[redacted]

UNIT AGREEMENT

EBOR UNIT

Draft February 20, 1964

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EBOR HEARING 20/64
May

UNIT AGREEMENT

EBOR UNIT

WHEREAS the Parties own Royalty Interests and Working Interests, or either of them, in the Unitized Zone; and

WHEREAS the Parties desire that the Unitized Zone be developed, produced and operated as a unit, all as hereinafter provided;

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

ARTICLE I

DEFINITIONS

101. Definitions

In this agreement:

(a) "Conservation Board" means The Oil & Natural Gas Conservation Board of the Province of Manitoba;

(b) "Effective Date" means the time referred to in Article XIV;

(c) "Lease" means an instrument granting a Working Interest in the Unitized Zone;

(d) "Outside Substances" means a substance initially obtained from any source other than the Unitized Zone;

(e) "Party" means a person who is bound by this agreement;

(f) "Petroleum Substances" means petroleum, natural gas, and other hydrocarbons (except coal) or any of them, and all substances associated therewith or any of them, whether liquid, gaseous or mixed.

(g) "Royalty Interest" means any interest other than a Working Interest in Petroleum Substances, or the proceeds from the sale thereof, produced from the Lodgepole Formation but does not include the

interest of a person as a purchaser of Petroleum Substances after production;

(h) "Royalty Owner" means a Party owning a Royalty Interest;

(i) "Spacing Unit" means the area allocated to a well by the Conservation Board with respect to the Lodgepole Formation for the purpose of drilling for or producing Petroleum Substances;

(j) "Tract" means a parcel of land described and given a Tract number in Exhibit "A";

(k) "Tract Participation" is the percentage allotted to a Tract and set forth in Exhibit "A";

(l) "Unit Area" means the lands described in Exhibit "A";

(m) "Unit Operator" means the person who is so designated under the Unit Operating Agreement;

(n) "Unit Operating Agreement" means the agreement entitled "Unit Operating Agreement - Ebor Unit" entered into by the Working Interest Owners;

(o) "Unitized Zone" means the Lodgepole Formation within the Unit Area;

(p) "Unitized Substances" means Petroleum Substances in or obtained from the Unitized Zone;

(q) "Working Interest" means the right, in whole or in part, to produce and dispose of Petroleum Substances from the Lodgepole Formation, whether such right is held as an incident to ownership in fee simple or under a lease, agreement or other instrument and includes an interest chargeable with and obligated to pay or bear, either in cash or out of production or otherwise, all or a portion of the costs in connection with the drilling for, recovery and disposal of Petroleum Substances from the Lodgepole Formation;

(r) "Working Interest Owner" means a Party owning a Working Interest;

(s) "Lodgepole Formation" means that geologic formation of the Mississippian Age which is identified on the Electrical Log attached as Exhibit "C" of the well known as Dome Harris Cox Ebor 14-23-9-29-W1 between the depths of 2,596 feet and 2,705 feet measured from the Kelly Bushing.

ARTICLE II

EXHIBITS

201. Exhibits

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

(a) Exhibit "A", which numbers and describes each Tract and set forth the Tract Participation thereof with the names of the persons who are the owners of the Working Interests in such Tract; and

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

(c) Exhibit "C" which is a reproduction of the Electrical Log for the well known as Dome Harris Cox Ebor 14-23-9-29-W1.

202. Exhibits Correct

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

203. Correction and Effective Time

(a) If any mistake or mechanical error occurs in an exhibit, Unit Operator may, or upon request of the Working Interest Owners shall, prepare a corrected exhibit but the data used in establishing Tract Participation shall not be re-evaluated.

(b) Any corrected exhibit prepared before the Effective Date or within ninety (90) days thereafter shall be effective on the Effective Date. Any corrected exhibit prepared thereafter shall be effective at 7:00 A.M. on the first day of the calendar month next following the preparation of such corrected exhibit, or on such other date as is

determined by the Working Interest Owners.

204. Supplying of Exhibits

silent of sec 504-1104

Each time that an exhibit is revised or corrected pursuant to this agreement, Unit Operator shall supply the Conservation Board with copies and shall supply each Working Interest Owner with the number of copies of the exhibit it requests. Each Working Interest Owner shall supply each of its Royalty Owners with a copy thereof.

ARTICLE III

UNITIZATION AND EFFECT

301. Unitization

On and after the Effective Date the interests of each Royalty Owner and of each Working Interest Owner in and to the Unitized Substances and in and to the Unitized Zone are hereby unitized, all to the same extent as if the Unitized Zone had been included in a single Lease executed by all the Royalty Owners, as lessors, in favour of all the Working Interest Owners, as lessees, and as if the said Lease had been subject to all of the terms and conditions of this agreement.

302. Continuation of Leases

will on a tract

All operations conducted with respect to the Unitized Zone or production of Unitized Substances shall, except for the purpose of calculating ? payments to Royalty Owners, be deemed to be operations upon or production from each Tract, and such operations or production shall continue in force and effect each Lease and any other agreement or instrument relating to the Unitized Zone or Unitized Substances as if such operations had been conducted and a well was producing from each Tract or Spacing Unit, or portion thereof, in the Unit Area.

303. Leases Amended

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

304. Ratification of Leases

Each Royalty Owner hereby adopts, ratifies and confirms any Lease, as amended by this agreement, to which it is a party and agrees that no default exists with respect thereto and that any such Lease is good, valid and subsisting as of the Effective Date.

305. Effect of Unitization on Titles

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

306. Name

The name of the unit hereby constituted is "Ebor Unit".

ARTICLE IV

AUTHORITY TO WORKING INTEREST OWNERS

401. Operations

The Royalty Owners hereby grant to the Working Interest Owners the right to develop and operate the Unitized Zone without regard to the provisions of the Leases or the boundary lines of the Tracts or Spacing Units in such manner and by such means and methods as the Working Interest Owners consider necessary and proper and, without limiting the generality of the foregoing, the right to inject any substance or combination of substances into the Unitized Zone and convert and use as injection wells any wells now existing or hereafter drilled into the Unitized Zone.

402. Delegation

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

403. Vote of Working Interest Owners

Any matter to be determined under this agreement by the Working Interest Owners may be determined by such vote of the Working Interest Owners that are parties to the Unit Operating Agreement as is prescribed therein.

ARTICLE V

INCLUSION AND QUALIFICATION OF TRACTS

501. Tracts Included on Effective Date

The Tracts included in the Unit Area as of the Effective Date are those Tracts which are qualified under Clause 502 before the Effective Date or within ninety days after the Effective Date.

502. Qualification of Tracts

A Tract is qualified for inclusion in the Unit Area when its title has been approved by the Working Interest Owners under Clause 1102 and when owners of one hundred per cent (100%) of the Working Interest therein have become parties to this agreement and the Unit Operating Agreement and owners of one hundred per cent (100%) of the Royalty Interest therein, if any, have become Parties.

503. Date of Qualification and Inclusion

A Tract qualified after the Effective Date, but within ninety (90) days thereof, shall be deemed to have been qualified and included as of the Effective Date.

504. Revision of Exhibits

Within one hundred and twenty (120) days after the Effective Date the exhibits shall be revised, if necessary, to set out only those Tracts

included in the Unit Area under this Article. The revised Exhibit "A" shall set out the Tract Participations of the Tracts recalculated on the same basis as that used in the calculation of Tract Participations in the original Exhibit "A" and so that their summation equals one hundred per cent (100%), and previously established engineering or geological data shall not be re-evaluated in making such recalculations. The exhibits as so revised shall be effective as of the Effective Date.

ARTICLE VI

TRACT PARTICIPATION

601. Tract Participation

The Tract Participation of each Tract is shown on Exhibit "A".

ARTICLE VII

ALLOCATION OF UNITIZED SUBSTANCES PRODUCED

701. Allocation to Tracts

Subject to Clauses 801 and 802 the Unitized Substances when produced shall be allocated to the Tracts in accordance with their Tract Participations. The amount of Unitized Substances allocated to each Tract, and only that amount, regardless of whether it be more or less than the amount of actual production of Unitized Substances from the well or wells, if any, on such Tract, shall be deemed to have been produced from such Tract.

702. Distribution Within Tracts

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

thereof, had the Unitized Substances allocated to the Tract been actually produced therefrom by the Working Interest Owners.

703. Calculation of Royalty

The Working Interest Owners of each Tract shall calculate royalty on the Unitized Substances allocated to such Tract. The Royalty Owners of each Tract agree to accept payment of royalty so calculated in satisfaction of the obligation of a Working Interest Owner to make royalty payments on Unitized Substances under the lease of such Tract; but a lessee under a lease shall not be relieved from making payment of royalty to its lessor if payment is not made by the Working Interest Owner as aforesaid. In calculating royalty on residue gas, helium, sulphur and fluid hydrocarbons, or any of them, obtained by processing Unitized Substances, other than crude oil, by compression, absorption or other plant extraction or stabilization, proper allowances shall be made for costs, expenses and charges, including a reasonable return on investment, incurred in or attributable to gathering and processing the Unitized Substances.

704. Taking Unitized Substances in Kind

The Unitized Substances allocated to a Tract shall be delivered in kind as and when produced to the Working Interest Owners entitled thereto who may, if there is no interference with unit operations, construct, maintain and operate in the Unit Area all necessary facilities for taking delivery in kind. Any unusual expenditures incurred by Unit Operator to deliver in kind to one or more but less than all the Working Interest Owners any portion of the Unitized Substances shall be paid by such Working Interest Owner or Owners.

705. Failure to Take in Kind

To the extent that any Party entitled to take and receive in kind any portion of the Unitized Substances fails to take or otherwise adequately dispose

of the same, then so long as such failure continues, the Unit Operator, as agent and for the account and at the expense of such Party may, in order to avoid curtailing the production of Unitized Substances, dispose of such Party's share of Unitized Substances. If such Party's share of Unitized Substances is sold by the Unit Operator, the proceeds remaining from the sale shall be paid to such Party. The authority of the Unit Operator to enter into contracts for the sale of such Party's share of Unitized Substances shall be restricted to contracts that are consistent with the minimum needs of the industry under the circumstances and in no event shall the term thereof exceed one year. When the Unit Operator has so contracted, such Party may take its share of the Unitized Substances in kind upon the expiration of the current sales contract if it has given the Unit Operator notice at least sixty (60) days prior to the expiration of the current sales contract that it intends to take its share in kind.

