The representative of the Operator shall be the chairman of the Operating Committee.

203. Powers

The Operating Committee shall, in accordance with the terms of this Agreement, exercise overall supervision and control of and shall determine all matters of importance relating to Joint Operations, except for those matters:

(a) specifically designated in this Agreement to be within the exclusive jurisdiction and control of Operator; or

(b) specifically excluded in this Agreement from the jurisdiction and control of the Operating Committee.

204. Voting Procedure

Subject to Clause 208, the Operating Committee shall determine all matters properly coming before it by vote, in accordance with the following voting procedure:

(a) Voting Interest

For the purpose of determining the number of Owners having voted or deemed to have voted on any matter pursuant to this Article II, Owners who are Affiliates of each other and who vote the same in respect of a matter hereunder shall be deemed to be one (1) Owner only.

Except as may otherwise be provided in this Agreement, each Owner shall have a voting interest equal to:

(i) its Facility Participation, if the matter materially affects or involves the entire Facility;

(ii) its Functional Unit Participation in a specific Functional Unit, if the matter relates to such Functional Unit and does not materially affect or involve any other Functional Unit; and

(iii) its aggregate weighted interest in the applicable Functional Units, if the matter affects or involves more than one (but less than all) of the Functional Units, with this interest calculated by adding the percentages obtained after multiplying the applicable Functional Unit Participations by the relative weightings of Functional Unit Participations set forth in the Appendix titled "FACILITY AND FUNCTIONAL UNIT PARTICIPATION".

Any dispute as to whether a matter materially affects or involves more than one (1) Functional Unit shall be decided by a vote in accordance with Paragraph 204 (e) (i) hereof.

Notwithstanding Subclause 204 (c), if an Owner is precluded from voting pursuant to Paragraph 602 (b) (ii), the voting interest of each non-defaulting Owner shall be revised so as to bear the same ratio to the other as do their Functional Unit Participations or Facility Participations, so that the voting interests of all non-defaulting Owners equals one hundred percent (100%).

(b) Negative Vote

Notwithstanding Subclause 204 (e) and (h), but subject to Subclauses 204 (f), (g) and (i), no single Owner shall be able to defeat a vote on a matter, unless such Owner's voting interest with respect to such matter is greater than seventy-five percent (75%), and if a single Owner with a voting interest of seventy-five percent (75%) or less is the only Owner voting negatively on a matter, such Owner shall be shown to have voted negatively in recording the results of the vote, but such matter shall be conclusively deemed carried in the affirmative.

(c) Deemed Vote

Subject to Subclauses 204 (f), (g) and (i), an Owner who does not vote or abstains from voting on any matter shall be conclusively deemed to have voted in the affirmative on the matter. In recording the result of a vote, such Owner shall be shown as having abstained from voting, been absent from the meeting in which such vote was taken, if applicable, or otherwise having failed to vote on such matter, as the case may be.

(d) Effect of Vote

A determination of a matter by the vote of the Owners in accordance with the provisions of this Agreement shall be binding upon all of the Owners, except as otherwise provided in this Agreement.

(e) General Vote

Except as otherwise provided herein, a matter being voted on by the Operating Committee shall be decided by the affirmative vote of:

(i) two (2) or more Owners having a combined Facility Participation of sixty-five percent (65%) or more, if such matter materially affects or involves the entire Facility;

(ii) two (2) or more Owners having a combined Functional Unit Participation in the applicable Functional Unit of sixty-five percent (65%) or more, if such matter relates to one (1) Functional Unit and does not materially affect or involve any other Functional Unit; and

(iii) two (2) or more Owners having a combined aggregate weighted interest of sixty-five percent (65%) or more in the applicable Functional Units, if the matter affects or involves more than one (but less than all) of the Functional Units, with this interest calculated by adding the percentages obtained after multiplying the applicable Functional Unit Participations by the relative weightings of Functional Unit Participations set forth in the Appendix titled "FACILITY AND FUNCTIONAL UNIT PARTICIPATION".

(f) Vote for Removal of Operator

Operator may be removed by the affirmative vote of two (2) or more Owners having a combined Facility Participation of ninety-five percent (95%) or more of the remaining Facility Participation, after excluding the Facility Participations of Operator and its Affiliates, provided that:

(i) subject to Clause 303 and Subclause 602 (e), Operator may not be removed by a vote of the Operating Committee if Operator and its Affiliates collectively hold Facility Participations totalling sixty-five percent (65%) or more, and

(ii) the provisions of Subclauses 204 (b) and (c) shall not apply to a vote taken under this Subclause 204 (f).

(g) Vote for Replacement Operator

A successor Operator that consents to assume all the duties and obligations of Operator shall be appointed by an affirmative vote of two (2) or more Owners having a combined Facility Participation of sixty-five percent (65%) or more. In voting on the appointment of a successor Operator, the departing Operator and its Affiliates shall not be entitled to vote to have the departing Operator or any of its Affiliates succeed the departing Operator. In addition:

(i) should more than one (1) potential successor Operator be voted on, the potential successor Operator that receives the greatest combined Facility Participation vote shall be the successor Operator, and the requirement for the specified number of Owners voting in the affirmative and the provisions of Subclauses 204 (b) and (c) shall not apply; and

(ii) should two (2) or more potential successor Operators receive an equal Facility Participation voting percentage, the potential successor Operator holding the largest Facility Participation shall be the successor Operator.

(h) Amendment of Appendices

The Appendices may be revised, amended or replaced from time to time in the following manner:

(i) Appendices II; III; VI; VII; VIII; IX; X; XI; XII and XIII at the direction of the Operating Committee by an affirmative vote of two (2) or more Owners having a combined Facility Participation of sixty-five percent (65%) or more.

(ii) Appendices IV and V at the direction of the Operating Committee by an affirmative vote of:

(1) two (2) or more Owners having a combined Facility Participation of ninety-five percent (95%) or more, if such matter materially affects or involves the entire Facility;

(2) two (2) or more Owners having a combined Functional Unit Participation in the applicable Functional Unit of ninety-five percent (95%) or more, if such matter relates to one (1) Functional Unit and does not materially affect or involve any other Functional Unit; and

(3) two (2) or more Owners having a combined aggregate weighted interest of ninety-five percent (95%) or more in the applicable Functional Units, if the matter affects or involves more than one (but less than all) of the Functional Units, with this interest calculated by adding the percentages obtained after multiplying the applicable Functional Unit Participations by the relative weightings of Functional Unit Participations set forth in the Appendix titled "FACILITY AND FUNCTIONAL UNIT PARTICIPATION".

(i) Vote for Termination of Agreement

Subject to the provisions of Article X, this Agreement may be terminated by the affirmative vote of two (2) or more Owners having a combined Facility Participation of ninety-five percent (95%) or more; provided that the provisions of Subclauses 204 (b) and (c) shall not apply to a vote taken under this Subclause.

(j) Vote by Proxy

An Owner may appoint a proxy to attend any meeting on its behalf. Such proxy appointment shall be by written instrument signed by the Owner, setting forth the extent of the authority granted to the proxy holder. A proxy appointment shall not be effective unless such instrument is deposited with the chairman of the Operating Committee prior to or during the first meeting in respect of which such proxy has been appointed to attend. An Owner who has submitted an instrument appointing a proxy may revoke such instrument at any time prior to the commencement of or during any meeting to which the proxy appointed thereby is to attend, provided that the revocation of an appointment of proxy during a meeting shall not apply to any vote conducted during that meeting prior to the revocation of that appointment. In addition to revocation in any other manner permitted by law, an instrument appointing a proxy shall be deemed to be automatically revoked for a meeting to which the proxy appointment relates, insofar as the Operating Committee representative of the Owner who appointed the proxy attends that meeting.

(k) Vote by Notice

(i) An Owner not represented at a meeting may vote on any matter on the agenda by prior written notice to Operator, indicating the position of such Owner regarding such matter.

(ii) Operator may, without calling a meeting, call for a vote on any matter by submitting such matter, together with reasonable details regarding the same, to each Owner by mail ballot notice. Each Owner shall, by notice to Operator, cast its vote within fifteen (15) Days from the date of deemed receipt of such mail ballot notice by the Owners. Such vote shall be binding, unless, within seven (7) Days after sending such mail ballot notice, Operator calls a meeting or is requested to call a meeting to consider the matter in accordance with Clause 205. Operator shall promptly notify the Owners of the result of such vote after the expiry of such fifteen (15) Day period.

(iii) All mail ballots shall be numbered consecutively. Such numbering shall include the Year in which the mail ballot is issued.

205. Meetings

The following procedures shall apply to meetings of the Operating Committee:

(a) The Operating Committee shall hold meetings whenever called by Operator. Operator may call a meeting at any time and from time to time on its own motion. One (1) or more Owners having Facility Participations totalling five percent (5%) or more shall have the right to request the Operator to call a meeting to deal with specific stated items. Operator shall issue the notice of such meeting within ten (10) Days of receipt of a written request by an Owner, and the meeting shall be held within thirty (30) Days of receipt by Operator of such request.

(b) At least ten (10) Days' notice of each meeting shall be given to each Owner, unless all of the Owners agree in writing or by vote at a meeting, to waive or shorten such notice period. Notice of any meeting shall be accompanied by an agenda together with reasonable details of the matters on the agenda and any motions to be voted on at the meeting. Any Owner shall have the right to require Operator to place an item on the agenda for such meeting, provided such item and reasonable details sufficient to enable the Owners to consider beforehand the nature of such item shall be furnished to the other Owners by such Owner within five (5) Days of the date of deemed receipt of the notice of such meeting. A motion not contained in the agenda or an amendment to be made to a motion which is contained in the agenda shall not be voted on at a meeting unless all of the Owners, whether or not present at such meeting, agree to add or amend such motion; provided that if any motion principally relates to one (1) Functional Unit and does not materially affect or involve any other Functional Unit, such motion may be added to the agenda or amended if all of the Owners, including any Owner not present at the meeting, having Functional Unit Participations in the affected Functional Unit, agree to such addition or amendment.

(c) Motions voted on at a meeting shall be numbered in accordance with Paragraph 204 (k) (iii).

(d) A representative of any Owner attending a meeting of the Operating Committee may be accompanied by a reasonable number of advisors, and the chairman may be accompanied by such additional attendees as are required to record the minutes of the meeting or otherwise assist in the conduct thereof.

(e) All meetings of the Operating Committee shall be held at the office of the Operator or at such other place as the Operating Committee may decide.

206. Minutes

Operator shall keep minutes of the proceedings of each meeting of the Operating Committee and a copy thereof shall be forwarded to each Owner within thirty (30) Days of the date of such meeting. The minutes shall contain the names of all Owners' representatives present at the meeting, indicating their capacity and the Owners that they represent, a description of the matters reviewed, the result of any vote and any dissenting Owner opinion. The minutes for any Operating Committee meeting shall be deemed to be correct as written and distributed, unless an Owner receiving the minutes gives Operator notice of an error or omission regarding such minutes within thirty (30) Days of the date upon which such minutes were sent to the Owners. Upon receiving such a notice:

(a) Operator shall promptly correct and re-issue the minutes if Operator agrees with the claim of an error or omission; or

(b) Operator shall promptly submit the matter to the Operating Committee for resolution by a vote in accordance with Subclause 204 (e) if Operator does not agree with the claim of an error or omission.

Any revised version of the minutes shall be deemed to replace all prior versions of the same and shall be deemed correct as written and distributed, subject to the terms of this Clause, which shall apply to such revised version of the minutes as if they were the original version of the same.

207. Reduction in Owners

Subject to Clause 208, if the number of Owners having a Facility Participation or Functional Unit Participation decreases after the Effective Date to a level equal to or less than the minimum number of Owners required to determine a matter under Subclause 204 (e), (f), (g), (h) or (i), the minimum number of Owners required to determine a matter shall always be one less than the number of Owners entitled to vote.

208. Unanimous Approval

If and for so long as there are only two Owners for voting purposes, Subclauses 204(b), (e), (f), (g), (h) and (i) shall not have any effect, and all matters coming before the Operating Committee shall be determined by the unanimous approval of the representatives of the Owners. At any time where unanimous approval cannot be reached in respect of any matter, either Owner may invoke the provisions of the Appendix titled "DISPUTE RESOLUTION", to resolve such matter.

209. Subcommittees

The Operating Committee may from time to time establish subcommittees to deal with defined mandates as provided by the Operating Committee. Any such subcommittee shall not have any powers of supervision or control, but shall only be entitled to report and make recommendations to the Operating Committee.

210 Enlargement

Any Enlargement shall be approved and conducted in accordance with the Appendix titled "ENLARGEMENT".

211. Environmental Matters

The Appendix titled "ENVIRONMENTAL MATTERS" shall only be effective from the first Day of the Month next following execution of this Agreement by one hundred percent (100%) of the Owners, and shall not apply prior to such date.

ARTICLE III

APPOINTMENT AND REPLACEMENT OF OPERATOR

301. Assumption of Duties of Operator

Operator named in the Head Document, and any succeeding Operator appointed hereunder, shall assume the duties and obligations of Operator hereunder and shall have all the rights of Operator hereunder.

302. Resignation of Operator

Operator may resign as Operator on giving each of the Owners a minimum of one ninety (90) Days' notice of its intention to do so, provided that such resignation shall be effective at the end of a Month.

303. Replacement of Operator

Operator shall immediately cease to be Operator in the circumstances described in Subclauses (a) and (b) below and in all circumstances described in this Clause a replacement Operator shall be appointed pursuant to Clause 304, if:

(a) Operator becomes bankrupt or insolvent, commits or suffers any act of bankruptcy or insolvency, is placed in receivership or a receiver/manager or Person filling that role is appointed with respect to its property, seeks debtor relief protection under applicable legislation (including, without restricting the generality of the foregoing, the Bankruptcy and Insolvency Act of Canada and the Companies' Creditors Arrangement Act of Canada) or permits any judgement to be registered against its interest in the Facility or any portion thereof, and without restricting the generality of the foregoing, an Operator shall be deemed insolvent for the purposes of this Clause if it is unable to pay its debts as they fall due in the usual course of business;

(b) subject to Clauses 307 and 402, Operator assigns or attempts to assign its general powers and responsibilities of supervision and management as Operator hereunder, unless such assignment is to an Affiliate of Operator who is also an Owner;

(c) the Operating Committee votes pursuant to Subclause 204 (f) to remove Operator and such motion is carried;

(d) Operator ceases to be an Owner; or

(e) Operator resigns pursuant to this Article.

304. Appointment of Successor Operator

(a) Interim Operator

Upon Operator resigning or otherwise ceasing to be Operator and until a replacement Operator is appointed, the Owner with the largest Facility Participation, excluding the Facility Participation of the departing Operator and any Affiliate of the departing Operator, shall automatically become the interim Operator. The interim Operator shall immediately cease to be interim Operator upon the appointment of a replacement Operator.

(b) Appointment

If an Operator resigns or otherwise ceases to be Operator, a successor Operator shall be appointed by the Operating Committee. An interim Operator is not disqualified from being elected as the successor Operator.

(c) Two Party Agreement

Notwithstanding Subclauses 204 (g), 304 (a) and (b), if there are only two (2) Owners and Operator resigns or otherwise ceases to be Operator, the Owner who was not Operator previously shall automatically become Operator effective the date that the previous Operator ceases to be Operator, unless, in the case of an assignment by Operator of its Facility Participation pursuant to Article IX, the Owners cannot agree on who should be Operator, in which case the Owner with the largest Facility Paticipation shall become Operator.

(d) Consent

Subject to Subclauses 304 (a) and (c), no Owner shall be appointed as Operator unless it has given its written consent to the appointment.

(e) Re-appointment

No provision of this Article shall be construed to re-appoint as next-succeeding Operator an Operator who has ceased to be Operator or any Affiliate of that former Operator, except with the unanimous consent of the Owners.

(f) Effective Time

Except as otherwise determined by the Operating Committee, the appointment of a successor Operator (including an automatic appointment as Operator pursuant to the terms of this Article), shall be effective immediately upon the previous Operator ceasing to be Operator.

305. Transfer of Property on Change of Operator

At the effective date of the resignation or replacement of an Operator as provided in this Article, Operator being replaced shall immediately deliver to the successor Operator possession and control of:

(a) the Facility;

(b) any and all funds held for the Joint Account;

(c) any and all Inlet Substances and Facility Products, if any, which have not been delivered in kind;

(d) all Material held for the Joint Account;

(e) copies of books of account and records kept for the Joint Account; and

(f) all documents, agreements and other papers relating to property transferred hereunder.