706. Royalty on Outside Substances

If an Outside Substance is injected into the Unitized Zone, the first like substance contained in the Unitized Substances subsequently produced and sold or used other than for operations hereunder shall be deemed to be an Outside Substance until a quantity equal to the quantity of the Outside Substance injected into the Unitized Zone is recovered. No royalty payment shall be payable on any substance which is deemed to be an Outside Substance.

ARTICLE VIII

USE, LOSS AND STORAGE OF UNITIZED SUBSTANCES

801. Use or Loss

The Working Interest Owners may use as much of the Unitized Substances as they deem necessary for the operation and development of the Unitized Zone including, but not limited to, the injection thereof into

the Unitized Zone and in the operation of any plant or plants handling Unitized Substances. Unitized Substances so used or injected and Unitized Substances unavoidably lost shall be excluded in allocating Unitized Substances to Tracts, and no royalty or other payment shall be payable in respect thereof.

802. Storage

The Royalty Owners grant to the Working Interest Owners the right to inject Unitized Substances into the Unitized Zone for storage. Unitized Substances so injected into the Unitized Zone, shall be excluded in allocating Unitized Substances to Tracts, and no royalty or other payment shall be payable in respect thereof until such Unitized Substances are recovered from storage.

ARTICLE IX

ENLARGEMENT OF UNIT AREA

see 904

901. Application to Enlarge Board notice if not more

After the expiry of ninety (90) days from the Effective Date, if an owner of a Working Interest in lands in the vicinity of the Unit Area indicated to be potentially productive of Petroleum Substances from the Lodgepole Formation ? makes application therefor, the Working Interest Owners may, subject to such terms and conditions as may be determined by the Working Interest Owners, approve the admission of such lands into the Unit Area and, if such lands qualify under Clause 502, the Unit Area shall be enlarged to include such lands.

902. Adjustment of Tract Participation

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

(a) the ratios of the Tract Participations of Tracts shown on Exhibit "A" immediately prior to the enlargement of the Unit Area shall remain the same the one to the other; and

(b) the total of the Tract Participations for all Tracts of the enlarged Unit Area shall equal one hundred per cent (100%).

903. Exhibits

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

904. Effective Time of Enlargement

An enlargement of the Unit Area and adjustment of Tract Participation under this Article shall become effective at 7 A.M. on the first day of the calendar month following approval of admission under Clause 901 and qualification of such Tract under Clause 502 and approval of the Conservation Board, if required.

905. No Retroactive Adjustment

There shall never be any retroactive adjustment of the allocation of Unitized Substances by reason of an enlargement of the Unit Area under this Article.

ARTICLE X

DISPUTES

1001. Disputes

3rd party claim

If the title or right of a Party to receive in kind all or any portion of the Unitized Substances allocated to a Tract, or any share of the proceeds from the sale thereof, is in dispute, any Party concerned in the dispute shall forthwith give notice thereof to the Unit Operator. Where the Unit Operator is so notifed or where the Unit Operator is directed to do so by the Working Interest Owners in the event that it is otherwise informed of the dispute, the Unit Operator shall withhold and sell the portion of Unitized Substances the title or right to which is in dispute, and hold in trust the proceeds from the sale thereof until

(a) such Party furnishes security in a form and manner satisfactory to the Working Interest Owners for the proper accounting thereof to the rightful owner or owners if the title or right of such Party shall fail in whole or in part, whereupon the proceeds shall be paid to such Party; or

(b) the title or right thereto is established by a final judgment of a Court or otherwise to the satisfaction of the Working Interest Owners, whereupon such proceeds shall be paid to the Party rightfully entitled.

Where the Unit Operator is not notified of the dispute by a Party concerned and as a consequence does not comply with the foregoing provisions of this clause, the Parties concerned in the dispute hereby agree to indemnify and save harmless the Unit Operator for any loss or damage in respect of claims and demands made because of anything done or omitted to be done by the Unit Operator as a consequence of its not being notified of the dispute.

ARTICLE XI

APPROVAL OF TITLES

1101. Titles Committee

The Working Interest Owners shall appoint a committee (herein referred to as "the Titles Committee") which shall investigate the ownership of all Tracts. Each Working Interest Owner shall, upon request, submit to the Titles Committee such title data and information as the Titles Committee may reasonably request. If the Titles Committee does not unanimously recommend the approval of title to any Tract, it shall so advise the Party purporting to own the Working Interest in the said Tract and give such Party a reasonable time in which to cure the defects in its title at its own expense.

1102. Approval of Titles by Working Interest Owners

The Titles Committee shall submit to the Working Interest Owners a recommendation of approval or rejection of title to each Tract of the Working Interest Owners. The Working Interest Owners may approve:

(a) the titles of Working Interest Owners to Tracts which have been recommended for approval by the Titles Committee; and

(b) the titles of Working Interest Owners to Tracts which have been recommended for rejection by the Titles Committee but with respect to which such Working Interest Owners agree to indemnify the other Working Interest Owners, in a form and manner satisfactory to them, for loss or damage that may be suffered by the other Working Interest Owners in respect of claims and demands made because of subsequent failure of the Working Interest Owners' title.

1103. Subsequent Failure of Title

If the title of a Working Interest Owner to a Tract fails, such Tract shall be excluded from this agreement and the Unit Operating Agreement as of 7 A.M. on the first day of the calendar month in which such failure of title is finally determined unless

(a) any other Party is held or declared to own the same in which event such Party shall be bound by the terms of this agreement and the Unit Operating Agreement in respect of such Tract, or

(b) by the last day of the next following calendar month, the persons finally determined to be the owners of the Working Interest in such Tract become parties to this agreement and the Unit Operating Agreement in sufficient numbers for the Tract to qualify under Clause 502.

1104. Revision of Exhibits

The Unit Operator shall revise the exhibits to reflect any change in

ownership in or exclusion from this agreement of a Tract. Where a Tract is excluded, the revised exhibits shall be effective as of 7:00 A.M. on the first day of the calendar month in which such failure of title is finally determined.

ARTICLE XII

TRANSFER OF INTEREST

1201. Disposition

In this clause "disposition" means a sale, assignment, transfer, lease, sublease, conveyance, parting with possession, or any transaction of a similar nature, whether by trust or otherwise. A disposition of an interest owned by a Party in a Tract shall cover the whole or an undivided interest in such Party's interest in such Tract, but not a divided interest in any Tract. No such disposition shall be binding for any purpose upon the Unit Operator or any Party hereto other than the Party so conveying the same until 7:00 A.M. on the first day of the calendar month next succeeding the date of the delivery to the Unit Operator of a notarially certified copy of the instrument evidencing such change in ownership. The foregoing provisions of this Article shall not apply to a disposal by way of mortgage, pledge or hypothecation; provided that the mortgagee or pledgee shall hold its security subject to all the terms of this Agreement and upon any realization, or foreclosure, of the security the purchaser, mortgagee, or pledgee, as the case may be shall be ipsofacto held to have assumed all future obligations of the mortgagor, pledgor or hypothecator under the terms of this Agreement, and to become a party hereto.

ARTICLE XIII

IN GENERAL

1301. Execution in Counterpart

This agreement may be executed in as many counterparts as are necessary and all the counterparts together shall constitute one agreement.

1302. Dual Capacity

If a Party owns a Working Interest and a Royalty Interest, its execution of this agreement in one capacity shall also constitute execution in the other capacity.

1303. Fee Simple Title

Where a Party owns a fee simple title to a Tract not subject to a Lease, seven-eighths (7/8ths) of the Unitized Substances allocated to such Tract pursuant to this agreement shall be deemed to have been allocated in respect of a Working Interest and such Party shall be entitled and subject to the rights and obligations of a Working Interest Owner as to the seven-eighths (7/8ths) portion of Unitized Substances, and one-eighth (1/8th) of the allocated production shall be deemed to have been allocated in respect of a Royalty Interest and such Party shall be entitled and subject to the rights and obligations of a Royalty Owner as to the one-eighth (1/8th) portion of Unitized Substances.

1304. No Partnership

The duties and obligations of the Parties shall be separate and not joint or collective. Nothing contained in this agreement shall be construed to create a partnership of association.

1305. Force Majeure

Neither Unit Operator nor any Party shall be deemed to be in default with respect to non-performance of its obligations hereunder, other than financial, if and so long as its non-performance is due, in whole or in part, to any cause beyond its reasonable control, but lack of funds shall not be a cause beyond a Party's reasonable control. The performance of such obligations shall begin or be resumed within a reasonable time after such cause has been removed.

1306. Liability for Taxes

Each Party shall be separately liable in proportion to his ownership

for all taxes imposed or levied with respect to the ownership of Unitized Substances within each Tract in which it owns an interest, or with respect to the production or sale of the Unitized Substances allocated to any such Tract; but any such taxes payable by a Royalty Owner may be paid directly by the relative Working Interest Owner, and in the event that any such taxes are paid by a Working Interest Owner for the account of the Royalty Owner liable, then the Working Interest Owner shall charge to and collect from the Royalty Owner the full amount of the taxes which have been paid for him by deducting the amount of the taxes from the amount of royalty payments due or that may become due to the Royalty Owner.

1307. Adjustment of Taxes

In the event that the basis adopted by any governmental authority for the purpose of levying any tax which is assessed on the basis of the Unitized Substances produced or the value thereof is any basis other than the allocation of Unitized Substances agreed upon by the Parties, then the Parties liable to taxation agree to make such adjustments among themselves as will result in the taxes being borne by them in the proportions in which they would have been borne had the allocation of production provided for in this agreement been adopted as the basis of assessment for the purpose of levying the taxes.

1308. Right of Redemption

Each Royalty Owner agrees that the relevant Working Interest Owners shall have the right, at any time, to redeem for a Royalty Owner by payment any agreement for sale, mortgage, tax or other lien or encumbrance of any kind or nature, which may now or hereafter affect or relate to any land within the Unit Area or any interest therein, in the event of default of payment by the Royalty Owner. Each Royalty Owner further agrees that the Working Interest Owners making such payment shall be subrogated to the rights of the holder or holders

of such agreement for sale, mortgage, tax, or other lien or encumbrance and may, in addition thereto, be entitled to reimbursement therefor, without foreclosure, out of the proceeds of any royalties payable to such Royalty Owner.

1309. Notices

See complete notice

Any notice required or permitted to be served under this agreement shall be in writing and is properly served when sent by mail or telegram to the latest address of the Party concerned, as furnished to Unit Operator, or where any Party has not furnished an address or a later address to the Unit Operator then any notice is properly served when sent by mail or telegram to the address shown opposite the Party's signature to this Agreement, and shall be conclusively deemed to have been received on the next business day following seventy-two (72) hours, excluding Saturdays, Sundays, and Statutory Holidays, after the mailing thereof.

? see 1911 of operating agreement

1310. Interpretation

The captions or headings used in this agreement are inserted solely for convenience and shall not be considered or given any effect in interpreting this agreement or in ascertaining the intent of the Parties.

1311. Number and Gender

In this agreement words importing the singular include the plural and vice versa; words importing the masculine gender include the feminine and vice versa; and words importing persons include firms or corporations and vice versa.

1312. Time

What time.

Reference to time in this agreement means Mountain Standard Time.

ARTICLE XIV

EFFECTIVE DATE

1401. Effective Date

The unitization provided for herein shall become effective at 7:00 A.M.

on the first day of the first calendar month following the date of the qualification of all Tracts under Clause 502 and the approval of the Conservation Board, if required.

1402. Release of Parties

This agreement shall cease to bind the Parties if the unitization provided for herein has not become effective on or before the 31st day of May A. D. 1964.

NB Extended to June 20, 1964

ARTICLE XV

TERM

1501. Effect of Execution and Delivery

This agreement is binding upon a person who executes and delivers three (3) counterparts thereof to Unit Operator, and that person is bound by this agreement as of the time of such delivery. This agreement enures to the benefit of and is binding upon the heirs, executors, administrators, successors and assigns of the Parties, but if a Tract is not included in the Unit Area under Article V, the Parties owning interests in such Tract shall be completely released from the provisions of this agreement with respect to that Tract upon the expiration of ninety (90) days after the Effective Date. title approval

1502. Termination

This agreement terminates ninety (90) days after all wells for the production of Unitized Substances in the Unit Area have been abandoned, plugged or disposed of or upon the termination of the Unit Operating Agreement, and thereafter the Parties shall be governed by the terms and provisions of the Leases and contracts affecting the separate Tracts just as if this agreement had never been entered into. As between the parties thereto all obligations under such Leases and contracts shall be deemed to have been satisfied to the date of such termination.

1503. Salvaging Equipment upon Termination

Royalty Owners grant Working Interest Owners a period of six (6) months after termination of this agreement in which to salvage, sell, distribute or otherwise dispose of the personal property and facilities used in connection with unit operations.

1504. Notice to Royalty Owners

The Working Interest Owners shall give notice to their respective Royalty Owners of the termination of this agreement within thirty (30) days thereof.

IN WITNESS WHEREOF the Parties have executed this agreement on the date shown opposite their execution hereof.

APPROVED BY -

The Oil & Natural Gas Conservation Board

CHAIRMAN .....
J. G. Cowan

DEPUTY CHAIRMAN .....
J. S. Richards

MEMBER .....
M. J. Gobert

DATED this 30th day of June, 1964
Winnipeg, Manitoba

C A N A D A	)	I, Polly Woodruff, of the City of Calgary, in
	)	
PROVINCE OF ALBERTA	)	the Province of Alberta, Secretary, make oath
	)	
TO WIT:	)	and say:

1. THAT I was personally present and did see LLOYD E. MILLER, Agent and Attorney-in-Fact of SUN OIL COMPANY, named in the within instrument, who is personally known to me, duly sign and execute the same on behalf of SUN OIL COMPANY, for the purpose named therein.

2. THAT the same was executed at the City of Calgary in the Province of Alberta, and that I am the subscribing witness thereto.

3. THAT I know the said LLOYD E. MILLER and he is, in my belief, of the full age of twenty-one years.

SWORN at the City of Calgary,	)	
	)	
in the Province of Alberta,	)	
	)	
this day of	)	_____
	)	
A. D. 196 .	)	

Before me:

_____

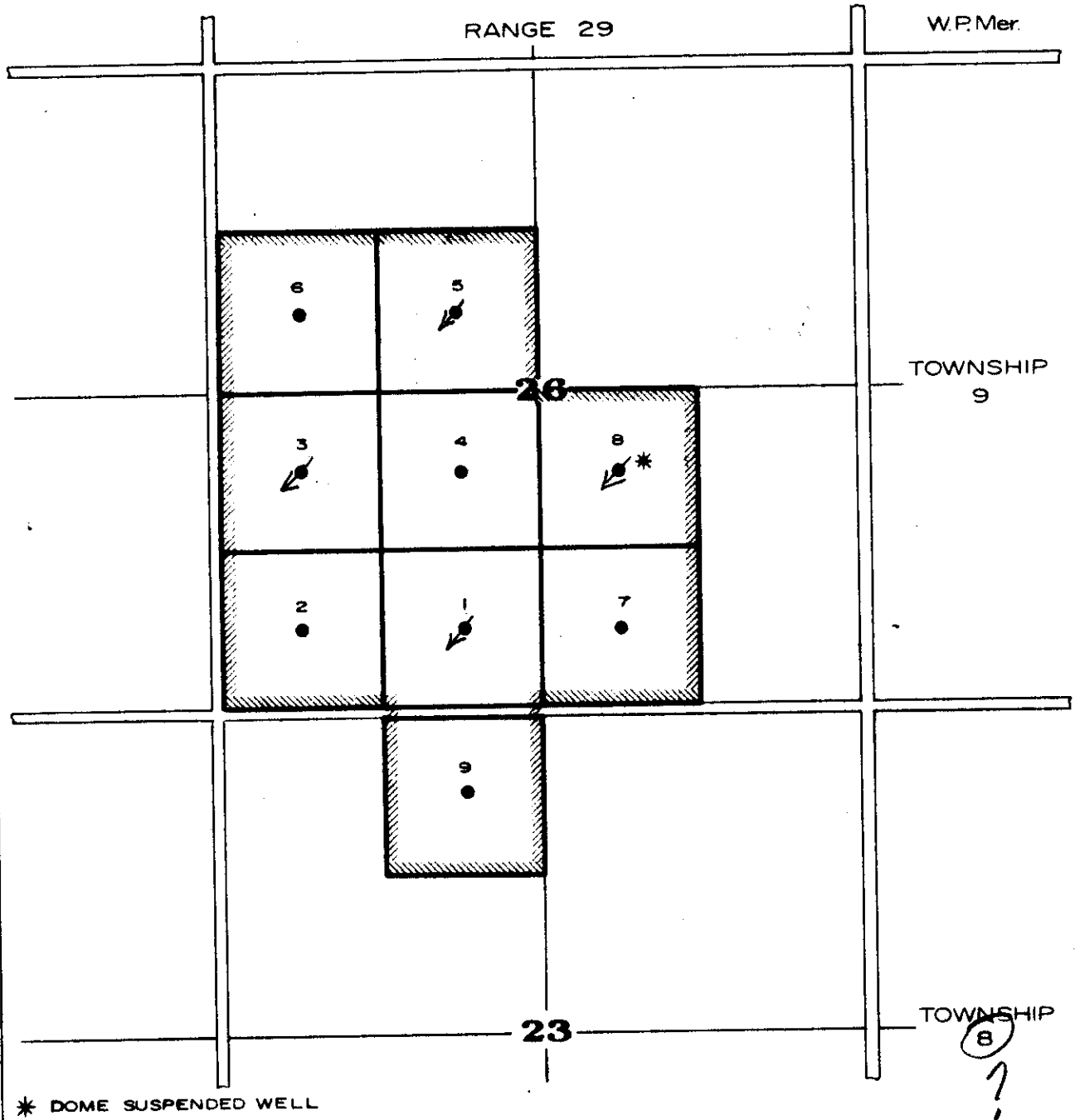
A Commissioner for Oaths, a Notary Public, in and for the Province of Alberta.

EXHIBIT "A"

The lands in the Province of Manitoba which comprise the Ebor Unit are as follows:

Tract Number	Land Description	Working Interest Owner		Tract Participation
1	Lsd. 3-26-9-29 W1	Sun Oil Company		16.6047
2	Lsd. 4-26-9-29 W1	Sun Oil Company		10.1811
3	Lsd. 5-26-9-29 W1	Sun Oil Company		3.8201
4	Lsd. 6-26-9-29 W1	Sun Oil Company		12.4335
5	Lsd. 11-26-9-29 W1	Sun Oil Company		21.6533
6	Lsd. 12-26-9-29 W1	Sun Oil Company		11.2989
7	Lsd. 2-26-9-29 W1	Dome Petroleum Limited	3.8299 55%	
		Provo Gas (Sask)	1.3927 20%	
		Pacific Petroleums Ltd.	1.7408 25%	
				6.9634
8	Lsd. 7-26-9-29 W1	Dome Petroleum Limited	2.9204 55	
		Provo Gas (Sask)	1.0620 20	
		Pacific Petroleums Ltd.	1.3275 25	
				5.3099
9	Lsd. 14-23-8-29 W1	Dome Petroleum Limited	2.9337 25	
	9?	Provo Gas (Sask)	2.9338 25	
		D. J. Pickrell	.9779 8.3	
		D. J. Pickrell and Virginia C. Pickrell	1.9559 16.67	
		Pacific Petroleums Ltd.	2.9338 25	
				11.7351
				100.0000