Upon compliance with such obligation, the departing Operator shall be released and discharged from, and the successor Operator shall assume, all duties and obligations of Operator, except those unsatisfied duties and obligations of the departing Operator which had accrued prior to the effective date of the change of Operator, for which the departing Operator shall continue to remain liable. If the departing Operator holds any real or personal property on behalf of the Owners, such property shall continue to be held by the departing Operator in trust for the Owners until title and possession of such property has been transferred to the successor Operator in trust for the Owners.

306. Inventory and Audit of Accounts on Change of Operator

Subject to Clause 307, within ninety (90) Days after the successor Operator commences to act as Operator, the Operating Committee may cause an audit to be made of the books of account and records kept for the Joint Account and may cause an inventory of Controllable Material to be taken. The cost of the audit and inventory shall be for the Joint Account.

307. Assignment of Operatorship

If Operator wishes its assignee to replace it as Operator after having disposed of all or a portion of its Facility Participation to such assignee pursuant to Article IX, such assignee shall have the right to become Operator if it is an Affiliate of Operator or, if it is not an Affiliate of Operator, if the Operating Committee approves that it shall become Operator.

ARTICLE IV

FUNCTIONS AND DUTIES OF OPERATOR

401. Control and Management of Joint Operations

Operator shall consult with the Operating Committee from time to time with respect to decisions to be made for the conduct of Joint Operations, and Operator shall keep the Owners informed in a timely manner with respect to important or significant Joint Operations. Operator is hereby delegated the management of the Facility on behalf of the Owners and shall, subject to the direction of the Operating Committee, conduct or cause to be conducted all Joint Operations diligently, in a good and workmanlike manner, in accordance with good oil field and environmental practice, the Regulations and the terms of this Agreement. In the absence of specific instructions from the Operating Committee, Operator shall conduct or cause to be conducted, all Joint Operations, as would a prudent operator under the same or similar circumstances. Without limiting the generality of any of the foregoing provisions of this Clause, Operator shall conduct and oversee all Joint Operations, and in particular shall:

(a) make and file all reports as required by governmental authorities relating to Joint Operations;

(b) maintain in the Province of Alberta complete and accurate accounts, books, records and documents in relation to the Facility and Joint Operations and provide each Owner with reasonable access thereto;

(c) provide Owners with reports as required and on a frequency and containing the information about Joint Operations as directed by the Operating Committee;

(d) on behalf of the Owners, complete all applications and obtain all licenses and approvals required by Regulations to conduct Joint Operations;

(e) promptly pay and discharge all expenses and taxes (other than income taxes) incurred in connection with Joint Operations and keep the Facility free and clear from all adverse claims and liens occasioned by Joint Operations, except claims or liens created under or pursuant to this Agreement or being contested in good faith;

(f) acquire and maintain all necessary surface rights, Material and services required to conduct Joint Operations and where Operator deems appropriate, use its own equipment and facilities to serve such operations, subject to the Accounting Procedure;

(g) procure and maintain for the Joint Account the insurance set forth in the Appendix titled "INSURANCE" and use reasonable efforts to require contractors and subcontractors to procure and maintain such insurance as Operator deems necessary;

(h) comply with and, where applicable, require its agents, contractors and their subcontractors to comply with Regulations governing Joint Operations;

(i) subject to Clause 402, subcontract such portion of Joint Operations as Operator deems appropriate;

(j) furnish each Owner as soon as practicable with written notice of:

    (i) physical damage to the Facility in excess of Operator's expenditure limit as provided in the Accounting Procedure; and

    (ii) any environmental, health, safety or other occurrence which is required to be reported under any Regulation and which either requires remediation costs exceeding the single expenditure limit set forth in the Accounting Procedure or could result in a punishable offence under the Regulations;

(k) extend to each Owner, at that Owner's sole risk and expense, the right to examine and inspect the Facility at all reasonable times in the presence of a representative of Operator and after giving Operator reasonable notice, except for portions of the Facility which are proprietary to a licensor to the extent that such licensor expressly prohibits examinations and inspection by such Owner;

(l) prepare and submit to the Operating Committee for approval the Forecasts provided for in Clause 605;

provided further that, during Initial Construction of the Facility or any Enlargement or Modification, Operator shall also:

(m) carry out or cause the construction of the Facility and any Enlargement or Modification;

(n) contract with such Persons as Operator may deem appropriate for the performance of such work or undertaking, or any portion thereof;

(o) supervise all work related to such construction;

(p) acquire all Material required for such construction and the commencement and continuation of Joint Operations;

(q) supervise and have direct charge of all matters regarding design, construction and installation of the Facility and any Enlargement or Modification; and

(r) provide Owners with reports as required and on a frequency, and containing the information about construction, a Modification or an Enlargement as directed by the Operating Committee;

402. Subcontracting

Provided that Operator is not in default or in the process of being replaced pursuant to Clause 303, Operator may subcontract all or substantially all of its duties and responsibilities to a reliable and competent third party subcontractor or an Affiliate of Operator, with the approval of and on terms approved by the Operating Committee, provided that Operator retains full control and supervision of such subcontractor or Affiliate and that any third party subcontractor is retained on a genuine arm's length basis. It shall be a condition of such subcontracting that the Owners have the right to audit the books and records of the third party subcontractor or Affiliate with respect to its subcontracting activities hereunder on the same terms and conditions as provided under the Accounting Procedure to audit Operator.

403. Operator as an Owner

Operator shall have all of the rights and obligations of an Owner with respect to its Facility Participation and Functional Unit Participation.

404. Independent Status of Operator

Operator is an independent contractor in conducting Joint Operations. Operator shall determine the number of employees and contractors respecting its operations, their selection, their hours of labour and their compensation hereunder. All employees and contractors used in its operations hereunder shall be the employees and contractors of Operator.

405. Title

Operator shall hold and maintain title to the Facility and all associated licences and approvals required under the Regulations on behalf of the Owners. Operator shall perform all duties to maintain such licences and approvals in good standing. However, nothing in this Clause shall be construed to require or permit Operator to conduct any Joint

Operations without the approval of the Operating Committee, if such approval is required pursuant to the terms of this Agreement.

ARTICLE V

INDEMNITY AND LIABILITY

501. Limit of Liability

(a) Notwithstanding Clause 404 and the obligation in Clause 401 to conduct Joint Operations diligently, in a good and workmanlike manner in accordance with good oilfield and environmental practice, Operator, its Affiliates and their respective directors, officers, agents and employees shall not be liable to the other Owners, or any of them, for any loss, expense, injury, death or damage to Owners, whether contractual or tortious, suffered or incurred by the Owners resulting from or in any way attributable to or arising out of any act or omission, whether negligent or otherwise, of Operator or its Affiliates or their respective directors, officers, agents or employees in conducting or carrying out Joint Operations, except when and to the extent that such loss, expense, injury, death or damage is a direct result of, or is directly attributable to the Gross Negligence of Operator or its Affiliates or their respective directors, officers, agents or employees.

(b) To the extent that the Gross Negligence condition in Subclause (a) of this Clause applies, Operator shall be solely liable for such loss, expense, injury, death or damage and, in addition, shall indemnify and save harmless each other Owner, its Affiliates and their respective directors, officers, agents and employees from and against the same and also from and against all actions, causes of action, suits, claims and demands by any Person in respect of such loss, expense, injury, death or damage, and any costs and expenses relating thereto. However, in no event shall the responsibility of Operator prescribed by this Clause 501 extend to losses suffered by the Owners respecting the loss of profits or other consequential or indirect losses, including, without restricting the generality of the foregoing, loss or delay of production.

502. Indemnification of Operator

Except as otherwise provided in Clause 501, the Owners indemnify and save harmless Operator, its Affiliates and their respective directors, officers, agents and employees from and against any and all actions, causes of action, suits, claims, demands, costs, losses and expenses resulting from loss, expense, injury, death or damage respecting any Person (including the Owners), which may be brought against or incurred or suffered by Operator, its Affiliates and their respective directors, officers, agents or employees or which Operator, its Affiliates and their respective directors, officers, agents or employees may sustain, pay or incur by reason of, or which may be attributable to or arise out of, any act or omission of Operator or its Affiliates or their respective directors, officers, agents or employees in conducting Joint Operations.

503. Burden of Responsibility

Except where Operator is to be held solely liable pursuant to the terms of Clause 501, all liabilities and indemnities arising from Joint Operations shall be for the Joint Account and shall be borne by the Owners in the proportions of their respective Functional Unit Participations in the Functional Unit to which such liabilities and indemnities relate. However, if it cannot be clearly determined as to which Functional Unit a liability or indemnity relates, and such liability or indemnity cannot be logically apportioned between the affected Functional Units, such liability or indemnity shall be borne by the Owners in the proportions of their respective Facility Participations.

504. Continuation of Legal Responsibilities

Notwithstanding the assignment by an Owner of all or a portion of its Functional Unit Participation in any Functional Unit, such Owner shall, as regards the other Owners and notwithstanding the terms of such assignment, remain liable for its proportionate share of any liabilities and indemnities which arose in respect of that Functional Unit, the Facility or under this Agreement, other than environmental liabilities, prior to the date that such Owner's assignee becomes an Owner with respect to the assigned interest pursuant to Article IX.

505. Environmental Responsibilities

Any Person who becomes an Owner shall be responsible for its proportionate share of environmental liabilities arising in relation to Joint Operations (and the associated indemnities, if any) whether they accrued before or after such Person became an Owner.

ARTICLE VI

ACCOUNTING MEASURES

601. Joint Account

Operator shall set up a Joint Account and administer it as set forth in the Accounting Procedure. All proper costs and expenses incurred by Operator in connection with Joint Operations shall be in accordance with the Accounting Procedure, or as otherwise permitted hereunder. Such costs and expenses shall be allocated to the Owners in accordance with the Appendix titled "STRUCTURE AND SHARING OF THE JOINT ACCOUNT."

602. Operator's Lien and Remedies

(a) Effective from the Effective Date, Operator shall have a lien and charge, which is first and prior to any other lien, charge, mortgage or other security interest, with respect to the Functional Unit Participations of each Owner in the Facility and such Owner's share of Facility Products, to secure payment of such Owner's proportionate share of the costs and expenses incurred by Operator for the Joint Account.

(b) If an Owner fails to pay or advance any of the costs or expenses incurred for the Joint Account which are to be paid or advanced by it within the time period prescribed by the Accounting Procedure, Operator may, without limiting Operator's other rights as contained in this Agreement or otherwise held at law or in equity:

(i) charge such Owner compound interest, as computed Monthly, with respect to such unpaid amount from the Day such payment is due until the Day it is paid, at the rate of two percent (2%) per annum higher than the rate designated as the prevailing prime rate for Canadian commercial loans by the principal Canadian chartered bank used by Operator, regardless of whether Operator has notified such Owner in advance of its intention to charge interest with respect to such unpaid amount;

(ii) withhold from such Owner any further information and privileges with respect to Joint Operations, including the right to vote pursuant to provisions of Article II, which information and privileges shall be conveyed or restored, as the case may be, to such Owner upon such default being fully rectified;

(iii) set-off against the amount unpaid by such defaulting Owner, any sums due or accruing to such Owner from Operator in accordance with ALTERNATE A, immediately below:

ALTERNATE A. pursuant to this Agreement;

ALTERNATE B. pursuant to this Agreement and from any other agreement between Operator and such Owner, whether executed before or after the Effective Date;

(iv) maintain an action or actions for such unpaid amounts and interest thereon on a continuing basis as such amounts are payable, but not paid by such defaulting Owner, as if the obligation to pay such amounts and the interest thereon were liquidated demands due and payable on the relevant date such amounts were due to be paid, without any right or resort of such Owner to set-off or counter-claim; and

(v) treat the default as an immediate and automatic assignment to Operator of the proceeds of the sale of such Owner's share of Facility Products. Service of a copy of this Agreement upon a purchaser of such Owner's share of Facility Products, together with written notice from Operator, shall constitute a written irrevocable direction by such defaulting Owner to any such purchaser to pay to Operator the proceeds from any such sale up to the amount owed to Operator by such defaulting Owner hereunder (including any accrued interest with respect thereto), and such purchaser is authorized by such defaulting Owner to rely upon the statement of Operator as to the amount so owed to it by such Owner.

However, Operator may not exercise the rights granted in Paragraphs (iii) - (v) of this Subclause with respect to such default until at least thirty (30) Days following the issuance of a notice to such Owner specifying such default and requiring the same to be remedied.

(c) The obligation to pay interest at the rate specified in Subclause (b) of this Clause with respect to a default is to apply until such default is rectified and shall not merge into a judgement for principal and interest, or either of them. The Owners waive the application of any Regulations to the contrary, insofar as such waiver is permitted or not prohibited by the Regulations.

(d) Books and records kept by the Operator for the Joint Account shall constitute proof of the existence of any financial default hereunder, subject, however, to the rights of inspection and audit provided for elsewhere in this Agreement.

(e) If Operator is the Owner which defaults in paying its share of any cost or expense incurred for the Joint Account, the other Owners may, subject to Subclause 304 (c), appoint an Owner pending the appointment of a successor Operator pursuant to Subclause 204 (g), to exercise any of the rights and remedies otherwise available to Operator pursuant to this Agreement in order to rectify such default.

603. Reimbursement of Operator

If Operator has not received full payment of an Owner's share of the costs and expenses of Joint Operations within three (3) Months following the date the payment was due, each other Owner, upon being billed therefor by Operator, shall contribute a fraction of the unpaid amount, excluding interest thereon, which fraction shall have:

(a) as its numerator, the applicable Functional Unit Participation of such Owner; and

(b) as its denominator, the aggregate applicable Functional Unit Participations of all Owners except the defaulting Owner.

Thereupon, each such contributor shall be proportionately subrogated to Operator's rights pursuant to Clause 602 and to the interest thereafter payable thereunder on the unrecovered portion of its contribution. Notwithstanding the foregoing portion of this Clause, if the unpaid amount pertains to more than a single Functional Unit, the reimbursement obligation in this Clause shall be based on the Facility Participations or the aggregate weighted interests in the applicable Functional Units, as the case may be.

604. Commingling of Funds

Operator may commingle with its own funds the moneys which it receives from or for the Joint Account pursuant to this Agreement. Notwithstanding that moneys of a Non-Operator have been commingled with Operator's funds, the moneys of a Non-Operator advanced or paid to Operator, whether for the conduct of Joint Operations or as proceeds from the sale of Facility Products, shall be deemed to be trust moneys and, subject to Clause 602, shall be applied only to their intended use and shall in no way be deemed to be funds belonging to Operator, other than in its capacity as the Non-Operator's trustee.

605. Forecasts

(a) As soon as practicable after the execution hereof, Operator shall submit to the Operating Committee for approval a Forecast for the Forecast Period. In each subsequent Year, Operator shall submit a Forecast for the Forecast Period to the Operating Committee for approval, on or before the end of the current Year. If the Operating Committee does not approve a Forecast, or any portion thereof, such Forecast or the portion thereof not approved, shall be revised by Operator in accordance with the instructions of the Operating Committee. A copy of each revised Forecast shall be promptly furnished to each Owner.

(b) Each Forecast shall include a detailed and specific description of expenditures therein, identifying Operating Costs and Capital Costs separately, and providing an estimate of Owner's Substances and Outside Substances to be handled by the Facility. Any single Operating Cost in excess of the single expenditure limit set forth in the Accounting Procedure for which the Operator requests approval through approval of the Forecast should be clearly and separately identified. Each Forecast shall also provide for comparison, a summary of the Forecast and a projection of expected final expenditures for the current Year.

(c) Approval of a Forecast shall constitute approval of all expenditures in accordance with this Agreement, except single Capital Cost expenditures in excess of the single expenditure limit set forth in the Accounting Procedure. If directed by the Operating Committee, separate approval for projects, categorized as Operating Costs, that have an estimated cost in excess of Operator's single expenditure limit set forth in the Accounting Procedure, shall be required.

ARTICLE VII

MEASUREMENT

701. Accuracy

(a) The metering facilities described under the Appendix titled "MEASUREMENT", shall be tested at reasonable intervals by Operator. If any question arises as to the accuracy of measurement, any meter shall be tested by Operator upon demand of an Owner and if found to be correct, or to be in error by not more than two percent (2%) with respect to gas measurement, or one and one-half percent (1.5%) with respect to equilibrium liquid product measurement or one-half of one percent (0.5%) with respect to liquid measurement (hereinafter called the "relevant percentage"), the expense of such testing shall be borne by the Owner demanding the test. The expense shall be for the Joint Account if a meter is found to be in error by more than the relevant percentage. An Owner, at its sole cost and risk, may witness any test.