EXHIBIT "B"
PLAN OF UNIT AREA



EBOR UNIT

TRACT MAP

LEGEND

UNIT BOUNDARY

TRACT BOUNDARY & TRACT NO. 50

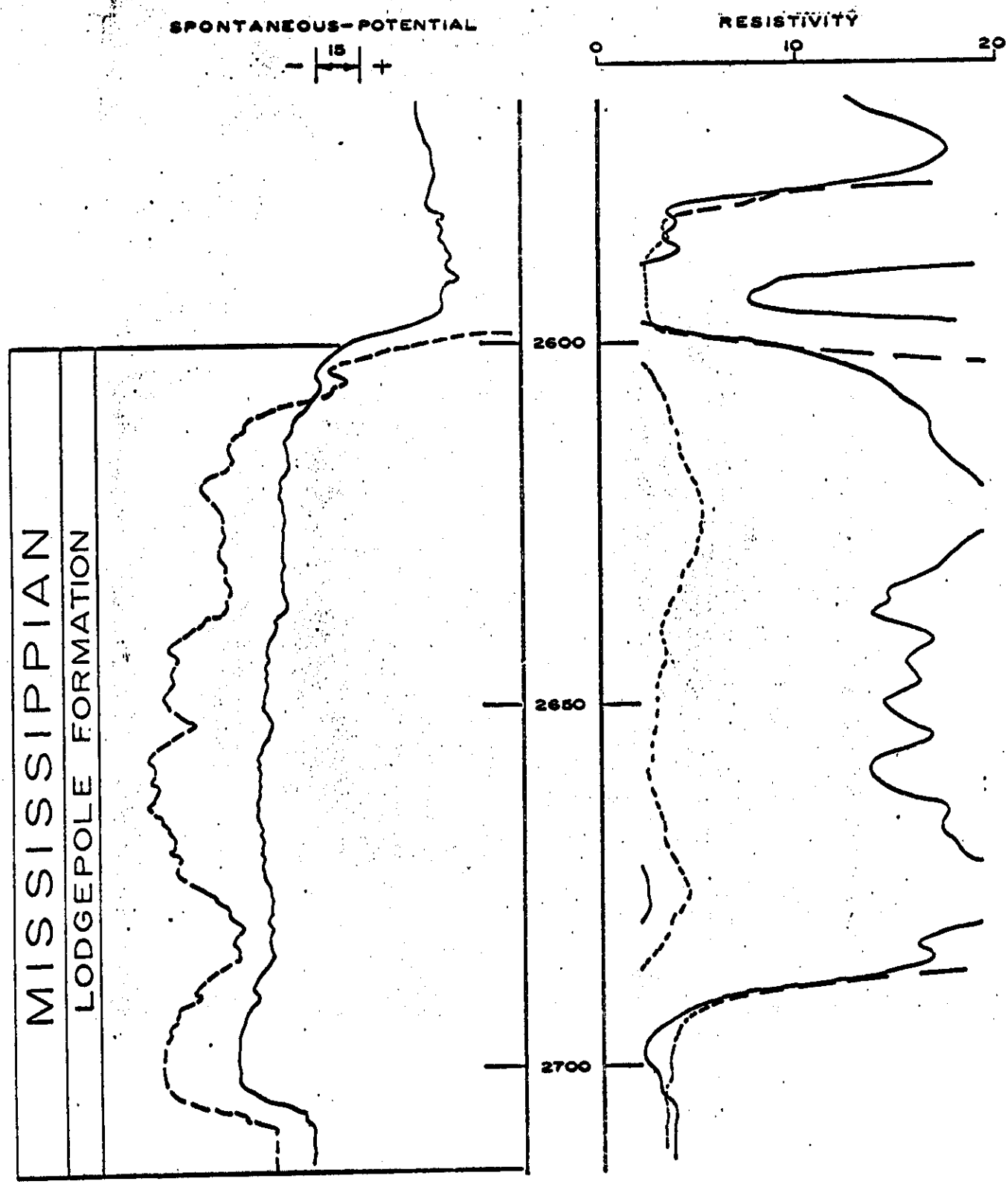
SCALE IN MILES

0 1/4 1/2 3/4 1

FEBRUARY 10, 1964

EXHIBIT "C"
ELECTRICAL LOG
DOME HARRIS COX NO. 14-23

K·B·ELEVATION 1742'



Draft February 20, 1964

UNIT OPERATING AGREEMENT

EBOR UNIT

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UNIT OPERATING AGREEMENT

EBOR UNIT

WHEREAS the Parties own Working Interests in the Unitized Zone and desire to conduct Unit Operations;

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

ARTICLE I

DEFINITIONS

101. Definitions

Unless otherwise defined herein, the definitions in the Unit Agreement are adopted. In addition, in this Agreement:

(a) "Commencement Date" means the time referred to in Article XVII;

(b) "for the Joint Account" means for the benefit and risk and at the expense of the Parties in accordance with their Unit Participations;

(c) "Party" means a person who is bound by this Agreement;

(d) "Unit Agreement" means the Agreement entitled "Unit Agreement - Ebor Unit";

(e) "Unit Facilities" means all real and personal property of every kind, nature and description (excepting Unitized Substances, the Unitized Zone, rental equipment and Unit Operator's solely owned equipment) in the possession of Unit Operator pursuant to this Agreement;

(f) "Unit Operations" means any operations authorized and provided for in the Unit Agreement and this Agreement, or in either of them, for or in respect of the development and operation of the Unitized Zone for the production of Unitized Substances;

(g) "Unit Participation" of a Party means the sum of the Party's shares of Tract Participations as set forth in Exhibit "D";

(h) "Unit Well" means a well listed in Exhibit "E" and any well drilled or acquired for the Joint Account.

ARTICLE II

CONFIRMATION OF UNIT AGREEMENT

201. Confirmation of Unit Agreement

The Unit Agreement is ratified and confirmed. In the event of any conflict between the Unit Agreement and this Agreement, the Unit Agreement shall prevail. With respect to all matters not specifically provided for in this Agreement, the relative provisions of the Unit Agreement shall apply, mutatis mutandis.

ARTICLE III

EXHIBITS

301. Exhibits Incorporated

Exhibits "A" "B" and "C" of the Unit Agreement are incorporated in this Agreement by this reference.

302. Exhibits Attached

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

(a) Exhibit "D" which is a list of the Parties and their respective Unit Participations;

(b) Exhibit "E" which is a list of the Unit Wells;

(c) Exhibit "F" which is the Accounting Procedure.

303. Revisions and Corrections

Whenever Exhibits "A" and "B" are revised or corrected, corresponding revisions or corrections of Exhibits "D" and "E" shall be made with concurrent effect.

304. Conflicts

If there is any conflict between an Exhibit or anything contained in an Exhibit, and any provisions of this Agreement, the provisions of this Agreement shall prevail.

ARTICLE IV

SUPERVISION AND CONTROL OF UNIT OPERATIONS

401. Operating Committee W.I.O only? yes See Clause 1902

The Parties shall supervise and control the Unit Operations through an Operating Committee composed of their duly appointed representatives. Each Party shall as soon as possible notify Unit Operator of the name and address of its representative and one or more alternate representatives authorized to represent and bind the Party at meetings of the Operating Committee. A Party may change any of its representatives from time to time by notice to Unit Operator. Two or more Parties may appoint the same person as their representative. A person appointed as representative for two or more Parties shall cast a separate vote for each of his Parties.

402. Chairman

The representative of Unit Operator shall be Chairman of the Operating Committee.

403. Meetings

The Operating Committee shall hold meetings whenever called by Unit Operator, or if there is no Unit Operator, by Parties having Unit Participations totalling five per cent (5%) or more. Unit Operator may call meetings at any time on its own motion, and shall call meetings whenever requested to do so by Parties having Unit Participations totalling five per cent (5%) or more. At least ten (10) days' notice of each meeting shall be given to the Parties, with an agenda attached giving reasonable details of matters involving expen-

ditures, unless the representatives of all Parties in writing waive their right to such notice. Matters not contained in the agenda shall not be voted upon at a meeting unless the representatives of all Parties unanimously agree to add such matters to the agenda. to the agenda.

404. Voting Procedure

The Parties through their representatives shall determine all matters coming before the Operating Committee as follows:

(a) Voting Interest. Except as otherwise provided in this Clause and Clause 405, in voting on any matter each Party shall have a voting interest equal to its Unit Participation;

(b) Vote Required - Generally. Except as otherwise provided in this Agreement, the Operating Committee shall determine all matters coming before it pursuant to this Agreement or the Unit Agreement by the affirmative vote of a Party or Parties having voting interests totalling sixty (60%) per cent or more, but if at any time a Party has a voting interest of forty (40%) per cent or more, the vote of such Party shall not serve to defeat a matter unless such vote is supported by at least one other Party;

(c) Vote Required - Special Matters.

(i) Qualification of Tracts. Matters in respect of the qualification of tracts for inclusion in the Unit Area shall be determined by the affirmative vote of two (2) of more Parties having voting interests totalling seventy (70%) per cent or more, but if any any time a Party has a voting interest of thirty (30%) per cent or more the vote of such Party shall not serve to defeat a matter unless such vote is supported by at least one other Party;

(ii) Enlargement of Unit Area. Matters in respect of the enlargement of the Unit Area shall be determined by the affirmative vote of two (2) or more Parties having voting interests totalling seventy (70%) per cent or more;

(iii) Amendment or Replacement of Exhibit "F". Exhibit "F" may be amended or replaced by the affirmative vote of two (2) or more Parties having voting interests totalling seventy (70%) per cent or more; Accounting procedure.

(iv) Termination. The Unit Agreement, pursuant to the provisions thereof, and this Agreement, may be terminated by the affirmative vote of two (2) or more Parties having voting interests totalling seventy (70%) per cent or more.

(d) Vote by Notice

(i) A Party not represented at a meeting may vote on any matter included in the agenda by prior notice to the Chairman;

(ii) The Chairman may, without calling a meeting, call for a vote on any matter by submitting such matter with reasonable details of any proposed expenditure to each Party by telegram or registered mail to the attention of its duly appointed representative. Unless a meeting is called within forty-eight (48) hours thereafter to consider the matter, each Party shall by notice cast its vote with the Chairman within twelve (12) days from the date the matter was submitted. The Chairman shall promptly notify each Party of the result of a vote hereunder, and cause the

result to be recorded in the minutes of the next meeting of the Operating Committee.

(e) Failure to Vote. A Party who does not vote on any matter shall be deemed to have voted in the affirmative on the matter, but in the recording of the result of the vote, such Party shall be shown as having abstained from voting on the matter at a meeting, been absent, or failed to cast a vote on the matter by notice, as the case may be.

405. Initial Voting Interest

In order that the combined voting interests of the Parties will be one hundred (100%) per cent during the period from the Commencement Date until ninety (90) days after the Effective Date, each Party shall, during the said period, be deemed to have a voting interest equal to the proportion, expressed as a percentage, that its Unit Participation bears to the combined Unit Participations of the Parties, as set forth in Exhibit "D".

406. Minutes

Minutes shall be kept of the proceedings of each meeting of the Operating Committee by a Secretary appointed for this purpose by Unit Operator, and a copy thereof shall be forwarded to each Party. The minutes shall include the names of the representatives present, the Parties they represent, any formal action taken by the Operating Committee, and the results of any votes taken pursuant to Clause 404(d)(ii) since the last meeting.

407. Parties Bound by Voting

A determination of a matter by the voting of Parties in accordance with the provisions of this Agreement shall be binding upon all the Parties.

ARTICLE V

RIGHTS AND POWERS OF THE OPERATING COMMITTEE

501. Rights and Powers of the Operating Committee

The Operating Committee shall have and exercise all the rights and powers granted to the Working Interest Owners by the Unit Agreement, except to the extent that certain of the said rights and powers are by this Agreement specifically delegated to Unit Operator to be exercised by Unit Operator subject to the orders, directions and limitations given or imposed by the Operating Committee.

ARTICLE VI

INDIVIDUAL RIGHTS AND PRIVILEGES OF THE PARTIES

601. Reservation of Rights

Except as otherwise provided in this Agreement or the Unit Agreement, each Party reserves to itself all of its rights, powers, authorities and privileges.

602. Specific Rights

Each Party shall have:

(a) the right of access to the Unit Area at all reasonable times upon notice to Unit Operator, at the Party's sole risk and expense to inspect Unit Operations and the Unit Facilities, and the right to inspect all records and data pertaining thereto;

(b) the right to conduct operations on its Tracts for the discovery and production of Petroleum Substances other than Unitized Substances, on condition that the Party shall protect the Unitized Zone and prevent interference with Unit Operations.

ARTICLE VII

UNIT OPERATOR

701. Initial Unit Operator

The Parties hereby designate Sun Oil Company as initial Unit Operator.

702. Change of Unit Operator ?

(a) Should the Unit Operator purport to assign its duties as Unit Operator hereunder, it shall thereupon cease to be Unit Operator.

(b) Should the Unit Operator dispose of all its Working Interest, it shall thereupon cease to be Unit Operator.

(c) Should the Unit Operator at any time become bankrupt or insolvent or make any general assignment for the benefit of creditors, or should any execution or attachment issue against it whereby any or all of its Working Interest or interest in Unit Facilities is taken by any custodian, receiver, trustee or other legal authority to whom its duties hereunder shall pass by operation of law, then it shall thereupon cease to be Unit Operator.

(d) The Unit Operator may resign at any time upon giving written notice to that effect to the Parties.

(e) After the expiration of three (3) years from the Effective Date any Party may by notice addressed to the Unit Operator and each other Party demand that the Unit Operator conduct the common operation in a more economical manner. In such notice the Party serving the same shall list in detail the particular items with which it is concerned and the economies it demands be thereafter effected in respect thereto. The Unit Operator must, within ninety (90)

Salome R. Powell

days after the receipt of such notice either consent in writing to effect such economies commencing the first day of the calendar month three (3) months succeeding the month in which the notice was given or it must resign. In the latter event the Party that served the demand must assume the functions of Operator and effect the economies set out in the said demand. Thereafter at minimum intervals of two (2) years any Party may make a similar demand and the Unit Operator and Party giving such demand shall be under a similar obligation.

(f) Any resignation or replacement of the Unit Operator under subparagraphs (d) or (e) of this Clause 702 shall become effective at 7:00 A.M. on the first day of the calendar month next following the expiration of ninety (90) days after the giving of the required written notice or such earlier time as the parties may agree upon.

(g) Forthwith upon the removal or resignation of the Unit Operator, or at any time when there is no Unit Operator, the parties other than the previous Unit Operator, shall select a successor Operator to replace the preceding Unit Operator to take office contemporaneously with the effective time of the resignation or removal of the Operator or to fill any such vacancy. If any successor Unit Operator is not a party to this Agreement, its selection as Unit Operator shall require the unanimous consent of the parties. Any contract engaging an outside party as Operator shall contain a provision that such party may be dismissed as Operator by a vote of the Parties pursuant to the provisions of Clause 404(b) hereof.

(h) Subject to the provisions of subclause (g) hereof, any successor Operator may resign or be removed and be replaced in a similar

manner as in this Clause provided and the provisions of this clause applicable to such resignation, removal or replacement shall apply mutatis mutandis.

703. Takeover by Successor

Upon the effective time of a resignation, removal or selection of a successor Operator the departing Unit Operator shall turn over to its successor, or if no successor has been designated, to the Parties or to any one of them on behalf of all, control and possession of all Unit Facilities, unit production on hand, documents, books, records and accounts (or copies thereof) pertaining to the performance of its functions as Unit Operator together with all moneys held by it in its capacity as Unit Operator. If the title to any real property included in the Unit Facilities is held in its name, it shall continue to hold such property in trust for the Parties unless otherwise directed by the Operating Committee.

ARTICLE VIII

PERFORMANCE BY UNIT OPERATOR

801. Status

Unit Operator shall, in addition to its rights, powers, duties and obligations as Unit Operator, have all the rights, powers, duties and obligations of a Party.

802. Rights, Powers, Duties and Obligations

Subject to this Agreement and the Unit Agreement and to any orders, directions and limitations given or imposed by the Operating Committee, Unit Operator shall conduct or cause to be conducted all Unit Operations. Without limiting the generality of the foregoing Unit Operator shall:

(a) make all necessary reports relating to Unit Operations to the

appropriate governmental agency;

(b) keep true and correct books, accounts and records of the Unit Operations and furnish to each Party on or before the fifteenth (15th) day of each calendar month a statement of the amount of Unitized Substances produced and the sales and inventory of such production in the preceding calendar month;

(c) furnish to each Party such reports of Unit Operations as the Operating Committee may direct and consult with the Operating Committee and keep the Parties advised of all matters arising in connection with Unit Operations which Unit Operator considers important;

(d) conduct all Unit Operations in a good and workmanlike manner, in accordance with good oil and gas field practices and in accordance with all applicable laws, orders, rules and regulations;

(e) keep the Leases and the Unit Area free from all liens and encumbrances occasioned by Unit Operations, except the lien of Unit Operator hereunder and except liens being contested in good faith;

(f) comply and require its Contractors to comply with the Workmen's Compensation Act and carry and require its Contractors to carry, with respect to Unit Operations, such insurance for the benefit of the Parties as the Operating Committee may direct, but this shall not prevent a Party from procuring and maintaining at its sole cost and expense and for its sole benefit such insurance on Unit Facilities as it shall determine if the Party's insurance

policy contains a waiver on the part of the insurance carrier of all rights, by subrogation or otherwise, against any Party not named as an insured in the policy; and

(g) let contracts for portions of Unit Operations on a competitive basis, but Unit Operator may use its own equipment for such operations, if the charge therefor does not exceed the prevailing rates and terms of independent contractors for doing work of a similar nature in the area.

In the absence of any specific instructions from the Operating Committee, Unit Operator shall conduct, or cause to be conducted, such Unit Operations as would a prudent operator under the same or similar circumstances.

803. Employees

The number, selection, hours of labour and remuneration of employees used by Unit Operator in conducting Unit Operations shall be determined by Unit Operator. Such employees shall be the employees solely of Unit Operator.

804. Expenditures

Unit Operator shall not make or incur any expenditure for the Joint Account, other than an expenditure provided for in an approved budget, without the prior approval of the Operating Committee except:

(a) an expenditure for any undertaking, the total estimated cost of which is not in excess of Five Thousand ($5,000.00) Dollars; and

(b) expenditures which it deems necessary in emergencies to protect lives or property; and

(c) expenditures not in excess of Two Thousand ($2,000.00) Dollars for the full settlement of each damage claim resulting or arising from Unit Operations.

ARTICLE IX

LIABILITIES AND OBLIGATIONS

901. Liability of Unit Operator

Unit Operator shall not be liable to the other Parties for any loss or damage suffered by the Parties resulting or arising from Unit Operations except when and to the extent that such loss or damage results from the gross negligence or wilful or wanton misconduct of Unit Operator. Each Party in the proportion of its Unit Participation indemnifies and agrees to hold harmless Unit Operator against any claim of, or liability to, any third person resulting from acts or omissions of Unit Operator in respect of the Unit Operations, except when and to the extent that such claim or liability results from the gross negligence or wilful or wanton misconduct of Unit Operator. For the purposes of this clause, an act or omission of Unit Operator shall not be deemed gross negligence or wilful or wanton misconduct if such act or omission is done or omitted pursuant to the instructions of, or with the concurrence of, the Operating Committee.

902. Taxes, Rentals and Royalties See 302 Unit Agreement

Each Party shall pay or be responsible for the payment of all taxes (other than taxes on Unit Facilities which shall be paid by Unit Operator for the Joint Account) rentals and royalties applicable to the Party's Working Interest in the respective Tracts.

ARTICLE X

UNIT FACILITIES

1001. Delivery of Wells and Equipment

Upon the Effective Date each Party shall deliver to Unit Operator the exclusive use, possession and ownership of such Party's interest in:

(a) all Unit Wells together with all tubing and casing therein, and

(b) all wellsite and other operating equipment used in the operation of the Unit Wells which the Operating Committee determines is necessary or desirable for conducting Unit Operations, except warehouses, lease houses, camps, office buildings and automobiles and other service equipment.

1002. Testing of Unit Wells

Within ninety (90) days after the Effective Date, Unit Operator may test any Unit Well to determine the working condition in which it was delivered. If, in the opinion of the Operating Committee, such a test shows that any Unit Well (other than a Unit Well described as non-productive in said Schedule "B") is not in sound working condition, the Party delivering it shall bear the entire cost and risk of putting it in sound working condition. The Party may authorize Unit Operator to carry out this work on its behalf, or may, if the Operating Committee agrees, either put the Unit Well in sound working condition or make a payment to Unit Operator for the Joint Account in lieu thereof. All costs incurred by Unit Operator in carrying out such work, or the amount to be paid by the Party in lieu thereof, shall be deemed to be amounts owing by the Party within the meaning of Article XII.

1003. Delivery of Records

Upon the Effective Date each Party shall deliver to Unit Operator copies of all records and information obtained in connection with the drilling, testing, completing and operating of the Unit Wells, and all other information and records pertinent thereto as requested by Unit Operator.

1004. Representation and Indemnity

Each Party represents that the Unit Facilities which it contributes pursuant to Clause 1001 are free and clear of any liens, charges, encumbrances, suits, or actions of whatsoever kind or nature, and each Party indemnifies and

agrees to hold harmless the other Parties from any and all liability, loss, cost, or damage sustained by them and resulting from failure of or deficiencies in its title to the Unit Facilities which it so contributes.