(b) If, upon any test, the measuring equipment is found to be in error by not more than the relevant percentage, the previous readings of such equipment shall be considered correct in computing the volumes being metered, but such equipment shall be adjusted properly as soon as practicable to record accurately.

(c) If, upon any test, the measuring equipment is found to be inaccurate by more than the relevant percentage, any previous reading of such equipment shall, subject to applicable legal limitation periods, be corrected to zero (0) error for any period which is known definitely or agreed upon by the Operating Committee; however, if the period is not known definitely or agreed upon by the Operating Committee, such correction shall be for a period covering the last half of the time elapsed since the date of the last test.

(d) If the measuring equipment is out of service or requires repair, so that the volume being measured is not correctly indicated by the reading thereof, the volume attributable to the period shall be estimated and agreed upon on the basis of the best data available, using the most appropriate of the following methods:

(i) by using the readings from any other measuring equipment, if installed and accurately registering; or

(ii) by correcting the error if the percentage of error is ascertainable by calibrations, test or mathematical calculation; or

(iii) by estimating on the basis of actual volumes measured during the preceding periods under similar conditions when the meter was registering accurately.

(e) Operator shall preserve and make available for inspection by the Owners all original test and sample data, charts and other similar records for a period of at least seven (7) Years after the end of the Year to which they relate, or such further period required by the Operating Committee or the Regulations, as well as any records to which an audit query relates until all such queries are resolved.

702. Unit of Volume and Weight

The standards of measurements shall be governed by the following:

(a) the unit volume of gas for purposes of measurement shall be one thousand cubic metres (10^3m^3) of gas at a temperature of fifteen degrees Celsius (15°C) and an absolute pressure of one hundred one point three two five kilopascals (101.325 kPa);

(b) the unit of volume of liquids for purposes of measurement shall be one cubic metre (1 m^3) as defined in the Weights and Measures Act (Canada), as amended; and

(c) the unit of weight of solids for purposes of measurement shall be one tonne (1 t) being one thousand kilograms (1000 kg).

703. Determination of Volumes

(a) For purposes of measurement and meter calibration the atmospheric pressure at the point of measurement hereunder shall be assumed to be constant at the pressure stated in the Appendix titled "MEASUREMENT" irrespective of the actual elevation or location of any of the meters above sea level or variations in the atmospheric pressure from time to time.

(b) Volumes of gas measured by orifice meters shall be computed in accordance with the methods prescribed in the publication entitled "Orifice Metering of Natural Gas, Standard 2530, American National Standards Institute/American Petroleum Institute", including the Appendix thereto as updated in 1985, and as amended. Volumes of gas shall be suitably corrected for deviation from Boyle's Law in accordance with the Regulations.

(c) Volumes of liquids shall be computed taking into consideration the compressibility and specific gravity, if applicable, and volumes so measured shall be corrected to fifteen degrees Celsius (15°C).

704. Change of Measurement Methodology

Notwithstanding any provisions of this Agreement to the contrary, if in order to comply with, or by reason of, the Regulations, the basis or method of measurement hereunder must change, all charges incurred by Operator relating to changing the basis or method of measurement shall be charged to the Joint Account. Operator may change the basis or method of measurement in any manner approved by the Regulations, but if not required to do so, the charges incurred by Operator may be charged to the Joint Account only with the approval of the Operating Committee.

ARTICLE VIII

PRODUCTION AND FACILITY PRODUCTS

801. Owner's Share of Facility Products

Each Owner shall own the Facility Products that are attributable to Inlet Substances delivered to the Facility by or on behalf of such Owner. Allocation of Facility Products will be in accordance with the Appendix titled "FACILITY PRODUCT ALLOCATION PROCEDURE".

802. Losses in Handling, Flaring and Operation of the Facility

Each Owner owning Inlet Substances shall bear a share of any volumes of those Inlet Substances and Facility Products that are lost as a result of rupture, release, flaring or handling in the Facility during each Month in accordance with the Appendix titled "FACILITY PRODUCT ALLOCATION PROCEDURE". Notwithstanding that Appendix, if Operator is able to identify the ownership of those lost volumes, those losses shall be borne by the Owners in proportion to their ownership of those volumes.

803. Fuel Gas Usage

Operator shall be entitled to use a portion of the Inlet Substances for fuel in Joint Operations. Fuel gas usage shall be allocated to each Owner in accordance with the Appendix titled "FACILITY PRODUCT ALLOCATION PROCEDURE".

804. Disposition of Facility Products

(a) Each Owner shall separately take in kind or dispose of its share of Facility Products at its own cost. To the extent that an Owner (hereinafter in this Article called "non-taking Owner") fails to take or otherwise adequately dispose of its share of Facility Products, then so long as such failure continues, Operator in its sole discretion, as agent and for the account and at the expense and risk of the non-taking Owner, may sell or purchase at Market Price or store all or any portion of the non-taking Owner's share of Facility Products in any reasonable manner Operator sees fit, subject to the provisions of this Clause.

Each Owner shall provide Operator with such information respecting such Owner's arrangements for the disposition of its share of Facility Products as Operator may reasonably require to fulfil its obligations hereunder. If an Owner fails to provide such information, or if any of the disposition arrangements specified are inadequately provided for or are otherwise unworkable or impracticable, Operator shall forthwith so notify such Owner, who shall be deemed to be a non-taking Owner.

(b) The authority of Operator to enter into contracts for the sale of the non-taking Owner's share of Facility Products shall be restricted to contracts that are only for such reasonable periods of time as are consistent with the minimum needs of the industry under the circumstances, provided that in no event shall the term thereof exceed one (1) Month, unless such term may be terminated without penalty on no more than one (1) Month's notice, or unless the non-taking Owner has otherwise agreed in writing. Such authority shall be revocable, subject to the terms of any existing contracts for the sale of the non-taking Owner's share of Facility Products and the terms hereof, at the will of the non-taking Owner. When Operator has so contracted, the non-taking Owner may take its share of Facility Products in kind upon the expiration of the current sales contract, if the non-taking Owner provides written notice to Operator of its intention to resume taking in kind at least thirty (30) Days in advance of the expiration of that arrangement. However, any such revocation shall only be effective so long as such Owner continues to take in kind and separately dispose of its share of Facility Products.

Notwithstanding the foregoing, if due to Regulations or shipping restrictions, arrangements to sell, store or otherwise dispose of Facility Products must be made prior to the date that the same are actually produced, then at the request of the Operator each Owner shall make such arrangements at its own cost prior to the date of production and shall give Operator notice of the same prior to the commencement of the actual Month of production. If any Owner fails to make such arrangements and give such notice, such Owner shall be deemed to have failed to take in kind or dispose of its share of Facility Products to be allocated to it at the actual time and place of production, and Operator shall be entitled to exercise its rights as aforesaid with respect to the non-taking Owner's share of Facility Products as of the date that the non-taking Owner was required to give notice as outlined above.

Insofar as Operator disposes of all or a portion of a non-taking Owner's share of Facility Products pursuant to this Subclause, Operator shall advise the non-taking Owner of the manner pursuant to which it has disposed of such Facility Products and other relevant information pertaining to the disposition within one (1) Month of the commencement of that disposition.

805. Distribution of Proceeds

Subject to the provisions of Clause 804, and unless otherwise agreed to by Operator, if Operator disposes of another Owner's share of Facility Products pursuant to Clause 804, Operator shall forthwith pay to that Owner the proceeds of such sale, less any costs associated with such sale and any other moneys payable with respect to the Facility to Operator by that Owner. Such costs shall, unless otherwise agreed to by Operator, include an administration fee to cover Operator's cost of arranging for and carrying out the sale of a non-taking Owner's share of Facility Products not taken in kind and disposed of by that Owner, as described by ALTERNATE A, immediately below:

ALTERNATE A. three percent (3%) of the gross proceeds of the sale of Facility Products;

ALTERNATE B. ________________________ dollars per cubic metre ($___/m^3) in the case of petroleum;

________________________ dollars per one thousand cubic metres ($___/10^{3}m^3) in the case of natural gas;

________________________ dollars per cubic metre ($___/m^3) in the case of natural gas liquids and substances other than petroleum and natural gas (but not including sulphur);

________________________ dollars per tonne ($___/t) in the case of sulphur;

ALTERNATE C. A flat fee of ________________________ dollars ($___) per Month.

Operator shall include with such payment a statement showing the manner in which the amount was calculated. If Operator does not pay such amount within thirty (30) Days following its receipt, the interest provisions of Subclause 602 (b) shall apply with respect to such outstanding amounts.

806. Audit by Non-Taking Owner

To the extent only that Operator sells all or a portion of the share of Facility Products of a non-taking Owner, the audit provisions of the Accounting Procedure shall, with the necessary changes, apply with respect to such sale between Operator and the non-taking Owner on whose behalf such Facility Products were sold, provided that Operator shall not be required to provide the auditors with access to any of Operator's proprietary marketing information and that the non-taking Owner shall bear all costs of such audit.

807. Operator to be Indemnified

If an Owner does not take in kind and separately dispose of its share of Facility Products and Operator disposes of such Facility Products on behalf of the non-taking Owner pursuant to this Article, the non-taking Owner shall indemnify Operator with respect to any injury, loss or damage which Operator may suffer with respect to such sale by virtue of defects in the non-taking Owner's title to such Facility Products.

808. Indemnification for Royalties and Other Payments

Each Owner shall pay or be responsible for the payment of and shall indemnify the other Owners against liability for any and all royalties, overriding royalties, production payments, taxes and any and all other payments chargeable against its share of Facility Products.

809. Warranty by Owners

Each Owner warrants that it has the right to produce its portion of the Inlet Substances and dispose of its portion of the Facility Products and agrees to indemnify and save harmless the other Owners from all actions, causes of actions, claims and demands that may be made by any Person who has or claims to have an interest in such Inlet Substances or Facility Products.

ARTICLE IX

DISPOSAL OF FACILITY INTEREST

901. Disposal of an Interest in the Facility

Except as provided in this Article IX, no Owner shall sell, transfer, assign, mortgage or otherwise dispose of all or part of its interest in the Facility or any Functional Unit. An Owner who intends to dispose of all or a part of its interest in the Facility or any Functional Unit (in this Article called "the Disposing Owner") shall comply with the provisions of ALTERNATE C immediately below:

ALTERNATE A. The Disposing Owner shall be under no obligation to obtain the consent of the other Owners or to provide the other Owners with a right to acquire that Disposing Owner's interest in the Facility.

ALTERNATE B. The Disposing Owner shall obtain the consent of the other Owners, and shall provide them with information regarding the disposition, including the description of the Functional Unit Participation proposed to be disposed and the identity of the proposed assignee. Such consent shall not be unreasonably withheld, and it shall be reasonable for an Owner to withhold its consent to the disposition if it reasonably believes that the disposition would be likely to have a material adverse effect on its Functional Unit Participation or Joint Operations, including, without limiting the generality of all or any part of the foregoing, a reasonable belief that the proposed assignee does not have the financial capability to meet prospective obligations arising out of this Agreement, provided that an Owner which withholds its consent shall include in its notice its reasons for withholding consent. However, an Owner shall be deemed to have consented to the disposition to the proposed assignee, unless, within twenty (20) Days, the Owner advises the other Owners, by notice, that it is not prepared to consent to such disposition.

ALTERNATE C.

(a) The Disposing Owner shall, by notice, advise each other Owner (in this Article called an "Offeree") of its intention to make the disposition, including in such notice a description of the Functional Unit Participation proposed to be disposed, the identity of the proposed assignee, the price or other consideration for which the Disposing Owner is prepared to make such disposition, the proposed effective date and closing date of the transaction and any other information respecting the transaction which the Disposing Owner reasonably believes would be material to the exercise of the Offerees' rights hereunder (such notice in this Article called "the Disposition Notice").

(b) If the consideration described in the Disposition Notice cannot be matched in kind and the Disposition Notice does not include the Disposing Owner's bona fide estimate of the value, in cash, of such consideration, an Offeree may, within seven (7) Days of the receipt by the Offerees of the Disposition Notice, request the Disposing Owner to provide such estimate to the Offerees, whereupon the Disposing Owner shall provide such estimate in a timely manner and the election period provided herein to the Offerees shall be suspended until such estimate is received by the Offerees.

(c) If there is a dispute as to the reasonableness of an estimate of the cash value of the consideration described in the Disposition Notice or provided pursuant to Subclause (b), as the case may be, the matter shall be referred directly to arbitration under the Appendix titled "DISPUTE RESOLUTION" within seven (7) Days of the receipt of such estimate. The Disposing Owner and the applicable Offeree shall thereupon diligently attempt to complete such arbitration in a timely manner. The equivalent cash consideration determined in such arbitration shall thereupon be deemed to be the sale price for the Functional Unit Participation described in the Disposition Notice.

(d) Within the later of i) thirty (30) Days from the receipt of the Disposition Notice, as modified by any suspension pursuant to Subclause (b) of this Alternate C; or ii), if Subclause (c) of this Alternate C is applicable, fifteen (15) Days from receipt of notice of the arbitrated value determined pursuant to the preceding Subclause, an Offeree may give notice to the Disposing Owner that it elects to purchase the Functional Unit Participation described in the Disposition Notice for the applicable price (in this Article called a "Notice of Acceptance"). A Notice of Acceptance shall create a binding contractual obligation upon the Disposing Owner to sell, and upon an Offeree giving a Notice of Acceptance to purchase, for the applicable price, all of the Functional Unit Participation included in such Disposition Notice on the terms and conditions set forth in the Disposition Notice. However, if more than one Offeree gives a Notice of Acceptance, each such Offeree shall purchase the Functional Unit Participation to which such Notice of Acceptance pertains in the proportion its Functional Unit Participation bears to the total Functional Unit Participation of all such Offerees.

(e) If the Functional Unit Participation described in the Disposition Notice is not disposed of to one or more of the Offerees pursuant to the preceding Subclause, the disposition to the proposed assignee shall be subject to the consent of the Offerees. Such consent shall not be unreasonably withheld, and it shall be reasonable for an Offeree to withhold its consent to the disposition if it reasonably believes that the disposition would be likely to have a material adverse effect on its Functional Unit Participation or Joint Operations, including, without limiting the generality of all or any part of the foregoing, a reasonable belief that the proposed assignee does not have the financial capability to meet prospective obligations arising out of this Agreement, provided that an Owner which withholds its consent shall include its reasons for withholding consent in its notice. However, an Offeree shall be deemed to have consented to the disposition to the proposed assignee, unless, within the time period prescribed in Subclause (d), the Offeree advises the other Owners, by notice, that it is not prepared to consent to such disposition.

(f) If the Functional Unit Participation described in the Disposition Notice is not disposed of to one or more of the Offerees pursuant to Subclause (d) of this Alternate C, the Disposing Owner may, subject to obtaining the consents prescribed by the preceding Subclause, dispose of such Functional Unit Participation at any time within one hundred and fifty (150) Days from the issuance of such Disposition Notice, provided that such disposition is not on terms that are more favourable to such proposed assignee than those offered in the Disposition Notice.

(g) Following a disposition herein or one hundred and fifty (150) Days following the issuance of a Disposition Notice from which a disposition did not result, as the case may be, the provisions of this Clause 901 shall once again apply to the Functional Unit Participation described in the Disposition Notice.

902. Unrestricted Disposals

Notwithstanding anything contained in this Article IX, an Owner may transfer all or a portion of its interest in the Facility without providing prior notice or the option to acquire such interest to the other Owners in the following instances, namely:

(a) a disposition to an Affiliate of the Owner, or in consequence of a merger or amalgamation of the Owner with another corporation or pursuant to an assignment, sale or disposition made by an Owner of its entire Facility Participation to a corporation in return for shares in that corporation or to a registered partnership in return for an interest in that partnership;

(b) if a portion of an Owner's interest in the Facility is disposed of as a result of the conversion of a gross overriding royalty interest or other interest to a working interest in a well pursuant to an agreement in existence as of the Effective Date, and the production from such well is required to be delivered to the Facility;

(c) a disposition made by an Owner of all, or substantially all, or of an undivided interest in all or substantially all, of its petroleum and natural gas rights in the province or territory where the Facility is situated, and for the purposes of this Subclause, "substantially all" means a percentage of ninety percent (90%) or more of the net hectares held by such Owner in that province or territory;

(d) Subclause (d) shall X /shall not ___ apply:

a disposition made by an Owner of all, or substantially all, or of an undivided interest in all or substantially all, of its petroleum and natural gas rights in wells producing to the Facility, and for the purposes of this Subclause, "substantially all" means a percentage of ninety percent (90%) or more of the working interest held by such Owner in such wells; and

(e) Subclause (e) shall ___/shall not X apply:

a disposition made by an Owner of a portion of its petroleum and natural gas rights in wells producing to the Facility, where such disposition is accompanied by the disposition of a proportionate part or share of the Facility.