1005. Agreements for Use of Facilities

With the prior approval of the Operating Committee, Unit Operator may enter into agreements with any person for the use or joint use by that person of any Unit Facilities, or for the use or joint use by Unit Operator of any facilities owned by that person, and all revenues obtained and expenses incurred pursuant to such agreements shall be for the Joint Account.

ARTICLE XI

ADJUSTMENT OF INVESTMENT

1101. Inventory and Evaluation

The Parties shall appoint an Inventory Committee to make an inventory and evaluation of such of the wells and equipment delivered to and taken over by the Unit Operator pursuant to Clause 1001 as is generally regarded within the industry as controllable, but shall exclude surface casing, production casing, battery construction pipe and flowlines, and small fittings of a minor nature. Each Party shall submit to the Inventory Committee a complete statement of all controllable tangible equipment delivered by the Party to the Unit Operator, with a description of the condition of each item at the time of delivery. The statement showing actual costs shall be subject to audit by the Inventory Committee. The Inventory Committee shall price the controllable tangible equipment at its current new price adjusted as of the Effective Date for condition in accordance with the provisions of Clause (2) of Section III of Exhibit "F" and report its inventory and evaluation to the Parties.

1102. General Facilities

The acquisition of warehouses, warehouse stocks, lease houses, camps,

office buildings and automobile and other service equipment necessary for Unit Operations shall be by negotiation by and between the owners thereof and the Unit Operator, subject to the approval of the Parties.

1103. Ownership of Unit Facilities

After Unit Facilities referred to in Clause 1001 have been inventoried and valued as provided in Clause 1101, each Party shall, subject to Clause 1105, own an interim share in the Unit Facilities which is equal to the percentage that the value of the controllable equipment delivered by it to the Unit Operator, is of the total value of all controllable equipment delivered by all the Parties to the Unit Operator. Such interim share shall apply until the beginning of the succeeding calendar year, at which time ownership of Unit Facilities shall be on the basis set forth in Clause 1105. The Parties will not be subject to any charge for rental or depreciation for such facilities.

1104. Unit Facilities Investment Account

The Unit Operator shall set up a Unit Facilities Investment Account which shall reflect at the end of each calendar year:

(a) The total value of all controllable equipment delivered to the Unit Operator by all the Parties; plus

(b) The total value of all controllable equipment subsequently acquired for Unit Operations; less

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

For the purpose of calculating Unit Facilities Investment Account, controllable equipment which has been sold, junked or otherwise disposed of shall be given the same value as it was given when originally delivered to or acquired by the Unit Operator. At the end of any calendar year the Unit Facilities Investment Account will be the net of (a) plus (b) less (c). The Unit Facilities Investment Account shall be reviewed by the Parties during the first quarter

of each calendar year and if approved will be accepted for the year. Any adjustments required as the result of an audit will be made in the next calculation of the Unit Facilities Investment Account.

1105. Parties' Percentage Shares of Unit Facilities

Each Party shall have a net credit in the Unit Facilities Investment Account which shall be the value of all controllable equipment delivered by it to the Unit Operator plus its share of the value of all controllable equipment subsequently acquired for Unit Operations less its share of the value of controllable equipment sold, junked or otherwise disposed of. The relationship, expressed as a percentage, between each Party's net credit and the sum of the net credits of all Parties will be its percentage share of the Unit Facilities. Such percentage shall be carried to a minimum of five decimal places. ? front / participation of places

1106. Proceeds from Disposal of Unit Facilities

Proceeds from disposal of Unit Facilities whether controllable equipment or otherwise up to the end of the first calendar year shall be credited to each Party in accordance with its respective interim percentage share established under Clause 1103 and thereafter such proceeds shall be credited to each of them in accordance with their respective regular percentage shares calculated in accordance with Clause 1105.

1107. Adjustment on Failure of Title

Upon revision of the relevant Exhibits pursuant to a failure of the title of a Party to a Tract, the Parties shall determine if any compensation shall be payable to such Party by the other Parties for the value of such Party's undivided interest thus lost in the Unit Facilities. If the Parties determine that any such compensation shall be payable, they shall also determine the amount of such compensation.

ARTICLE XII

COSTS OF UNIT OPERATIONS

1201. Basis of Charges to Parties

Except as otherwise provided in this Agreement, Unit Operator initially shall pay and discharge all costs and expenses incurred for the Joint Account. The Parties shall reimburse Unit Operator for all such costs and expenses in proportion to their respective Unit Participations. All charges, credits and accounting for costs and expenses shall be in accordance with Exhibit "F".

1202. Budgets

As soon as practicable after the Effective Date, Unit Operator shall prepare and submit to the Operating Committee a budget of proposed expenditures for Unit Operations for the remainder of the calendar year, and on or before the last day of each October thereafter shall prepare and submit to the Operating Committee a budget of proposed expenditures for Unit Operations in the succeeding calendar year. Such budgets shall set forth the proposed expenditures showing the capital items separately. If the Operating Committee does not approve a budget, or any portion thereof, such budget or the portion thereof not approved, shall be revised by Unit Operator in accordance with the instructions of the Operating Committee. A copy of each budget and revised budget shall be promptly furnished to each Party.

1203. Advance Billings for Capital Items

Unit Operator may require the Parties to advance their respective shares of approved capital items by submitting to each Party on or before the fifteenth (15th) day of any calendar month, a reasonably detailed estimate of such capital items for the succeeding calendar month, with a request for payment in advance.

Each Party receiving such a request shall within thirty (30) days make payment of its share of such capital items. Unit Operator's monthly billings to the Parties shall reflect credit for any amounts advanced as aforesaid, and any differences between actual costs and expenses and amounts advanced will be adjusted as required.

1204. Operating Fund

Unit Operator may by notice require the Parties to advance for an operating fund their respective proportions of ten (10%) per cent of the expenditures, other than expenditures for capital items, proposed for a calendar year in an approved budget for Unit Operations. After the establishment of the operating fund, each Party shall remit its share of actual costs and expenses in accordance with each month's billing within thirty (30) days of receipt of Unit Operator's statement, thus maintaining the operating fund intact. The amount of the operating fund may be increased or decreased at the direction of the Operating Committee, who shall review the matter annually, or whenever requested by a Party.

1205. Regular Billings

Unit Operator shall bill each Party for its share of all costs and expenses incurred for the Joint Account in each calendar month determined in accordance with Exhibit "F". Each Party shall pay all such bills within thirty (30) days after receiving them. If a Party fails to pay a bill within the said thirty (30) day period, the unpaid amount shall, at Unit Operator's discretion, bear interest at the rate of six (6%) per cent per annum from the end of the said period until paid, which interest shall be for Unit Operator's sole account, and Unit Operator may at any time thereafter, such default continuing, enforce the lien hereinafter provided upon the respective interests of the Party.

1206. Commingling of Funds

Unit Operator may commingle funds received by it under this Agreement with its own funds.

1207. Lien and Enforcement

If a Party fails to pay when due its share of the costs and expenses of Unit Operations as provided in this Agreement, a lien shall come into existence in favour of Unit Operator upon the Party's interests in the Unit Facilities, in any unsold Unitized Substances, and in the proceeds of the sale of any Unitized Substances. Unit Operator may, while the lien exists, sell and deliver, and collect and receive the proceeds of the sale of, all or any part of the Party's share of the Unitized Substances, and in addition, may collect and receive the proceeds of any sales and deliveries thereof made under any previously executed sales contracts made by or for the defaulting Party. Unit Operator shall apply all sums so collected against the defaulting Party's unpaid unit expenditures, and all sums so applied shall be considered as received from the defaulting Party within the meaning of Clause 1108. Any excess of such proceeds over the unpaid unit expenditures shall be paid by Unit Operator to the Party. Unit Operator may similarly take any other credit due any defaulting Party and apply it against sums due from the Party for unit expenditures. The rights granted to Unit Operator in this clause shall not be construed as exclusive remedies but shall be in addition to all rights, privileges, and remedies afforded Unit Operator by other provisions of this Agreement and by law. Service of a counterpart of this Agreement which has been executed by or on behalf of the defaulting Party, or a true copy thereof, upon any purchaser of all or any part of a defaulting Party's share of Unitized Substances, shall constitute

written authorization by the defaulting Party for the purchaser to pay the proceeds from such sale to Unit Operator during the period of default. Books and records kept by Unit Operator with respect to Unit Operations shall constitute conclusive proof of the existence or non-existence of any default, subject, however, to all rights of inspection, verification and audit provided in this Agreement. The exercise of the rights granted in this clause shall not relieve a defaulting Party from its obligations to pay royalty currently, as provided elsewhere in this Agreement.

1208. Contributions by Parties

If Unit Operator has not received full payment of a Party's share of the costs and expenses of Unit Operations, within three (3) months following the date when payment was due, each of the Parties shall, upon being billed therefor by Unit Operator, contribute a fraction of the unpaid amount, excluding interest thereon, having as its numerator the Party's Unit Participation and as its denominator the aggregate of the Unit Participations of all of the Parties exclusive of the Unit Participation of the defaulting Party; and thereupon, each Party so contributing shall be proportionately subrogated to Unit Operator's rights and lien under Clause 1207.

ARTICLE XIII

OIL IN LEASE TANKAGE AND OVERPRODUCTION AS OF THE EFFECTIVE DATE

1301. Gauge of Merchantable Oil

Unit Operator shall gauge all lease and other tanks delivered to it, to ascertain the amount of merchantable oil in them as of the Effective Date. If any wells producing into them have made more than their cumulative allowable

production of oil from the proposed Unitized Zone, as set by the Conservation Board, the amount of such overproduction then in the tanks shall be deemed to be Unitized Substances produced after the Effective Date. Except as aforesaid, the oil in the tanks shall remain at the risk of and be the property of the persons owning it prior to the Effective Date, and upon request shall be delivered in kind to them, or in the absence of their request, shall be sold by Unit Operator for their account.

1302 Overproduction

If any overproduction of oil from the proposed Unitized Zone has been sold by a Party prior to the Effective Date, such Party shall pay to Unit Operator for the Joint Account, the gross proceeds thereof less any royalty paid or payable thereon.

1303. No Allowance for Underproduction

No allowance shall be made to a Party for any underproduction of oil prior to the Effective Date.