However, an Owner making such a disposition pursuant to Subclause (a), (b), (c), (d) or (e) of this Clause shall advise the Operator of such disposition in a timely manner, and shall comply with the provisions of Clause 905.

If the transfer is to an Affiliate, the Owner shall execute and deliver to Operator a continuing guarantee of all obligations to be assumed by the Affiliate under this Agreement. Such guarantee shall also provide that the guarantor waives notice of any extensions, modifications or amendments to this Agreement and agrees to be bound thereby; that no such extensions, modifications or amendments will release the guarantor; and that the guarantor will not be released by any waiver of any obligation of the Affiliate by the indulgence or concession granted to it.

903. Financing

Notwithstanding anything contained in this Article IX:

(a) An Owner may mortgage its interest in the Facility; provided that any such mortgage shall expressly provide that the mortgagee shall hold the interest subject to all the terms and provisions of this Agreement, and shall also provide that upon any realization of the security, the party acquiring the interest in the Facility shall be required to assume all obligations of the mortgagor under this Agreement, including the obligations imposed under Clause 905; and

(b) An Owner may assign its interest in the Facility in connection with an arrangement for the financing of its interest in the Facility provided that:

(i) any such assignment shall expressly provide that the assignee shall hold the interest subject to all the terms and provisions of this Agreement;

(ii) until the assignee gives notice to Operator of a default by the assignor under the arrangement for financing and complies with the provisions of Clause 905, the assignor shall not be released from its obligations under this Agreement, shall remain an Owner for the purposes of Exhibit "A", under the Appendix titled "FACILITY AND FUNCTIONAL UNIT PARTICIPATION", and the Owners shall be entitled to deal exclusively with the assignor in all matters under this Agreement;

(iii) until the assignee gives notice to Operator of a default by the assignor under the arrangement for financing and complies with the provisions of Clause 905, the assignor shall have full power and authority to act on behalf of and bind the assignee for all matters respecting this Agreement, and any information , notices or billings served on or by, or any payment to the assignor shall be deemed to have been served on or by or payment made to the assignee and the other Owners shall neither honour notices from nor give notices to the assignee; and

(iv) any such assignment shall expressly provide that immediately upon receipt by the Operator of notice from the assignee that the assignor is in default under the arrangement for financing, realization of the security or otherwise, the assignee shall be required to assume all obligations of the assignor under this Agreement.

904. Admission of New Owners Through Enlargement

No Person shall become an Owner through an Enlargement except with the approval of the Operating Committee and upon such terms and conditions as may be imposed by the Operating Committee, which shall include the condition that any Person becoming an Owner shall execute and deliver to Operator one (1) counterpart of this Agreement.

905. Disposal of Interest Documentation

(a) Every disposition of an interest in a Functional Unit shall be made subject to this Agreement and shall not be binding on the other Owners until the first Day of the Month next following the date:

(i) the Person acquiring the interest, if not already an Owner, has executed and delivered to Operator one (1) counterpart of this Agreement; and

(ii) a copy of the instrument, executed by both the disposing Owner and its assignee, evidencing such change in ownership has been delivered to Operator.

Once such disposition becomes effective, the assignor shall thereupon be relieved from all obligations that thereafter accrue hereunder with respect to the assigned interest, subject to Clauses 504, 505, 902 and 1001.

(b) Subject to Clause 307, the assignment of any interest in the Facility by an Owner while acting in the capacity of Operator shall not confer upon the Person acquiring such interest the position of Operator.

906. Change of Name

An Owner whose name is changed by due legal process shall notify and supply evidence of the change to Operator as soon as possible.

ARTICLE X

TERM AND TERMINATION

1001. Term

This Agreement shall remain in full force and effect from the Effective Date so long as all or any portion of the Facility is held pursuant to this Agreement and so long thereafter as may be necessary to decommission, abandon, dispose of and reclaim the Facility, in accordance with the Regulations, and final settlement of accounts has been made among the Owners, provided that those provisions related to audit, liability, indemnity, disposal and salvage of Material and enforcement of default shall survive for six (6) Years thereafter or such later time as may be prescribed by the Regulations.

1002. Termination

Subject to the provisions of Clause 1001, this Agreement shall terminate upon a vote of the Operating Committee in accordance with Subclause 204 (i).

1003. Salvage or Disposition

If required by the Regulations or directed by the Operating Committee to salvage the Facility or any Functional Unit or portion thereof as the case may be, Operator shall, for the Joint Account:

(a) salvage as much of the Facility, Functional Unit or portion thereof, as the case may be, as can economically and reasonably be salvaged or otherwise dispose of the same in the manner determined by the Operating Committee; and

(b) clean up and restore the site of the Facility, Functional Unit or portion thereof, as the case may be, in accordance with the Regulations and to the satisfaction of any governmental body having jurisdiction with regard thereto and to the reasonable satisfaction of the owner or occupier of the land upon which the Facility is located.

1004. Proceeds and Costs

The proceeds and costs of salvaging, decommissioning, abandonment, reclamation or disposing of any portion of the Facility, incurred pursuant to Clause 1003, shall be shared and borne by the Owners of the Functional Unit to which such salvage or disposal relates, based on each Owner's respective Functional Unit Participation in such Functional Unit.

ARTICLE XI

GENERAL PROVISIONS

1101. Enurement

Subject to the provisions of Clause 905, this Agreement shall enure to the benefit of, and be binding upon, the respective heirs, executors, administrators, successors and permitted assigns of the Owners.

1102. No Partnership

Nothing herein contained shall be read or construed as creating a partnership, or as imposing upon any Owner any partnership duty, obligation or liability of any kind, it being the express intention of the Owners that the respective rights, obligations and liabilities of each of the Owners under this Agreement and in respect of the subject matter hereof generally, shall be several, and not joint or joint and several.

1103. Force Majeure

(a) For the purposes of this Clause, "force majeure" means an occurrence beyond the reasonable control of the Owner claiming suspension of an obligation hereunder, which has not been caused by such Owner's negligence and which such Owner was unable to prevent or provide against by the exercise of reasonable diligence at a reasonable cost and includes, without limiting the generality of the foregoing, an act of God, war, revolution, insurrection, blockage, riot, strike, a lockout or other industrial disturbance, fire, lightning, unusually severe weather, storms, floods, explosion, accident, shortage of labour or materials, or government restraint, action, delay or inaction.

(b) If any Owner is prevented by force majeure from fulfilling any obligations hereunder, the obligations of that Owner, insofar as its obligations are affected by the force majeure, shall be suspended while the force majeure continues to prevent the performance of such obligation and for that time thereafter as that Owner may reasonably require to commence to fulfil such obligation. An Owner prevented from fulfilling any obligation by the force majeure shall promptly give the other Owners notice of the force majeure and the affected obligations, including reasonably full particulars in respect thereof.

(c) The Owner claiming suspension of an obligation as aforesaid shall promptly remedy the cause and effect of the applicable force majeure, insofar as it is reasonably able so to do, and such Owner shall promptly give the other Owners notice when the force majeure ceases to prevent the performance of the applicable obligation. However, the terms of settlement of any strike, lockout or other industrial disturbance shall be wholly in the discretion of such Owner, notwithstanding Subclause (a), and that Owner shall not be required to accede to the demands of its opponents in any strike, lockout or industrial disturbance solely to remedy promptly the force majeure thereby constituted.

(d) Notwithstanding anything contained in this Clause, lack of finances shall not be considered a force majeure, nor shall any force majeure suspend any obligation for the payment of money hereunder.

1104. Notices

All notices and other communications to be given in connection with this Agreement shall be in writing and shall be sufficiently given:

(a) if delivered by hand or by courier to an Owner at its address for service, such delivery shall be deemed received by the Owner when actually delivered, if such delivery is during Owner's normal business hours, on any Day other than a Saturday, a Sunday or statutory holiday. If such notice or other communication is not delivered during the Owner's normal business hours, such notice or other communication shall be deemed to have been received by Owner on the Day next following the date of delivery, other than a Saturday, Sunday or statutory holiday;

(b) except during any period of actual or impending postal disruption, if sent by first class mail, or by airmail if sent from outside Canada or the United States, postage prepaid, to an Owner at its address for service, such mailing shall be deemed received by the Owner on the fourth Day following the date of mailing (Saturdays, Sundays and statutory holidays excepted). However, if postal service is interrupted or operating with unusual or imminent delay, such notice or other communication shall not be sent by such means during such interruption or period of delay; and

(c) to an Owner which has provided a direct telecommunication number as part of its address for service, if sent by telecommunication to the Owner's designated telecommunication number, such transmission shall be deemed received by the Owner when actually received, if such transmission is during Owner's normal business hours on any Day other than a Saturday, Sunday or a statutory holiday. If such notice or other communication is not received during the Owner's normal business hours, such notice or other communication shall be deemed to have been received by Owner on the Day next following the date of transmission, other than a Saturday, Sunday or a statutory holiday.

For the purposes of this Clause 1104, the address for service for each Owner initially shall be the address set forth below its signature on the execution page of the Head Document. Operator may change its address for service by giving written notice thereof to each of the other Owners, and any other Owner may change its address for service by giving written notice thereof to Operator.

1105. Suits

An Owner who is sued on an alleged cause of action arising out of Joint Operations shall forthwith notify every other Owner.

1106. Compliance with Laws and Regulations

In exercising their respective rights and discharging their respective obligations under this Agreement, the Owners shall comply in all material respects with all Regulations.

1107. Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein, and each of the Owners submits to the exclusive jurisdiction of the courts of the Province of Alberta for the interpretation and enforcement hereof.

1108. Waiver

No waiver by any Owner of any breach (whether actual or anticipated) of any of the covenants, provisions or conditions herein contained shall take effect or be binding upon that Owner unless the same is expressed in writing under the authority of that Owner. Any waiver so given shall extend only to the particular breach so waived and shall not limit or affect any rights with respect to any other or future breach.

1109. Statute of Limitations

The two (2) year period for seeking a remedial order under section 3(1)(a) of the *Limitations Act*, S.A. 1996 c. L-15.1, as amended, for any claim (as defined in that *Act*) arising in connection with this agreement is extended to:

(a) for claims disclosed by an audit, two (2) years after the time this agreement permitted that audit to be performed; or

(b) for all other claims, four (4) years.

1110. Further Assurances

Each Owner shall from time to time and at all times do all such further acts and execute and deliver all further documents as may be reasonably required in order to perform and carry out the terms of this Agreement.

1111. Partitioning

No Owner shall resort to any action for partition, or sale in lieu of partition, of any real property comprised in the Facility, or any portion thereof.

1112. United States Taxes

If for the purposes of the United States Internal Revenue Code of 1986, as amended ("the Code"), this Agreement or the relationship established thereby constitutes a partnership as defined in Section 761 (a) of the Code, each Owner who is entitled under such Section to elect, hereby elects to have such partnership excluded from the application of Subchapter K of Chapter 1 of Subtitle A of the Code, or such portion thereof as the Secretary of the Treasury of the United States, or his delegate, permits to be so excluded. Operator is authorized to execute such election on behalf of the applicable Owners and to file the election with the proper United States government office or agency. Operator is further authorized and directed to execute and file such additional and further evidence of such election as may be required, all at the expense solely of those Owners subject to the Code. However, if Operator is not subject to the Code with respect to the Facility, the obligations of Operator under this Clause shall be fulfilled by the Owner who is subject to the Code with respect to the Facility and who, among those Owners subject to the Code, holds the greatest Facility Participation.

1113. Confidentiality

Each Owner entitled to information obtained hereunder or pursuant to this Agreement may use such information for its sole benefit. However, the Owners shall take such measures with respect to Joint Operations and internal security as are appropriate in the circumstances to keep confidential from third Persons all such information, except information which the Owners have expressly agreed among themselves to release and information disclosed by an Owner:

(a) when and to the extent required by the Regulations and securities laws applicable to such Owner, provided that such Owner shall invoke any confidentiality protection permitted by such Regulations and securities laws;

(b) to an Affiliate, provided that such Owner shall be deemed to have required such Affiliate to maintain the confidential status of the disclosed information in accordance with this Clause 1113, that such Affiliate shall be deemed to have accepted such obligation and that such Owner shall be liable for any loss suffered by the other Owners, or any of them, because of the failure of such Affiliate to maintain such information confidential;

(c) to a third Person to which such Owner is seeking to assign all or a portion of its interest hereunder; provided that a binding covenant is obtained from such third Person prior to disclosure which provides, inter alia, that none of such information shall be disclosed by it to any other third Person;

(d) to the technical, financial or other professional consultants of such Owner which require such information to provide their services to such Owner or to a bank or other financial institution from which such Owner is attempting to obtain financing, provided that a binding covenant is obtained from such consultant or financier, as the case may be, prior to such disclosure, which provides, inter alia, that none of such information shall be disclosed by it to any other third Person or used for any purposes other than advising such Owner or providing financing to such Owner, as the case may be.

However, the confidentiality obligation in this Clause shall not extend to information to the extent it is in the public domain, provided that specific items of information shall not be considered to be in the public domain merely because more general information is in the public domain.

Notwithstanding the foregoing provisions of this Clause, any Owner which otherwise ceases to be bound by the provisions of the Agreement shall nevertheless remain bound by the provisions of this Clause with respect to information obtained hereunder or pursuant to this Agreement until and to the extent that such information is in the public domain.

1114. General Business Conduct

Except as otherwise provided herein, none of the Owners nor any of their Affiliates, directors, officers, consultants, agents or employees shall give or receive any commission, fee, rebate, gift or entertainment of significant cost or value in connection with this Agreement.

1115. Supersedes Previous Agreements

Unless otherwise provided in the Head Document, this Agreement supersedes all other previous agreements, documents, writings and verbal understandings among the Owners relating to the Facility, and expresses all of the terms and conditions agreed upon by the Owners with respect to the Facility.

1116. Time of the Essence

Time is of the essence in this Agreement.

1117. No Implied Covenants

The Owners have expressed herein their entire understanding and agreement concerning the subject matter of this Agreement. No implied covenant, condition or term shall be read into this Agreement, nor shall any prior oral or written understanding entered into modify or compromise any of the terms and conditions herein.

1118. Waiver of Relief

The Owners acknowledge that any default, forfeiture or assignment provisions contained in this Operating Procedure are reasonable and equitable. Each Owner waives any and all rights which it may have at law, in equity or by the Regulations, against default, forfeiture or penalty if such provisions are invoked.

1119. Restrictions

The Owners hereby agree that within the area of the Facility, their respective employees and the employees of contractors and subcontractors employed thereon, shall not be permitted to:

A. possess, use, distribute or sell alcoholic beverages;

B. misuse legitimate drugs;

C. possess, use, distribute or sell illicit drugs or non-prescribed prescription drugs or other controlled substances; or

D. perform hereunder while under the influence of alcohol or any such other drugs or substances.

The Operator shall adopt and enforce work rules and shall use its best efforts to include appropriate provisions in all relevant contracts to uphold such restrictions.

APPENDIX I of EXHIBIT "A" to

Agreement for the Construction, Ownership and Operation of the Hooker East Compression and Gas Gathering System

FACILITY AND FUNCTIONAL UNIT PARTICIPATION

101. Facility Participation and Functional Unit Participation

Owners	F. Unit #1	F. Unit #2	F. Unit #3	F. Unit #4	Overall Facility Participation
MFC Resource Partnership	75.0%	75.0	75.0	50.0	74.3
ExxonMobil Canada Energy	25.0%	25.0	25.0	50.0	25.7
Total	100.0%	100.0	100.0	100.0	100.0
Relative Weighting	3.458%	37.446%	56.296%	2.800%	100.000%

102. Basis for Determination

(a) Facility Participation

The initial Facility Participation of each Owner has been determined and expressed as a percentage representing the proportion that each Owner's estimated investment value in the Facility bears to the total aggregrate estimated investment value of all Owner's in the Facility as per Appendix X of this Agreement..

(b) The initial Facility Participation shall be subject to a Capital equalization based upon a Capital audit of Facility costs.

Revision No. 4 Effective May 1, 2014

****F. Unit = Functional Unit**

APPENDIX II of EXHIBIT "A" to

Agreement for the Construction, Ownership and Operation of the Hooker East Compression and Gas Gathering System

DESCRIPTION OF FACILITY AND FUNCTIONAL

UNITS, MAP AND SCHEMATIC

101. Facility Description

(a) The Facility shall include pipelines, compressors and their associated equipment for the gathering and compression of Inlet Substances.

(b) The Facility is primarily located in the east 1/2 of Townships 17 and 18 , Range 29 West of the fourth Meridian.

102. Functional Unit Descriptions

(a) Functional Unit #1 includes pipeline from 5-15-17-29W4M to 7-17-17-29W4M.

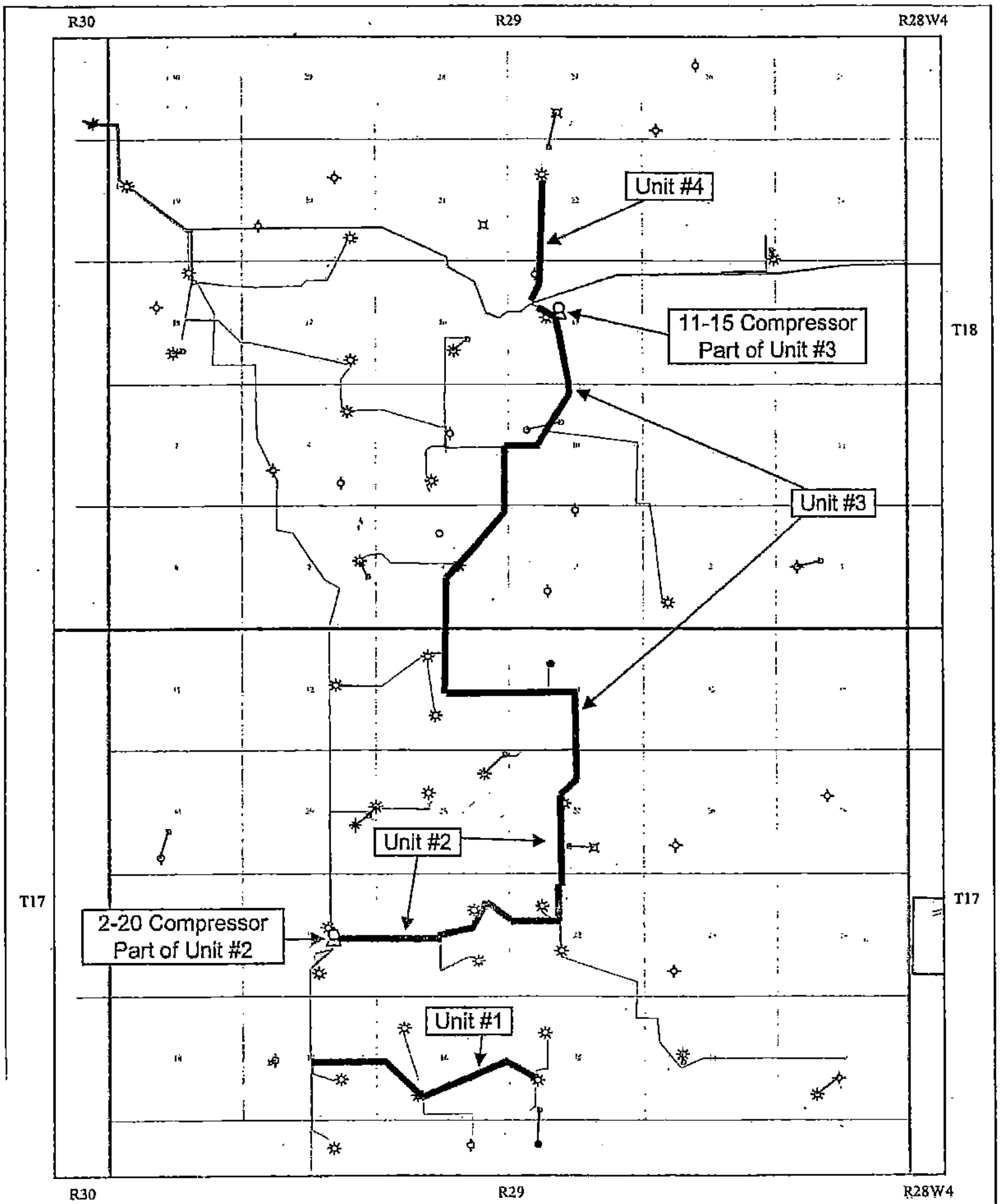
(b) Functional Unit #2 includes the compressor at 2-20-17-29W4M as well as the pipeline that extends from the 2-20-17-29W4M compressor to 11-27-17-29W4M including the valve at 11-27-17-29W4M

(c) Functional Unit #3 is the proposed compressor located at 11-15-18-29W4M and the pipeline from 11-27-17-29W4M to 11-15-18-29W4M.

(d) Functional Unit #4 is the 6" pipeline extending from 12-22-18-29W4M to 12-15-18-**29**W4M.

****corrected FU #4 location to read 12-15-18-29W4M, not 12-15-18-28W4M**

FACILITY MAP



APPENDIX III of EXHIBIT "A" to

Agreement for the
Construction, Ownership and Operation of the
Hooker East Compression and Gas Gathering System

ACCOUNTING PROCEDURE

101. Accounting Procedure Chosen

Alternate A immediately below shall apply as a schedule to this Appendix:

ALTERNATE A.	The Accounting Procedure is the 1996 Petroleum Accountants Society of Canada's Accounting Procedure and has been modified only as shown in Clause 103 hereof. The elections chosen and values inserted are described in Clause 102 hereof.
ALTERNATE B.	The Accounting Procedure is unique to this Agreement and is attached hereto as Schedule A.

RATES, ELECTIONS AND MODIFICATIONS TO THE 1996 PETROLEUM ACCOUNTANTS SOCIETY OF CANADA (PASC) ACCOUNTING PROCEDURE AND EXPLANATORY TEXT

When using this model care should be taken to ensure consistency and avoid conflicts with the body of the Agreement (which takes precedence).

Some general areas which should be checked are:

References to the parties and approval process should be consistent with the Agreement. The model refers to approval by the Owners, but the Agreement may refer to an Operating Committee.

Clauses 110, 111, and 112 in the model may be covered in the Agreement, in which case they should be changed to refer to the appropriate clause in the Agreement. (These accounting matters are best covered in the accounting procedure with reference to the Agreement.)

102. Rates and Elections

The following clauses of the Accounting Procedure are modified to include the indicated election, alternate, option or value:

105. **Operating Fund:** __10__ %

110. **Approvals:** Clause 204 (e) ; from;__________percent (____%)

112. **Expenditure Limitations:**
(a) excess of **__Fifty Thousand__** dollars ($**__50,000.00__**)
(c) excess of **__Ten Thousand__** dollars ($**__10,000.00__**)

202. **Employee Benefits:**
(b) exceed **__Twenty-two__** percent (**__22__**%)

213. **Camp and Housing:**
(b) shall / shall not **__XX__**

216. **Warehouse Handling:**
__Five__ percent (**__5.0__** %)

221. **Allocation Options:**

CLAUSE	OPTIONS FOR CHARGING JOINT ACCOUNT			
	Fixed $/ Month			
	Subject to 302 (e)	Not subject to 302 (e)	Percentage of Direct Cost	Other (Specify) (Well/m3)
204	N/A	N/A	N/A	N/A
207(c)	N/A	N/A	N/A	N/A
212	N/A	N/A	N/A	N/A
213(a)	N/A	N/A	N/A	N/A
214	N/A	N/A	N/A	N/A

302. Overhead Rates:

(a) Exploration Project N/A percent (N/A %)

OR

(1) ____ percent (___ %); ____________ dollars ($ ____________)
(2) ____ percent (___ %); ____________ dollars ($ ____________)
(3) ____ percent (___ %).

(b) Drilling of a well N/A percent (N/A %)

OR

(1) ____ percent (___ %); ____________ dollars ($ ____________)
(2) ____ percent (___ %); ____________ dollars ($ ____________)
(3) ____ percent (___ %).

(c) Initial Construction ____ percent (____ %)

OR

(1) Five percent (5 %); Fifty Thousand dollars ($ 50,000.00

(2) Three percent (3 %); One Hundred Thousand dollars ($ 100,000.00)
(3) One percent (1 %).

(d) Construction Project ____ percent (____ %)

OR

(1) Five percent (5 %); Fifty Thousand dollars ($ 50,000.00)
(2) Three percent (3 %); One Hundred Thousand dollars ($ 100,000.00
(3) One percent (1 %).

(e) Operation and Maintenance:
(1) **Ten** percent (**10** %) of Cost; and
(2) **N/A** dollars ($ **N/A**) or
(3) **N/A** dollars ($ **N/A**)

Subclause 302(e)(2) and 302(e)(3) hereof shall ____ / shall not **XX**

406. Dispositions: **Fifty Thousand** dollars($ **50,000.00**)

103. Modifications to the PASC Accounting Procedure

The Accounting Procedure is modified as follows:

The clauses contained in the Accounting Procedure are deleted and replaced as follows:

Clause 102 - The Operator shall bill each Non-Operator on or before the last day of each month for its proportionate share of the Joint Account for the preceding month. Such bills shall be accompanied by statements which identify the authority for expenditure, lease or facility, and all charges and credits, summarized in accordance with the Joint Interest Billing Exchange Chart of Accounts as most recently recommended ***from time to time*** by the Petroleum Accountants Society of Canada classifications, as a minimum.

In the event that production revenue settlement statements are submitted by the Operator, sufficient volumetric, pricing, and revenue information by product, production month and year shall be provided to enable each Non-Operator to correctly calculate and record its income and pay its obligations attached hereto.

Subclause 107(b) - Subject to Subclause 107(c) hereof, payment of any bills or requests for advances shall not prejudice the right of the Non-Operator to protest or question the correctness thereof; provided however, all bills and statements rendered to the Non-Operator during any calendar year shall be presumed to be true and correct after the later of twenty-six (26) months following the end of such calendar year or any approved extensions pursuant to Subclause 108(b) of this Accounting Procedure, unless before the end of the said twenty-six (26) months ***or any approved extensions pursuant to Subclause 108(b), whichever is later***, the Non-Operator takes written exception thereto and makes claim on the Operator for an adjustment.

Subclause 108(d) - The status of all claims of discrepancies issued by the audit committee shall be reported to the Owners within twelve (12) months of the date the claims were issued. Claims reported as unresolved shall be submitted forthwith by the Operator to the Owners for resolution in accordance with the provisions of the Agreement for resolution of disputes, ***or in the absence of such provisions, in accordance with the Arbitration Act for the Province of Alberta***. All necessary adjustments resulting from the Owners' resolution shall be reported by the Operator to the audit committee and adjustments processed within thirty (30) days of the date of resolution.

Subclause 109(b) - The Operator shall maintain records of all Controllable Material stored at ~~*joint stock locations*~~ ***a joint Warehouse***.

113. Value Added Tax
(a) For refundable value added, goods and services or sales taxes, the Operator is authorized to make all elections and file all forms or documents required to administer such taxes on behalf of the joint Account, including any documents which are required to deem all purchases of goods and services to be purchases of the Operator, and all recoveries to be recoveries of the Operator.

(b) For all amounts payable by one Owner to any other Owner, including any payment as a result of a breach of this Agreement, applicable value added, goods and services or sales taxes and similar levies, shall be added to the amount payable unless the transaction is covered under 113(a) above.

Subclause 201(a)(6) - Salaries and wages of the Operator's employees engaged in Production Engineering who are either temporarily or permanently assigned to and directly employed off-site in direct support of Joint Operations. ***[STANDARD PASC MODIFICATION]***

Subclause 207(d) - Maintaining and operating an On-Site Warehouse that is part of the Joint Property. When additional operations or activities are served by the On-Site Warehouse, the cost of maintaining and operating the On-Site Warehouse shall be allocated among all operations and activities served, on an equitable basis or as otherwise agreed to by the Owners pursuant to Clause 216 of this Accounting Procedure. ***[STANDARD PASC MODIFICATION]***

Clause 406 - The Operator shall make timely disposition of idle and/or surplus Material, either through sale to the Non-Operators or sale to other parties. The Operator may purchase, but shall be under no obligation to purchase, the interest of the Non-Operator's surplus Material. All sales of Material, regardless of Condition, the proceeds from disposition of which is greater than **fifty thousand** dollars ($ **50,000.00**) shall be subject to approval by the Owners. All other disposals of Material shall be at the discretion of the Operator excepting sale to the Operator or its Affiliates. Exceptions shall be priced pursuant to Clause 402 of this Accounting Procedure unless prior approval by the Owners is obtained.

Clause 501(b) - The Operator shall conduct an inventory of stock maintained in a Warehouse which is part of the Joint Operations on a annual basis or as otherwise approved by the Owners. ***[STANDARD PASC MODIFICATION]***

104. <u>Warranty as to Modifications</u>

Except as otherwise provided for in Clause 101, 102 and 103 hereof, the Accounting Procedure published by the Petroleum Accountants Society of Canada, 1996 (copyright) is hereby incorporated in its entirety in the Agreement and the Parties so warrant that said Accounting Procedure has been amended only to the extent set forth herein.

APPENDIX IV of EXHIBIT "A" to

Agreement for the Construction, Ownership and Operation of the Hooker East Compression and Gas Gathering System

STRUCTURE AND SHARING OF THE JOINT ACCOUNT

101. Structure of the Joint Account

The Joint Account for the Facility and all statements furnished to the Owners shall be segregated by Functional Units and divided into Capital Costs and Operating Costs.

102. Sharing of Joint Account Amongst Owners

(a) The Owners shall reimburse Operator for Capital Costs and Operating Costs as follows:

(i) Capital Costs - in proportion to their Functional Unit Participations.

(ii) Variable Operating Costs - Monthly on an interim basis in proportion to their Functional Unit Participations which shall be subject to annual adjustment pursuant to Subclause (d) hereof.

(iii) Fixed Operating Costs - in proportion to their Functional Unit Participations.

(b) Operator shall distribute non-Owner fee income, as may be charged from time to time pursuant to Clause 104 of the Appendix titled "CAPACITY USAGE", to the Owners Monthly on an interim basis in proportion to their Functional Unit Participations and such distribution shall be subject to an annual adjustment pursuant to Subclause (d) hereof.

(c) Operator shall distribute the Surplus Capacity usage charges, as may be charged from time to time pursuant to Clause 103 of the Appendix titled "CAPACITY USAGE", to the Owners Monthly on an interim basis on available excess capacity and such distribution shall be subject to an annual adjustment pursuant to Subclause (d) hereof.

(d) Operator shall, within one hundred and eighty (180) Days of the end of the preceding year adjust the distribution of the costs, fee income and Surplus Capacity usage charges made pursuant to Subclauses (a), (b) and (c) hereof to reflect the following basis for sharing:

(i) Operating Costs and non-Owner fee income (Operating Cost Component) shall be shared by the Owners on the basis of each Owner's volume of Inlet Substances.

(ii) Surplus Capacity usage charges and non-Owner fee income (Capital Component) shall be shared by the Owners contributing Surplus Capacity on the basis of each such Owner's prorated share of Surplus Capacity so contributed."

APPENDIX V of EXHIBIT "A" to

Agreement for the Construction, Ownership and Operation of the Hooker East Compression and Gas Gathering System

CAPACITY USAGE

101. Determination of Capacity

The Capacity shall be redetermined by Operator, for the approval of the Operating Committee pursuant to Subclause 204 (e) of the Operating Procedure, at reasonable intervals to take into consideration prevailing operating conditions. If the sum of all Owners' and non-Owners' average daily throughput for any given Month exceeds the Capacity of that Functional Unit, then Operator shall deem the actual throughput to be the Capacity for all Accounting purposes for that Month and shall refer the matter to the Operating Committee for decision as to whether or not Appendix IV, Table I Capacity should be revised.

102. Owner Surplus Capacity Usage

(a) Determination of utilized Surplus Capacity

(i) Operator shall determine each Owner's throughput through each Functional Unit on a Monthly basis.

(ii) Operator shall determine each Owner's Surplus Capacity or utilized Surplus Capacity in each Functional Unit for the period specified in Paragraph (i) of this Subclause 102 (a) by taking the difference between each Owner's average daily throughput and that Owner's Capacity Ownership in the respective Functional Unit.