ARTICLE XIV

SURFACE RIGHTS

1401. Submission of List to Unit Operator

As soon as reasonably possible after executing this Agreement, each Party shall submit to Unit Operator a list of all easements, rights-of-way, surface leases, rights of entry and other surface rights which it holds in connection with its operations in the proposed Unit Area, together with particulars thereof, including rentals payable, if any.

1402. Surface Rights Required for Unit Operations

Unit Operator shall, as soon as practicable after the receipt of each

of the aforesaid lists, advise in writing the Party submitting the list which, if any, of its listed surface rights will be required for Unit Operations. Subject to the other provisions of this Article, each Party shall continue to hold the surface rights so required and pay the applicable rentals and bill Unit Operator for the amount of rentals applicable to periods subsequent to the Effective Date. Where rental has been paid in advance for any period in which the Effective Date falls, the billing shall be only for a pro rata share of the rental to cover the unexpired portion of the period. Unit Operator shall reimburse each Party for rentals so paid as set forth in the billing, and the amounts thereof shall be for the Joint Account.

1403. Assignment of Surface Rights

Unit Operator may require that any surface rights which are being used solely in connection with production of Unitized Substances be assigned to it. Any such assignment shall, however, contain an express reservation to the assignor of the right at any time upon request to use the assigned surface rights jointly with Unit Operator. When the assigned surface rights are no longer required, Unit Operator shall so notify the assignor, and if the assignor so requests, Unit Operator shall re-assign such surface rights to the assignor. The provisions of Clause 1404 shall apply, mutatis mutandis, in respect of any surface rights which are the subject of a notice given under this clause.

1404. Surface Rights No Longer Required

Unit Operator may notify a Party that its surface rights or any of them are no longer required for Unit Operations, but any such notice shall be given at least sixty (60) days prior to the date on which notice of surrender must be given to the surface owner, or the accrual of a rental obligation, whichever is sooner, and is subject to the condition that Unit Operator shall clean up

the surface to the satisfaction of any governmental body having jurisdiction, and to the reasonable satisfaction of the owner and occupier thereof. After giving such notice Unit Operator shall not be required to reimburse the Party for any further rentals becoming due and payable with respect to the applicable surface right or rights, and all liabilities accruing thereafter in connection therewith shall be for the account of the Party holding them.

1405. Surface Rights Held in Fee Simple

Subject to any prior grant thereof, Unit Operator may use for Unit Operations any surface rights held in fee simple by a Party, upon payment to the Party of a rental commensurate with rentals paid on other surface rights in the Unit Area.

1406. Acquisition of Additional Surface Rights

Unit Operator may acquire such additional surface rights as it deems necessary or desirable for Unit Operations.

1407. Sharing of Surface Rights

Notwithstanding the provisions of Clause 1005 Unit Operator may enter into agreements with any person for the sharing of any surface rights and all revenues obtained and expenses incurred by Unit Operator pursuant to such agreements shall be for the Joint Account.

ARTICLE XV

ABANDONMENT OF WELLS

1501. Rights of Former Owners

If the Operating Committee decides to plug and abandon permanently any Unit Well, Unit Operator shall give notice of this decision to the Party owning the Working Interest in the Tract upon which the well is located. The Party

shall thereupon have the right and option for a period of sixty (60) days, or forty-eight (48) hours if a drilling rig is in place, to take over and own the well and to deepen or plug it back to a formation other than the Unitized Zone. Within ten (10) days after the Party has notified Unit Operator of its desire to take over the well, it shall pay to Unit Operator for the Joint Account, the fair net salvage value of the casing and equipment in and on the well, as estimated and fixed by the Operating Committee. Unit Operator shall seal off the Unitized Zone in the well before handing it over to the Party.

1502. Plugging

If the Party receiving a notice pursuant to Clause 1501 does not elect to take over the Unit Well proposed for abandonment, Unit Operator shall plug and abandon the well in accordance with applicable laws and regulations.

1503. Surface Clean-up

Upon the abandonment of any well in the Unit Area, Unit Operator or the Party abandoning the well shall clean up the surface at the wellsite to the satisfaction of any governmental body having jurisdiction, and to the reasonable satisfaction of the owner and occupier thereof.

ARTICLE XVI

TERM OF AGREEMENT

1601. Term

This Agreement is binding upon a person who executes and delivers three (3) counterparts thereof to Unit Operator, and that person is bound by this Agreement as of the time of such delivery. Subject to Article XVI, this Agreement shall remain in full force and effect while Unitized Substances are produced or are capable of being produced from the Unitized Zone in paying quantities

and thereafter until all Unit Wells have been plugged and abandoned, and the Unit Facilities have been salvaged and the accounts between the Parties have been settled. Notwithstanding anything herein contained, this Agreement may be terminated by the vote provided for in Clause 404 (c) (iv).

ARTICLE XVII

COMMENCEMENT DATE

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1701. Commencement Date

Although this Agreement is binding upon a person from the time that person executes and delivers three (3) counterparts thereof to Unit Operator, the Commencement Date for actions to be taken by the Parties to carry out the purposes of this Agreement in accordance with its provisions shall be at 7:00 A.M. on the fifth (5th) day following the time when Unit Operator is satisfied that owners of the entire Working Interests in all Tracts have become Parties, and Unit Operator so notifies the Parties, but if such notice has not been given by the 31st day of May , 1964 , this Agreement shall thereupon terminate. Also, if such notice has been given, but the unitization provided for in the Unit Agreement has not become effective within the time limited therein, this Agreement shall thereupon terminate. If this Agreement so terminates, all expenditures made in anticipation of the unitization becoming effective shall be borne by the Parties in the proportion that the voting interest of each bears to the combined voting interests of all the Parties.

June 30, 1964

ARTICLE XVIII

ABANDONMENT OF OPERATIONS

1801. Right to Operate

The owner of the Working Interest in a Tract desiring to take over and continue to operate a well located thereon may, upon the termination of this Agreement, do so by paying Unit Operator for the Joint Account, the fair net salvage value of the casing and equipment in and on the well as estimated and fixed by the Operating Committee, and by agreeing to plug the well when it is finally abandoned.

1802. Salvaging Wells

With respect to all wells not taken over for continued operations pursuant to Clause 1801, Unit Operator shall, for the Joint Account, salvage as much of the casing and equipment in or on such wells as can economically and reasonably be salvaged, and cause the wells to be properly plugged and abandoned.

1803. Cost of Salvaging

The cost of salvaging, liquidation or other distribution of assets and properties used in the Unit Operations, shall be for the Joint Account.

ARTICLE XIX

GENERAL

1901. United States Internal Revenue Provision

Each of the Parties who is subject to United States Income Tax, elects under the authority of Section 761(a) of the Internal Revenue Code of 1954, to be excluded from the application of any and all sections of Subchapter K of Chapter 1 of Subtitle A of the Internal Revenue Code of 1954 to the extent approved by the Secretary of the Treasury of the United States or his delegates.

1902. Affects Working Interest Only

The Parties are joining herein only as Working Interest Owners and not as Royalty Owners, and this Agreement shall not be construed as binding upon any Party as to its Royalty Interest where the Party owns both a Working Interest and a Royalty Interest in the Unit Area, such Royalty Interest being governed solely by the Unit Agreement.

1903. Execution Without Prejudice

The execution or ratification of this Agreement by Parties asserting conflicting claims of title to any interest in the Unit Area shall not prejudice or be in derogation or defeasance of any such claims, but any Party who acquires or establishes title to a Working Interest in a Tract as a result of any such dispute shall be bound by all the terms and conditions of this Agreement with respect to such Working Interest.

1904. Lien on or Assignment of Production

If any interest of a Party in a Tract or Unitized Substances or the proceeds or value thereof is subject to a lien, assignment of production or other encumbrance, the owner or holder of such lien, assignment or encumbrance, by consenting to this Agreement in writing, agrees that such lien, assignment or encumbrance shall, from the Effective Date continue in effect, but shall apply only to such interest as the same is amended, modified and affected by this Agreement and the Unit Agreement, and shall be subject to such Agreements as to the Party and such interest.

1905. No Partitioning

A Party shall not resort to any action at law or in equity for partition or sale in lieu of partition of the Unit Facilities or any lands affected by

this Agreement. Each Party hereby waives the benefits of all laws relating to partitioning of real or personal property, insofar as the Unit Facilities and such lands are concerned.

1906. No Surrender Without Consent

A Party shall not surrender its Working Interest in a Tract without the prior consent of the Operating Committee.

1907. Waivers

No waiver by or on behalf of a Party of any breach of a provision of this Agreement, a Lease or the Unit Agreement shall be binding upon the Party unless it is expressed in writing and duly executed, and such a waiver shall not operate as a waiver of any future breach, whether of a like or different character.

1908. Suits

A Party who is sued on an alleged cause of action arising out of Unit Operations shall forthwith notify every other Party.

1909. Further Assurances

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

1910. Restriction on Dispositions

A Party shall not make any disposition of a Working Interest which does not include a like disposition of a corresponding interest in the Unit Facilities, it being the intention of the Parties that no Working Interest shall be owned apart from a corresponding interest in the Unit Facilities, and vice versa.

1911. Notices and Communications

All notices or communications hereunder shall be in writing and in lieu of personal service may be given or made by prepaid telegram or by mailing in a sealed and properly addressed envelope with postage prepaid. Notices or communications shall be deemed to have been received twelve (12) hours after the sending thereof in the case of a telegram, and forty-eight (48) hours after the date of mailing in the case of mailing, in either case excluding Saturdays, Sundays and statutory holidays. The address appearing below the execution of each Party shall be the address to which notices and communications to it shall be directed. A Party may change its address by notice to Unit Operator. Upon request Unit Operator shall furnish to any Party the address for service of any other Party.

1912. Enuring Clause

This Agreement shall enure to the benefit of and be binding upon the Parties and their respective heirs, executors, administrators, successors and assigns.

IN WITNESS WHEREOF the Parties have executed this Agreement each on the date shown opposite its execution hereof.

APPROVED BY -

The Oil & Natural Gas Conservation Board

CHAIRMAN .....
J. G. Cowan,

DEPUTY CHAIRMAN .....
J. S. Richards

MEMBER .....
M. J. Gobert

DATED this 30th day of June, 1964
Winnipeg, Manitoba

C A N A D A	)	I, Polly Woodruff, of the City of Calgary, in
	)	
PROVINCE OF ALBERTA	)	the Province of Alberta, Secretary, make oath
	)	
TO WIT:	)	and say:

1. THAT I was personally present and did see LLOYD E. MILLER, Agent and Attorney-in-Fact of SUN OIL COMPANY, named in the within instrument, who is personally known to me, duly sign and execute the same on behalf of SUN OIL COMPANY, for the purpose named therein.