(iii) Operator shall prorate the total utilized Surplus Capacity in a Functional Unit to those Owners with Surplus Capacity in the proportion that their respective Surplus Capacities bear to the total Surplus Capacity in the Functional Unit.

(iv) If more than one Owner desires to utilize Surplus Capacity, such Surplus Capacity shall be prorated among the Owners desiring to utilize it for the processing of Owner's Substances, in the proportion that each Owner's Functional Unit Participation in that Functional Unit bears to the total Functional Unit Participation of all Owners desiring to utilize such Surplus Capacity in that Functional Unit. If under the foregoing prorationing, an Owner is eligible to utilize more of the Surplus Capacity than such Owner desires to utilize, that Owner shall be allocated only its desired share of Surplus Capacity, which share of Surplus Capacity shall be subtracted from the total Surplus Capacity available. The remaining Surplus Capacity shall be prorated in the above manner to the other Owners until all of the Surplus Capacity is fully utilized.

(b) Calculation of utilized Surplus Capacity charge

(i) An Owner that has utilized Surplus Capacity in a Functional Unit shall pay a utilized Surplus Capacity charge as determined by the Operating Committee.

Functional Unit No. 1 $0.90 / 10^3m^3$

Functional Unit No. 2	$2.40 / 10^3m^3
Functional Unit No. 3	$2.40 / 10^3m^3
Functional Unit No. 4	$0.13 / 10^3m^3

(ii) Operator shall, at reasonable intervals but at least once for every Year, perform a calculation on the Surplus Capacity of each Owner in the Facility. If performed annually, such calculation shall be performed within one hundred and eighty (180) Days of the end of the preceding Year. The calculation performed hereunder shall result in a utilized Surplus Capacity charge being made to those Owners utilizing Surplus Capacity, and a credit of such amounts to the Owners furnishing Surplus Capacity.

103. Non-Owner Capacity Usage

Capacity Ownership not utilized by an Owner for its Owner's Substances or from production from a well where Owner's Substances are unavoidably commingled with Outside Substances, may be allocated by the Operator to non-Owners. All requests received from non-Owners who wish to utilize Surplus Capacity for handling or processing of Outside Substances shall be referred to the Operator. Operator shall seek approval of the Operating Committee prior to committing the Facility or any Functional Unit Capacity to be used by a non-Owner.

Operator shall charge each non-Owner utilizing a Capacity usage fee as follows:

Functional Unit No. 1	$1.20 / 10^3m^3
Functional Unit No. 2	$5.14 / 10^3m^3
Functional Unit No. 3	$5.14 / 10^3m^3
Functional Unit No. 4	$0.29 / 10^3m^3

The above are fixed and include both capital and operating costs. No annual adjustments will be made.

104. Distribution of Surplus Capacity and Non-Owner Capacity Usage Charges

Distributions of charges made pursuant to Clauses 102 and 103 hereof shall be performed by Operator as provided in the Appendix titled "STRUCTURE AND SHARING OF THE JOINT ACCOUNT".

105. Order of Cutbacks

(a) If the Facility or a Functional Unit cannot handle all Inlet Substances the Owners and non-Owners wish to deliver to the Facility or to such Functional Unit on any Day, the Inlet Substances shall be cut back as follows:

(i) non-Owner volumes being handled on an interruptible basis; followed by

(ii) Owner volumes in excess of such Owner's Capacity Ownership; followed by

(iii) Owner volumes, and non-Owner volumes being handled on a firm service basis, in the proportion that the sum of Owner's Capacity and Capacity committed to firm service bears to the total available Capacity of the Facility or Functional Unit, whichever is applicable.

(b) For the purposes of cutbacks, non-Owner volumes produced from a well jointly owned by an Owner and a non-Owner in an unavoidably commingled stream and delivered to the Facility shall be deemed to be Owner's volumes, provided that such non-Owner volumes are within that Owner's Capacity Ownership. Non-Owner volumes exceeding an Owner's Capacity Ownership shall not be deemed to be Owner's volumes. All non-Owner volumes shall be subject to non-Owner Capacity usage fees as further set out herein.

(c) Intermittent cutbacks during a Day that may be necessary pursuant to this Clause shall be made at the Operator's discretion exercised reasonably, and applying the principles described in Subclause (a) hereof to the extent possible.

TABLE I
CAPACITY

The Capacity of each Functional Unit is as follows:

	FUNCTIONAL UNIT	CAPACITY Daily Volume Components	**ASSUMED OPERATING PRESSURE
(a)	Functional Unit # 1	183.0 10^3m^3 of Inlet Substances	380 psig
(b)	Functional Unit # 2	563.0 10^3m^3 of Inlet Substances	380 psig
(c)	Functional Unit #3	563.0 10^3m^3 of Inlet Substances	380 psig
(d)	Functional Unit #4	563.0 10^3m^3 of Inlet Substances	380 psig

Revision No. 1 Effective November 1, 2002
Mail Ballot 2004-01

**** Assumed Operating Pressures For Capacity Estimating Purposes.**

APPENDIX VI of EXHIBIT "A" to

Agreement for the
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Hooker East Compression and Gas Gathering System

INSURANCE

101. Insurance

(a) Without in any way limiting the obligations or liabilities of Operator, Operator shall also comply with the provisions of ALTERNATE B immediately below:

ALTERNATE A.

(b) Operator shall, prior to the commencement of Joint Operations, hold or cause to be held with a reputable insurance company or companies, and thereafter maintain or cause to be maintained for the Joint Account and benefit of the Owners and their respective Affiliates, directors, officers, consultants, agents and employees, the insurance hereinafter set forth and any other insurance which is specifically required to comply with the Regulations. The insurance required pursuant to this Subclause shall, subject to Subclause 101 (d), be as follows:

(i) Automobile Liability Insurance covering all motor vehicles or snowcraft and all terrain vehicles, owned and/or leased, operated or licensed by Operator and used in Joint Operations, with an inclusive bodily injury, death and property damage limit of __________ dollars ($________) per accident;

(ii) Commercial General Liability Insurance with an inclusive bodily injury, death, and property damage limit of ______________ dollars ($__________) per occurrence, and, without restricting the generality of the provisions of this Paragraph, such coverage shall include, but not be limited to, Employer's Liability, Employer's Contingent Liability, Contractual Liability, Contractor's Protective Liability, Products and Completed Operations Liability, and, such policy shall _____ /shall not _____ include Pollution Liability;

(iii) If aircraft are used, Aircraft Liability Insurance covering all aircraft, owned, leased, operated or licensed by Operator and used in Joint Operations, with an inclusive bodily injury, death and property damage limit of __________ dollars ($________) per occurrence;

(iv) If required, Builder's Risk Course of Construction Insurance in an amount not less than the full value of any work being performed in respect of the Initial Construction or any Enlargement, which shall cover all risks of physical loss or damage to the Facility or the work being performed in respect thereto, including all machinery, materials and supplies at the site of such work, in transit thereto and intended to become a part of the finished work, or on site awaiting erection or installation, testing or final acceptance by Operator; and

(v) If required, Wrap-up General Liability Insurance for a combined single limit of ___________ dollars ($________) for each occurrence or accident, including property damage, bodily injury (including death at any time resulting therefrom) and personal injuries sustained by any person because of bodily injury or destruction of property (including loss of use or occupancy); and contractual liability and employer's liability. Such coverage shall extend to include contractors and sub-contractors as additional insureds in connection with the work. The policy should provide for coverage during the term of Initial Construction or any Enlargement, including twelve (12) Months completed operations liability.

ALTERNATE B.

(b) Operator shall, prior to the commencement of Joint Operations, hold or cause to be held with a reputable insurance company or companies, and thereafter maintain or cause to be maintained for the Joint Account and benefit of the Owners and their respective Affiliates, directors, officers, consultants, agents and employees:

(i) insurance that is specifically required to comply with the Regulations.

(ii) Shall ____/shall not X provide Builder's Risk Course of Construction Insurance in an amount not less than the full value of any work being performed in respect of the Initial Construction or any Enlargement, which shall cover all risks of physical loss or damage to the Facility or the work being performed in respect thereto, including all machinery, materials and supplies at the site of such work, in transit thereto and intended to become a part of the finished work, or on site awaiting erection or installation, testing or final acceptance by Operator; and

(iii) Shall ____/shall not X provide Wrap-up General Liability Insurance for a combined single limit of N/A dollars ($ N/A) for each occurrence or accident, including property damage, bodily injury (including death at any time resulting therefrom) and personal injuries sustained by any person because of bodily injury or destruction of property (including loss of use or occupancy); contractual liability and employer's liability. Such coverage shall extend to include contractors and sub-contractors, as additional insureds, in connection with the work. The policy should provide for coverage during the term of Initial Construction or any Enlargement, including twelve (12) Months' completed operations liability.

The following conditions shall be applicable to the ALTERNATE which is specified:

(c) It is the intention of the Owners that, except as provided in Subclause 101 (b) of this Appendix and in Article V of the Operating Procedure, the cost of any accident, loss or any claim of or liability to third parties or to each other for bodily injury, death or property damage arising out of any Joint Operation shall be borne individually by the Owners in proportion to their respective Functional Unit Participations in the affected Functional Unit, insofar as the matter relates to such Functional Unit, and in proportion to their respective Facility Participations in all other cases.

(d) Operator shall provide information regarding deductibles specified for each accident or occurrence in any insurance policy maintained for the Joint Account to any Owner who requests in writing such information. Operator shall maintain deductibles in accordance with its internal policy unless otherwise directed by the Operating Committee.

(e) (i) If the policies which Operator is required to obtain or maintain for the Joint Account are, in Operator's reasonable opinion, unavailable or available only at an unreasonable cost, then Operator shall promptly notify the Owners, in order that the Operating Committee may redetermine the policies which shall be held for the Joint Account. Subject to the provisions of this Clause, policies obtained for the Joint Account pursuant to this Clause may contain terms, conditions or exclusions affecting or limiting the risks covered thereby or the circumstances under which the insurer may be required to indemnify or compensate the Owners thereunder, provided that such terms, conditions or exclusions are, in Operator's reasonable opinion, the best available from the marketplace on reasonable terms and ordinary or appropriate. However, Operator shall obtain the prior approval of the Operating Committee with respect to any such change which is made after the relevant policy or policy renewal has been acquired for the Joint Account.

(ii) Except as provided in subparagraph (i), failure by the Operator to maintain the insurance required to be maintained for the Joint Account shall be deemed to be Gross Negligence.

(f) If Operator makes any payments with respect to any losses, damages, claims or liabilities arising out of Joint Operations which are covered by insurance policies maintained for the Joint Account hereunder with the approval of the insurers thereof or if Operator makes any payments authorized hereunder with respect to any other losses, damages, claims or liabilities arising out of such operations, such payments shall be a charge for the Joint Account. However, Operator shall diligently attempt to process its claims under such policies with respect to such losses, damages, claims or liabilities, and shall promptly credit the Joint Account the amount it ultimately recovers under such policies. Insofar as such charge is one which is not to be borne for the Joint Account pursuant to Article V of the Operating Procedure, Operator shall adjust the Joint Account accordingly at such time as it is determined that the charge is not to be borne for the Joint Account.

(g) Operator shall use reasonable efforts to ensure that each insurance policy maintained for the Joint Account pursuant to this Clause includes:

(i) a provision that coverage is primary to any other coverage carried by the Owners (other than coverage maintained by an Owner to reduce its exposure to a deductible);

(ii) a provision that such policy shall survive the default or bankruptcy of the insured for claims arising out of an event before such default or bankruptcy; and

(iii) a provision that the insurer shall provide Operator with sixty (60) Days' written notice of cancellation of such policy.

(h) Each Owner shall be responsible for insuring its own interest in the Facility with respect to physical damage to property, loss of income, Operator's Extra Expense, Seepage, Pollution, Contamination and Clean-up costs relating to the well(s) and any insurance other than that referred to in the ALTERNATE specified in Subclause 101 (a) of this Appendix. Each Owner shall ensure that each policy maintained by it for its own account hereunder shall contain a waiver of all rights, by subrogation or otherwise, against the other Owners and their respective Affiliates, directors, officers, consultants, agents, contractors and employees.

(i) Operator shall provide each Owner with notice of damages or losses incurred hereunder as soon as practicable after the damage or loss has been discovered. Operator shall provide the Owners with such assistance and materials as is required to substantiate such damages or losses for the purposes of the Owners' insurance coverage.

(j) Operator shall, with respect to Joint Operations, use every reasonable effort to have its contractors and sub-contractors:

(i) comply with all Regulations applicable to workers employed by them; and

(ii) carry such insurance in such amounts as Operator deems necessary, provided that such insurance policies shall either include waivers of all rights, by subrogation or otherwise, against the Owners and their respective Affiliates, directors, officers, consultants, agents, contractors and employees, or include the Owners as insureds under such policies.

APPENDIX VII of EXHIBIT "A" to

Agreement for the
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Hooker East Compression and Gas Gathering System

SPECIFICATIONS OF INLET SUBSTANCES AND FACILITY PRODUCTS

101. Inlet Substances Specification

(a) All Owner's Inlet Substances delivered to the Facility shall be of a kind, quality and composition and at a temperature and pressure so as to be within the design and operating parameters of the Facility; and

(b) All Owner's Inlet Substances delivered to the Facility shall be free from substances in such quantities that may obstruct, damage or be detrimental to the operation of the Facility or that may result in Owner's Inlet Substances having objectionable odours, solid matter, dust, gums and gum forming constituents which might affect its merchantability or cause injury to or interference with the proper operation of the lines, regulators, metering facilities or other appliances through which such Owner's Inlet Substances flows;

(c) The temperature for Inlet Substances delivering to the Facility shall not exceed sixty degrees Celsius (60°

(d) H_2S content of Inlet Substances shall not exceed the anticipated licenced limited of three point five percent (3.5%) for the Facility.

(e) No free water shall enter the Facility without prior permission of the Operator;

(f) Condensate rates for Inlet Substances delivering to the Facility shall not exceed .067438 m^3/e^3m^3 without prior permission of the Operator;

(g) Hydrates shall be controlled with methanol injection. All methanol used in the Facility must be in the form of "inhibited" methanol which is compatible with the gathering systems downstream of the Facilities; and

(h) The Operator will conduct a corrosion control program, which is compatible with the gathering systems downstream of the Facilities.

102. Acceptance of Inlet Substances

Inlet Substances delivered to the Facility Inlet which are not in strict compliance with Clause 101 of this Appendix:

(a) may be accepted into the Facility provided that the off-specification is, in Operator's opinion, not injurious to the Facility and not at risk of contaminating other Inlet Substances or Facility Products associated with the Facility; and

(b) shall be refused acceptance into the Facility immediately upon detection by Operator of the off-specification condition if Operator is of the opinion that off-specification Inlet Substances are likely to be injurious to the Facility or a contaminant to other Inlet Substances, or Facility Products. Immediate refusal shall nonetheless require Operator to shut-in the inlet stream affected by the off-specification Inlet Substances in a manner which will minimize flaring and losses. The Operator shall immediately notify the Owners of the affected Inlet Substances that the inlet stream has been shut-in.

An Owner may request that the acceptance or refusal of off-specification Inlet Substances be referred to the Operating Committee for a decision.

103. Facility Products Specification

The Facility Products will be compatible with the inlet specifications of the Mazeppa gas gathering system and the Mazeppa gas plant.

APPENDIX VIII of EXHIBIT "A" to

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FACILITY PRODUCT ALLOCATION PROCEDURE

The Operator shall determine and monitor the volume of Inlet Substances produced by or on behalf of each Owner and non-Owner and shall allocate a proportional amount of such Inlet Substances less any Inlet Substances consumed as fuel or lost due to flaring and metering differences, to each Owner and non-Owner at the Facility Outlet.

APPENDIX X of EXHIBIT "A" to

Agreement for the Construction, Ownership and Operation of the Hooker East Compression and Gas Gathering System

INVESTMENT VALUES

101. Estimated Initial Construction Costs

The estimated as built costs of the Functional Units to the completion of Initial Construction are as follows.

FUNCTIONAL UNIT	**COST ($)**
Functional Unit #1	$ 222,886.00
Functional Unit #2	$2,413,670.00
Functional Unit #3	$3,628,664.00
Functional Unit #4	$ 180,490.00
Total	$6,445,710.00

102. Initial Construction As Built Costs

The as built costs of the Functional Units at the completion of Initial Construction are as follows.

FUNCTIONAL UNIT	**COST ($)**

103. Revised As Built Costs

The as built costs of the Functional Units, as revised by Mail Ballot ______ , are as follows.

FUNCTIONAL UNIT	**COST ($)**

104. History of Revisions to Investment Values

(a) Revision No. ____

Mail Ballot:

Description:

(b) Revision No. ____

Mail Ballot:

Description:

Revision No. 1 Effective November 1, 2002
Mail Ballot 2004-01

APPENDIX XI of EXHIBIT "A" to

Agreement for the Construction, Ownership and Operation of the Hooker East Compression and Gas Gathering System

ENLARGEMENT

101. Notice and Elections

Any Owner wishing to enlarge the Facility shall give notice to the Operator stating the purpose of the proposed Enlargement and such other information as the Operator may reasonably require. Pursuant to Clause 102 of this Appendix, the Operator shall prepare and submit an Enlargement proposal to the Operating Committee for approval which, subject to each Owner's rights under Clause 103 of this Appendix, shall consider its compatibility with the existing Facility. The Operating Committee shall also approve a methodology to allocate the cost of previous capital investment in common facilities which the Enlargement significantly utilizes. Common facilities include, but are not limited to, steam facilities, power facilities, office facilities, warehouse facilities or roads.

Upon approval by the Operating Committee, the Operator shall issue a notice to each Owner and each Owner wishing to participate in the Enlargement (the "Participating Owner") shall give the Operator written advice, within thirty (30) Days of receipt of notice, of its capacity nomination in the Enlargement. No Owner shall be obligated to participate in an Enlargement.

The Participating Owners and the Operator shall promptly consult to determine the design and construction of the Enlargement, which shall be approved by unanimous consent of the Participating Owners. If the original scope of the Enlargement, as defined in the Enlargement proposal, is revised, then a new Enlargement proposal shall be issued to the Operating Committee. When the final design of the Enlargement has been approved, the Operator, on behalf of the Participating Owners, shall proceed with the construction thereof at the sole cost, risk and expense of the Participating Owners in proportion to each Participating Owner's capacity nomination. The Operator shall carry out the construction with as little interference as possible in the operation of the Facilities. Should it be necessary to shut-down the Facilities in order to tie-in the Enlargement, the time of shut-down and subsequent start-up shall be determined by the Operator who shall give notice to all Owners. The cost shall be limited to the direct cost of shut-down and subsequent start-up and shall be borne by the Participating Owners.

102. Information in the Enlargement Proposal

The Enlargement proposal shall specifically identify the purpose of the Enlargement, the proposed process, capacity estimates, location of facilities, construction timing, description of how the Enlargement will be integrated with the existing Facilities and an estimate of capital and operating costs. The Enlargement proposal shall also include a methodology to allocate the cost of previous capital investment in common facilities which the Enlargement significantly utilizes.

103. Adjustment of Facility and Functional Unit Participation, Capacity and Capacity Ownership

(a) Notwithstanding other provisions in this Agreement, an Owner that does not participate in an Enlargement (a "Non-Participating Owner") that will result in a new Functional Unit shall be entitled to the same Capacity in existing Functional Units that it would have otherwise been entitled to had the Enlargement not proceeded.

(b) Notwithstanding other provisions in this Agreement, a Non-Participating Owner in an Enlargement that will become part of an existing Functional Unit shall be entitled to the Capacity in the enlarged Functional Unit it would have otherwise been entitled to, had the Enlargement not proceeded.

(c) Upon completion of the Enlargement, in the case of an Enlargement to an existing Functional Unit, the Functional Unit Participation shall be redetermined based on the total of each Owner's capacity in the Enlargement and such Owner's Capacity in the Functional Unit prior to the Enlargement.

(d) Equalization of investments in the enlarged Functional Unit and in the common facilities as described in Clause 101 of this Appendix, shall be conducted by the Operator in the manner approved by the Operating Committee.

104. Capacity of Enlarged Functional Unit

(a) Notwithstanding other provisions in this Agreement, the new Capacity for an enlarged Functional Unit shall reflect Capacity contributed through previous capital expenditures in the Functional Unit and Capacity contributed through capital expenditure in the Enlargement. Should there be any doubt as to the change in actual Capacity resulting from the Enlargement, a Capacity test shall be conducted if:

(i) approved by the Operating Committee, in which case the costs of the Capacity test shall be borne by all Owners in accordance with their Functional Unit Participation;

(ii) requested by the Non-Participating Owners, in which case, if not approved by the Operating Committee, the costs of the Capacity test shall be borne by the Non-Participating Owners; or

(iii) requested by the Participating Owners, in which case, if not approved by the Operating Committee, the costs of the Capacity test shall be borne by the Participating Owners.

(b) If a Capacity test is conducted, subject to Subclause 104 (a) of this Appendix, the actual Capacity of the Enlargement, as approved by the Operating Committee, shall be retroactive to the earlier of the first Day of the Month following;

(i) the date of approval by the Operating Committee to conduct the Capacity test; or

(ii) the date of request to conduct the Capacity test.

(c) Table I Capacity in Appendix IV shall be revised by the Operator to reflect the Capacities resulting from the Enlargement.

105. Participating Owners' Rights

The provisions of the Operating Procedure relating to the rights, duties, liabilities and obligations of the Operator and the Owners shall apply with such modifications as the context may require among the Participating Owners with respect to the construction and start-up of the Enlargement.

106. Non-Participating Owners' Rights

The Non-Participating Owners shall not bear any portion of the Capital Costs of an Enlargement. If a new Functional Unit is added as part of the Enlargement, the Operator shall review the Appendix which covers the structure and sharing of the Joint Account to determine if a revision is required. If a revision is required, the Operator shall propose a revision to the Operating Committee.

107. Liability during Construction of Enlargement

The Participating Owners in an Enlargement shall indemnify the Non-Participating Owners against all direct costs and liabilities associated with construction and start-up of the Enlargement and agree to be liable for any damage caused to the existing Facility as a result of construction and start-up of the Enlargement. The Participating Owners shall not be responsible for loss of profits or production of the Non-Participating Owners due to a shut-down of the Facilities to tie-in the Enlargement.

APPENDIX XII of EXHIBIT "A" to

Agreement for the
Construction, Ownership and Operation of the
Hooker East Compression and Gas Gathering System

DISPUTE RESOLUTION

101. Definitions

In this Appendix, in addition to all terms herein before defined, the following words and phrases shall have the following meaning namely:

> "Dispute" means any dispute or controversy amongst any of the Owners and/or any of the Owner(s) and Operator concerning any matter arising out of this Agreement; except that any matter which is within the powers of the Operating Committee and which has been voted on by the Owners pursuant to Article II of the Operating Procedure shall be deemed to be a matter not in dispute.

102. Disputes Initially Referred To Mediation

The Owners will attempt to resolve any Dispute through consultation and negotiation in good faith. If those attempts fail, an Owner may, by notice to the other Owners at any time during those negotiations, request the other Owners to attempt to resolve that Dispute through mediation, including with that notice sufficient detail to enable the other Owners to understand the issues that remain in dispute. The Owners will attempt to agree on the selection of a mediator within ten (10) Days of receipt of that notice, unless an Owner gives notice to the other Owners within that period that it is not prepared to proceed with mediation respecting that Dispute. If the Owners are proceeding with a mediation and are unable to select a mediator within that period, any Owner may deliver a written request to the Canadian Foundation for Dispute Resolution to select, within two (2) business Days of the receipt of that request, a mediator qualified by education and experience to resolve that Dispute, and the Owners agree that the person so selected will be the mediator for the Dispute. Unless otherwise unanimously agreed, the Owners will commence a mediation within twenty (20) Days of the selection of the mediator. The mediation will continue until the Dispute is resolved, or an Owner serves notice to the other Owners that it wishes to terminate the mediation, or the mediator makes a written determination that the Dispute cannot be resolved through mediation, or sixty (60) Days pass after the receipt of the original notice, whichever occurs first. All Owners which participate in or are affected by the mediation will each bear their own costs associated with a mediation, but will share the common costs of a mediation based on their Facility Participation, including, without limitation, the cost of the mediator.

103. Arbitration Proceedings

Unless a Dispute has otherwise been resolved, any dispute described in Alternate A below shall be submitted to binding X / non-binding____ arbitration in accordance with the provisions of this section:

ALTERNATE A. Any Dispute which the Agreement specifically provides to be resolved by arbitration; or

ALTERNATE B. Any Dispute.

Any such arbitration and any other arbitration the Owners agree to conduct hereunder will be conducted under the Commercial Arbitration Rules of The Canadian Foundation for Dispute Resolution.

104. Location of and Representation at Mediation and Arbitration

The place for mediation and arbitration shall be Calgary, Alberta. Any Owner may have another Owner, provided that other Owner agrees to same in writing, represent their interests in the dispute resolution.

105. Interim Relief

All limitation periods respecting the commencement of an action will be stayed during the period that the Owners are attempting to resolve a Dispute under Clauses 102 and 103 of this Appendix. An Owner may, at any time it believes is necessary to protect its interest, seek interim or provisional relief, in the form of a temporary restraining order, preliminary injunction or other interim equitable relief concerning a dispute under this Agreement, notwithstanding anything to the contrary in this Appendix.

APPENDIX XIII of EXHIBIT "A" to

Agreement for the Construction, Ownership and Operation of the Hooker East Compression and Gas Gathering System

ENVIRONMENTAL MATTERS

This Environmental Matters Appendix shall become effective pursuant to the provisions of Clause 211 of the Operating Procedure. Any decisions to be made by the Operating Committee pursuant to this Appendix XIV shall be made in accordance with Clause 204 (e) of the Operating Procedure.

Audit Provisions

101. The initial environmental audit may be conducted at any time following the effective date of this Appendix, but no later than three (3) years following the effective date of this Appendix, in accordance with Clause 103 hereof.

102. Subsequent environmental audits shall be conducted at a maximum five (5) year intervals in accordance with Clause 103 herein unless otherwise determined by the Operating Committee.

103. An environmental audit relating to the Joint Operations hereunder shall be conducted by:

(i) a competent internal or third party environmental auditor chosen by the Operator and approved by the Operating Committee. Prior to execution of the audit the Operating Committee shall approve the "Terms of Reference" that define the type of environmental audit to be done and the standards to be included in the assessment and that include, but are not necessarily limited to, the scope of work, the name(s) of the firm or representative who will conduct the work, the schedule and the estimated cost, including rates of remuneration and expenses. The costs of such audit shall be borne by all Owners at their Facility Participations. Deficiencies disclosed by such audit shall be dealt with by the Operator in accordance with Clause 104 hereof;

(ii) a competent internal or third party environmental auditor chosen by an Owner or Owners, who shall give reasonable written notice to Operator and the other Owners of the intention to conduct an environmental audit, which Owner or Owners shall bear the total cost and risk thereof. Deficiencies identified by such audit and disclosed to the Operator and other Owners shall be dealt with by the Operator in accordance with Clause 104 hereof; or

(iii) both.

104. The Operator shall expedite consideration of the findings of the environmental audit referred to in Clause 103 hereof and within eight (8) weeks of receipt of the environmental audit report, shall present for approval of the Operating Committee a plan for resolution or remediation of any identified deficiencies. A deficiency that is a violation of the Regulations shall be remedied as quickly as possible. Within three (3) Months of the completion date of deficiency remediation specified in the Operator's plan, Operator will provide the Owners with a detailed report on such remediation. If the deficiencies have not been corrected adequately or in a timely manner, the Operating Committee may authorize any other Owner or Owners to complete such deficiency remediation at the expense of the Joint Account and such Owner or Owners shall be subrogated to the Operator's rights pursuant to Article VI of the Operating Procedure.

105. Environmental audit reports and communications relative to environmental issues as referenced in Clause 103 shall not be disclosed to any party who is not an Owner without the express consent of all the Owners, unless required by the Regulations or court order.

106. Each environmental audit shall be conducted so as to cause a minimum of inconvenience to Operator. If two (2) or more Owners desire to conduct audits, such Owners shall make every reasonable effort to conduct joint or simultaneous audits.

THIS IS EXHIBIT "H" REFERRED TO IN THE AFFIDAVIT OF

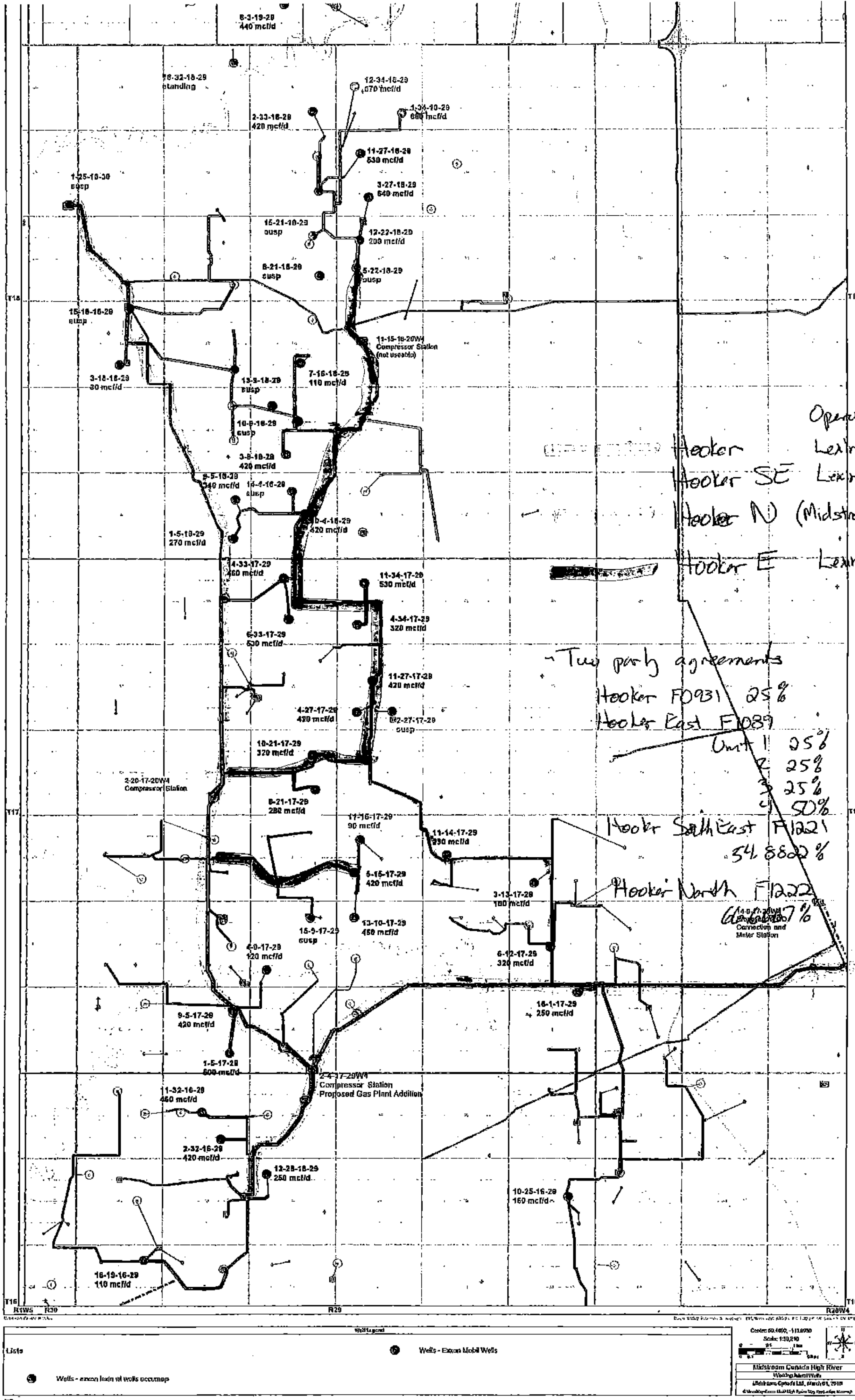
Neely Noel-Ali

SWORN THE 30 DAY OF

April, 2018

A Commissioner for Oaths/Notary Public In and for the Province of Alberta

JAMES G. HANLEY
Barrister & Solicitor
A Commissioner for Oaths
In and for Alberta



Operator
Hooker Lexin
Hooker SE Lexin
Hooker N (Midstream)
Hooker E Lexin

- Two party agreements
Hooker F0931 25%
Hooker East F1089
Unit 1 25%
2 25%
3 25%
4 50%
Hooker SouthEast F1221
54.8802%
Hooker North F1222
66.66667%

MIDSTREAM CANADA

THIS IS EXHIBIT "I" REFERRED TO IN THE AFFIDAVIT OF
NEEKY NOOR-ALI
SWORN THE 30 DAY OF
APRIL, 2018
A Commissioner for Oaths/Notary Public In and for the Province of Alberta

JAMES G. HANLEY
Barrister & Solicitor
A Commissioner for Oaths
in and for Alberta

February 2, 2018

Lexin Resources Ltd.
Grant Thornton Limited
Suite 1100, 332 – 6th Ave SW
Calgary, AB T2P 0B2

Attention: Andrew Basi, Senior Vice-President

RE: AGREEMENT FOR THE CONSTRUCTION, OWNERSHIP AND OPERATION OF THE HOOKER GAS GATHERING SYSTEM
HIGH RIVER AREA, ALBERTA
MAIL BALLOT 2018-01

Midstream Canada Ltd. ("Midstream"), as Operator of the subject Agreement, hereby submits Mail Ballot 2018-01 for your review and approval. This mail ballot consists of three motions which will allow the resumption of production from the High River area independent of the shut in LR Processing gathering system and gas processing plant that suspended operations in 2016. In summary, the addition of refrigeration to the existing 2-4-17-29W4 compressor station will allow sales specification gas to be produced at the Facility and by connecting to an existing ATCO pipeline crossing sales specification gas can be delivered to ATCO with no new pipeline construction required.

> Motion #1 - In accordance with Appendix XI of Exhibit "A" of the subject agreement Midstream requests Owner approval to enlarge the Facility by the addition of Segment #5, a new functional unit, at an estimated cost of $2,415,906. The proposed Segment #5 will be located at the existing Segment #2 location (2-4-17-29W4 – the Hooker Compressor) and will consist of a refrigeration skid, NGL bullet, produced water storage tank, MCC/generator set and an office trailer. The enlargement will be integrated downstream of the existing facility process equipment. Given that the Facility is not currently operating the construction of the enlargement will not cause any additional shut-down time. The enlargement will not affect capacity in other functional units as they are not being modified.
>
> The Facility enlargement will allow the Facility to produce sales specification natural gas and allow the resumption of production from the 53 High River wells upstream of 2-4 that Midstream has a working interest in. Based on the historical well rates prior to the wells being shut in in April 2016 Midstream expects gross production to be ~8+ mmscf/d with ~4+ mmscf/d net to Midstream and ~4 mmscf/d net to Lexin Resources Ltd. with anticipated NGL production rates of >20 bbl/mmscf.
>
> The Facility enlargement has been sized to process up to 13 mmscf/d of gas to allow for the eventual resumption of production from the Lexin wells in which Exxon does not own a working

MIDSTREAM
CANADA

interest in located upstream of the 2-4 facility. Midstream's internal AFE M18-0001FA and it's associated cost estimate are attached for your information.

Midstream would like to highlight Section 103 (a) of Appendix XI of Exhibit "A" of the subject agreement which states that approval of an enlargement shall not be unreasonably withheld.

Motion #2 – In accordance with Appendix XI of Exhibit "A" of the subject agreement, each Owner is to elect to participate or not participate in the proposed Segment #5 and state it's desired working interest, or participation level. No Owner is obligated to participate in an enlargement. An Owner that chooses not to participate in an enlargement but utilizes capacity in the enlargement shall be subject to a Surplus Capacity usage charge as specified in Section 102 (c) of Appendix V of Exhibit "A" of the subject agreement.

Motion #3 requests approval to modify Segment #4 (the Connemara Laterals) by re-licencing the existing delivery pipeline from 2-4-17-29W4 to sweet gas service and to connect the re-licenced pipeline to the Atco pipeline system at ~1-9-17-28W4 which is upstream of the existing delivery point to the LR Processing pipeline system at 2-14-17-28W4 for an estimated cost of $62,555 and the assumption of approximately 100 e3m3/d (3.5 mmscf/d) of new FT-R firm service on behalf of the participating Owners on the ATCO/TCPL system in relation to a new meter station to serve the new interconnection. Midstream's internal AFE B18-0002FA and it's associated cost estimate are attached for your information.

If you have any questions regarding this Mail Ballot, please contact the undersigned at 587-390-3094 or Doug Campbell, VP Land and Legal at 403-968-8731.

Yours truly,

Jeff Johnston
VP Operations

File: F931 Hooker Gas Gathering System, Mail Ballots

MIDSTREAM
CANADA

MAIL BALLOT VOTE RECORD

AGREEMENT: Agreement for the Construction, Ownership and Operation of the Hooker Gas Gathering System

High River Area, Alberta

MAIL BALLOT: 2018-01

Motion #1

Be it resolved that "The Working Interest Owners" of the Hooker Gas Gathering System approve an enlargement of the CO&O to include the proposed Segment #5. The proposed Segment #5 is a refrigeration skid and associated equipment to be located at 2-4-17-29W4 as described in AFE M18-0001FA attached for your reference.

Affirmative__________________ Negative____________________

Motion #2

Be it resolved that "The Working Interest Owners" of the Hooker Gas Gathering System agree to participate in the enlargement The cost is estimated to be $2,415,906.

Participate__________ Not Participate________ Desired Working Interest_____________

Motion #3

Be it resolved that "The Working Interest Owners" of the Hooker Gas Gathering System approve a modification of Segment #4. The proposed modification and ATCO meter station installation and FT-R commitment allows for a connection to the ATCO system as described in AFE M18-0002FA attached for your reference.

Affirmative__________________ Negative____________________

MIDSTREAM
CANADA

Working Interest Owner: ______________________________

Representative Signature: ______________________________

Representative Name: ______________________________

Date Signed: ______________________________

Date Sent to Owners: February 23, 2018

Due Date: March 10, 2019

Please return ONE completed Ballot to:

Attention: Jeff Johnston

Midstream Canada Ltd.
400, 909 – 17 Avenue SW
Calgary, Alberta
T2T 0A4

Or via e-mail

jjohnston@midstreamcanada.com

Authority for Expenditure

MIDSTREAM CANADA

Location: 02-04-017-29W4M Gas Compressor	AFE No: M18-0001FA
Surface: 02-04-017-29 W4M	Budgeted Year: 2018; Area: High River — New: X; Revised; Supplement

Operator: Midstream Canada Ltd.	Commencement Date: February 15, 2018
AFE Number: M18-0001FA	Completion Date: April 15, 2018

Reason for Expenditure: Installation of a 13mmscf/d refrigeration skid, NGL storage bullet, water storage tank, MCC building and office trailer at the 2-4-17-29W4 compressor station. The station will be repermitted with the AER from a compressor station to a gas plant. A small lease expansion will be utilized to accommodate a portion of the added equipment.

Plant will use existing pipeline to tie into ATCO pipeline system using new/relocated meter station.

Justification: Gas plant addition will allow restart of wells stranded behind the Mazeppa gas plant.

Land Verification: WI Verification: Contract Number:

Land Comments:

Description	Amount	Participant	Percent (%)	Amount
02-04-017-29W4M Gas Compressor	$ 2,415,906	Midstream Canada Ltd.	25%	$ 603,976
		Lexin Resources Limited.	75%	$ 1,811,929
Total	$ 2,415,906	Total	100.00%	$ 2,415,906

Recommended By: Jeff Johnston Date: 02/2/2018

APPROVALS

Operations: 2/12/18

Engineering: 2/12/18

Land:

Accounting:

President:

PARTNER APPROVAL

Company:

Approved By: BY MAIL BALLOT

Title:

Signature:

Date:

Well Control Insurance Required? Yes ______

In executing this AFE the parties hereto authorize the operator to file an election pursuant to subsection 273(1) of Bill C-62 (Goods and Services Tax) and the parties hereto agree to be bound by such election.

Return to:
Midstream Canada Ltd.
#400, 909 - 17 Avenue SW
Calgary, Alberta, Canada T2T 0A4
johnston@midstreamcanada.com

MIDSTREAM CANADA

Authority For Expenditure Detailed Cost Estimate
Facility Costs

AFE NO: M18-0001FA

PROJECT: 2-4-17-29 Enlargement

Midstream: 02-04-017-29W4M Gas Compressor

DATE: 02/2/2018

Surface: 02-04-017-29 W4M

ACCOUNTING	DESCRIPTION	ESTIMATED COST
Plant Equipment		
9530-600	COMPANY LABOUR	
9530-601	COMPANY TRAVEL, VEHICLE	
9530-602	ENVIRONMENTAL SERVICES	
9530-603	CIVIL LABOUR, road approach, strip and gravel and new turn	$30,000
9530-604	MECHANICAL LABOUR, all piping and connections	$250,000
9530-605	ELECTRICAL LABOUR	$50,000
9530-606	CONSTRUCTION LABOUR, package prep in GP	$50,000
9530-607	TECHNICAL SUPPORT SERVICES,	$7,500
9530-608	STARTUP & COMMISSIONING	$15,000
9530-610	CONTRACT SERVICES, x-ray	$10,000
9530-611	INSTALLATION LABOUR	
9530-612	WELDING & WELDING LABOUR	$35,000
9530-618	SURVEYING	$7,500
9530-619	LAND SERVICES	$10,000
9530-620	LAND ACQUISITION	$12,500
9530-621	ACCESS ROADS	$7,500
9530-622	SITE CLEAN-UP	
9530-623	CAMP AND CATERING	
9530-625	CIVIL FOUNDATIONS, piling NGL, pad refrig and tank	$75,000
9530-626	BUILDINGS, MT transfer	$17,500
9530-630	COMMUNICATIONS	
9530-633	SAFETY / SECURITY EQUIPMENT	
9530-635	EQUIPMENT RENTALS	
9530-640	VALVES (PIPES, VALVES & FITTINGS)	$125,000
9530-641	INSTRUMENTATION - PARTS, metering	$25,000
9530-642	MATERIALS	
9530-643	INSTRUMENTATION - LABOUR	$35,000
9530-644	SPECIAL EQUIPMENT	
9530-650	TANKS, MT transfer	$8,750
9530-652	PRESSURE VESSELS, NGL Bullet	$100,000
9530-653	HEAT EXCHANGERS	
9530-654	PRESSURE TRUCK / HOT OILER, hydrovac, hoe	$34,000
9530-656	PUMPS AND MOTORS	
9530-660	COMPRESSOR & DRIVERS	$750,000
9530-663	SAFETY EQUIPMENT, fire ext	$3,000
9530-664	ELECTRICAL EQUIPMENT, MT of MCC	$25,000
9530-670	CHEMICALS & LUBRICANTS	$15,000
9530-672	PIPE	$20,000
9530-675	PACKAGED UNITS	
9530-676	PIPE COATING / INSULATION, pipe racks	$25,000
9530-680	HEATING & BOILERS	
9530-687	HAULING, 110k main move, 50k misc, 30k road use	$190,000
9530-688	MISCELLANEOUS	
9530-690	ENGINEERING	$350,000
9560-691	SUPERVISION	$27,300
9530-694	COMPLIANCE	
9530-695	ACCRUAL	
9560-696	CONTINGENCY	$75,000
9530-697	3RD PARTY RECOVERIES	
9530-699	OVERHEAD	
	Sub-Total	$2,385,550

Administrative Overhead: 5% First $50,000 + 3% Next $100,000 + 1% on Remainder

Signed:

Sub-Total	$	2,385,550
Administrative Overhead	$	30,356
Total Equipping	$	2,415,906

Authority for Expenditure

MIDSTREAM CANADA

Location: 02-04-017-29W4M to 1-9-17-28W4	AFE No: M18-0002FA
Surface: 02-04-017-29W4M to 1-9-17-28W4	Budgeted Year 2018; Area High River — New X; Revised; Supplement
Operator: Midstream Canada Ltd.; AFE Number: M18-0002FA	Commencement Date: February 15, 2018; Completion Date: April 15, 2018

Reason for Expenditure: Relicence existing 2-4-17-29W4 compressor station delivery pipeline to sweet gas service.
ATCO meter station installation to serve new connection at 1-9-17-29W4 will be at ATCO's expense in exchange for contracted FT-R. Connection cost to our pipeline from ATCO pipeline is to our account.

Justification: Connection of proposed 2-4 gas plant to the ATCO pipeline system

Land Verification: WI Verification: Contract Number:

Land Comments:

Description	Amount	Participant	Percent (%)	Amount
02-04-017-29W4M to 1-9-17-28W4	$ 62,555	Midstream Canada Ltd.	25%	$ 15,639
		Lexin Resources Limited.	75%	$ 46,916
Total	$ 62,555	Total	100.00%	$ 62,555

Recommended By: Jeff Johnston Date: 02/20/2018

APPROVALS		PARTNER APPROVAL	
Operations:	2/23/18	Company:	
Engineering:		Approved By:	BY MAIL BALLOT
Land:		Title:	
Accounting:		Signature:	
President:		Date:	

Well Control Insurance Required? Yes ______

In executing this AFE the parties hereto authorize the operator to file an election pursuant to subsection 273(1) of Bill C-62 (Goods and Services Tax) and the parties hereto agree to be bound by such election.

Return to:
Midstream Canada Ltd.
#400, 909 - 17 Avenue SW
Calgary, Alberta, Canada T2T 0A4
jjohnston@midstreamcanada.com

MIDSTREAM CANADA

Authority For Expenditure Detailed Cost Estimate
Facility Costs

AFE NO: M18-0002FA **PROJECT:** EQUIPMENT

Basement: 02-04-017-29W4M to 1-9-17-28W4 **DATE:** 02/20/2018

Surface: 02-04-017-29W4M to 1-9-17-28W4

ACCOUNTING	DESCRIPTION	ESTIMATED COST
Plant Equipment		
9530-600	COMPANY LABOUR	
9530-601	COMPANY TRAVEL, VEHICLE	
9530-602	ENVIRONMENTAL SERVICES	
9530-603	CIVIL LABOUR, road approach, strip and gravel and new lum	
9530-604	MECHANICAL LABOUR, all piping and connections	
9530-605	ELECTRICAL LABOUR	
9530-606	CONSTRUCTION LABOUR, package prep in GP	
9530-607	TECHNICAL SUPPORT SERVICES,	
9530-608	STARTUP & COMMISSIONING	
9530-610	CONTRACT SERVICES, x-ray	
9530-611	INSTALLATION LABOUR	$15,000
9530-612	WELDING & WELDING LABOUR	$5,000
9530-618	SURVEYING	
9530-619	LAND SERVICES	$1,500
9530-620	LAND ACQUISITION, temp workspace	$2,500
9530-621	ACCESS ROADS	
9530-622	SITE CLEAN-UP	$1,500
9530-623	CAMP AND CATERING	
9530-625	CIVIL FOUNDATIONS, piling NGL, pad refrig and tank	
9530-628	BUILDINGS, MT transfer	
9530-630	COMMUNICATIONS	
9530-633	SAFETY / SECURITY EQUIPMENT	
9530-635	EQUIPMENT RENTALS	
9530-640	VALVES (PIPES, VALVES & FITTINGS)	
9530-641	INSTRUMENTATION - PARTS, metering	
9530-642	MATERIALS	
9530-643	INSTRUMENTATION - LABOUR	
9530-644	SPECIAL EQUIPMENT	
9530-650	TANKS, MT transfer	
9530-652	PRESSURE VESSELS, NGL Bullet	
9530-653	HEAT EXCHANGERS	
9530-654	PRESSURE TRUCK / HOT OILER, hydrovac, hoe	$5,000
9530-656	PUMPS AND MOTORS	
9530-660	COMPRESSOR & DRIVERS	
9530-663	SAFETY EQUIPMENT, fire ext	
9530-664	ELECTRICAL EQUIPMENT, MT of MCC	
9530-670	CHEMICALS & LUBRICANTS	
9530-672	PIPE	
9530-675	PACKAGED UNITS	
9530-676	PIPE COATING / INSULATION, pipe racks	
9530-680	HEATING & BOILERS	
9530-687	HAULING, 110k main move, 60k misc, 30k road use	
9530-688	MISCELLANEOUS	
9530-690	ENGINEERING	$10,000
9530-691	SUPERVISION	$5,000
9530-694	COMPLIANCE	
9530-695	ACCRUAL	
9530-696	CONTINGENCY	$10,000
9530-697	3RD PARTY RECOVERIES	
9530-699	OVERHEAD	
	Sub-Total	$55,500

Administrative Overhead: 5% First $50,000 + 3% Next $100,000 + 1% on Remainder

Signed:

Sub-Total	$	55,500
Administrative Overhead	$	7,055
Total Equipping	$	62,555