2. THAT the same was executed at the City of Calgary in the Province of Alberta, and that I am the subscribing witness thereto.

3. THAT I know the said LLOYD E. MILLER and he is, in my belief, of the full age of twenty-one years.

SWORN at the City of Calgary,	)	
	)	
in the Province of Alberta,	)	
	)	
this day of	)	_____
	)	
A. D. 196 .	)	

Before me:

_____

A Commissioner for Oaths, a Notary Public, in and for the Province of Alberta.

EXHIBIT "D"

EBOR UNIT OPERATING AGREEMENT

Working Interest Owner	Unit Participation
Sun Oil Company	75.9916%
Dome Petroleum Limited	9.6840%
Pacific Petroleum Limited	6.0021%
Provo Gas (Saskatchewan)	5.3885%
D.J. Pickerell	.9779%
D.J. Pickerell & Virginia C. Pickerell	1.9559%
	100.0000%

EXHIBIT "E"

EBOR UNIT WELLS

Sun T. McDougall Ebor	3-26-9-29 W1
Sun T. McDougall Ebor	4-26-9-29 W1
Sun T. McDougall Ebor	5-26-9-29 W1
Sun T. McDougall Ebor	6-26-9-29 W1
Sun T. McDougall Ebor	11-26-9-29 W1
Sun T. McDougall Ebor	12-26-9-29 W1
Dome Cox H.B. Ebor	2-26-9-29 W1
Dome Cox H.B. Ebor	7-26-9-29 W1
Dome Cox Ebor	14-23-9-29 W1

EXHIBIT "F"

Attached to and made a part of the
Unit Operating Agreement

EBOR UNIT

ACCOUNTING PROCEDURE

I. GENERAL PROVISIONS

1. Definitions.

The following definitions, in addition to those in the Unit Operating Agreement, shall be applicable to this Accounting Procedure.

"Joint Property" shall mean the Unit Area, Unitized Substances, and Unit Facilities subject to the agreement to which this Accounting Procedure is attached.

"Material" shall mean equipment and supplies.

"Major Material" shall mean:

Tubular Goods - 1,000 feet and over in Condition "B" or better
Pumping Units
Automatic Controls
Separators
Heaters
Treaters
Engines or motors
Tanks
Any other item of material the current replacement cost of which exceeds $1,000.00.

2. Fixed Asset Records

Unit Operator shall maintain for the Joint Account fixed asset records of material ordinarily considered controllable by operators of oil and gas properties, indicating the date of acquisition, description and original cost. Additions of major material will be accounted for as additional capital expenditure.
Retirements of major material will be accounted for as reductions of capital expenditure. Unit Operator shall furnish related information including description, original cost and realization for the Joint Account.

3. Statements and Billings

Unit Operator shall bill each Party on or before the last day of each month for its share of charges and credits recorded during the preceding month. Such bills will be accompanied by statements, reflecting the total charges and credits as set forth under Sub-paragraph C below:

A. Statement in detail of all charges and credits for the Joint Account.

B. Statement of all charges and credits for the Joint Account, summarized by appropriate classifications indicative of the nature thereof.

C. Statements, as follows:

(1) Detailed statement of material ordinarily considered controllable by operators of oil and gas properties;
(2) Statement of ordinary charges and credits for the Joint Account, summarized by appropriate classifications indicative of the nature thereof; and
(3) Detailed statement of any other charges and credits.

4. Payments

Each Party shall pay all such bills within thirty (30) days after receipt thereof. If payment is not made within such time, the unpaid balance may, at the Unit Operator's option, bear interest at the rate of six (6%) per cent per annum until paid.

5. Advances

Unless otherwise provided for in the Unit Operating Agreement, the Unit Operator may require the Parties to advance their shares of estimated cash outlay for the current month's operation.

6. Adjustments

Payment of any such bills shall not prejudice the right of the Parties to protest or question the correctness thereof; however, statements rendered to the Parties by Unit Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period any Party takes written exception thereto and makes claim on Unit Operator for adjustment. Failure on the part of a Party to make claim on Unit Operator for adjustment within such period shall establish the correctness thereof and preclude the filing of exceptions thereto or making of claims for adjustments thereon. The provisions of this paragraph shall not prevent adjustments resulting from physical inventory of materials as provided for in Section VI.

7. <u>Audits</u>

Any auditor, inspector or auditing committee appointed by the Operating Committee, upon notice in writing to Unit Operator, shall have the right to audit Unit Operator's accounts and records relating to the accounting hereunder for any calendar year, within the twenty-four (24) month period following the end of such calendar year. The audit report shall be presented to the Operating Committee within the said twenty-four (24) month period. Such auditor, inspector or auditing committee shall make every reasonable effort to conduct such audit in a manner which will result in a minimum of inconvenience to Unit Operator. The cost of such audit shall be borne as agreed by the Operating Committee. In addition to the foregoing right, any Party shall have the right to make a separate audit at its own cost and expense.

II. DEVELOPMENT AND OPERATING CHARGES

Subject to limitations hereinafter prescribed, the cost of the following items shall be for the Joint Account:

1. Rentals and Royalties

Rentals, payments in lieu of actual production, and royalties when paid by Unit Operator for the Joint Account.

2. Labour

A. Salaries, wages and expenses of Unit Operator's employees directly engaged on the Joint Property. Such employees shall include pumpers, gaugers and other field personnel below the level of Foreman. Salaries, wages and expenses of Unit Operator's employees at or above this level shall be included in the rates set forth in paragraph 11 of this Section II and shall not be charged directly except that during the operation and maintenance phase, salaries and wages paid to geologists, engineers and other technical employees who are temporarily assigned to the Joint Property shall be charged to the Joint Account at $50.00 per day per person plus reasonable living and travelling expenses. This charge is to be in lieu of salaries and employee benefits for such geologists, engineers and technical services.

B. Holiday, vacation, sickness and disability benefits, and other customary allowances applicable to the salaries and wages chargeable under sub-paragraph 2A of this Section II. Costs under this sub-paragraph 2B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of such salaries and wages. If percentage assessment is used, the rate shall be based on the Unit Operator's cost experience.

C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Unit Operator's labour costs as provided in sub-paragraphs 2A and 2B of this Section II.

3. Employee Benefits

Unit Operator's current cost of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchases, thrift, bonus and other benefit plans of a like nature, applicable to Unit Operator's labour cost, provided that the total of such charges shall not exceed twelve (12%) per cent of Unit Operator's labour costs as provided in sub-paragraphs 2A and 2B of this Section II.

4. Material

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

5. Transportation

Transportation of employees and material necessary for the development, maintenance, and operation of the Joint Property subject to the following limitations:

A. When material is moved to the Joint Property, no charge shall be for the Joint Account for a distance greater than the distance from the nearest reputable supply store or railway receiving point where such material is available, except with approval of the Operating Committee.

B. If surplus material is moved from the Joint Property to Unit Operator's warehouse or other storage point, no charge shall be for the Joint Account for a distance greater than the distance from the nearest reputable supply store or railway receiving point, except with approval of the Operating Committee. No charge shall be made for moving material to other properties in which Unit Operator has an interest except with approval of the Operating Committee.

6. Services

A. Outside Services:
Contract Services and utilities procured from outside sources. Services of professional consultants shall not be charged except with the approval of the Operating Committee.

B. Use of Unit Operator's Equipment and Facilities:
Use of and service by Unit Operator's exclusively owned equipment and facilities as provided in Paragraph 5 of Section III.

7. Damages and Losses to Joint Property and Material

Repair or replacement resulting from damages or losses incurred by fire, explosion, flood, storm or any other causes not controllable by Unit Operator through the exercise of reasonable diligence. Unit Operator shall furnish the Parties written notice of damage or loss howsoever caused as soon as practicable after report of the same has been received by Unit Operator.

8. Litigation, Judgments and Claims

Litigation, or legal services necessary or expedient for the protection of the Parties, including attorney's fees and expenses as hereinafter provided, together with all judgments obtained against the Parties or any of them and agreed settlements for the Joint Account or the subject matter of this agreement; actual expenses incurred by any Party or Parties in securing evidence for the purpose of defending or prosecuting any action or claim or negotiating any settlement for the Joint Account or the subject matter of this agreement.

A. With the approval of the Operating Committee, actions or claims affecting the Parties may be handled by the legal staff of one

or more of the Parties. A charge commensurate with the services rendered may be made for the Joint Account, but no such charge shall be made except with the approval of the Operating Committee.

B. Fees and expenses of outside attorneys shall not be charged except with the approval of the Operating Committee.

9. Taxes

Taxes, rates, levies and assessments of every kind and nature other than income taxes, assessed or imposed upon or in connection with the Joint Property or any part thereof, the production therefrom or the operation thereof, when paid by the Unit Operator for the Joint Account.

10. Insurance

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

11. District Expense and Administrative Overhead

District expense and administrative overhead shall be charged in the manner set forth below:

Combined District Expense and Administrative Overhead

District expense and administrative overhead shall be in lieu of any charges for the entire staff and expenses of the principal business office and the division and district offices, and any charges for maintaining and operating all necessary camps and housing facilities for employees and boarding employees, except as authorized by the Operating Committee or as provided in Paragraph 2 of this Section II. District expense and administrative overhead shall be charged in the manner set forth below:

(a) Producing Wells - $50.00 per well per month.

(b) Drilling Wells or wells being plugged back, drilled deeper, converted to a source or input well, or which are undergoing any type of workover that requires the use of a drilling or workover rig, shall be charged at $30.00 per day per well. Routine rod, tubing and well maintenance jobs shall not qualify.

(c) Construction of Unit Facilities - 6% of all expenditures, to be in lieu of supervision, engineering and technical services.

12. Application of District Expense and Administrative Overhead Rates

The following limitations and instructions shall be used in the application of rates as provided in Paragraph 11 of this Section II:

Producing wells shall include all Unit Wells except those:
(1) Permanently shut-in awaiting plugging
(2) Temporarily shut-in (other than for proration purposes or efficiency of Unit Operations) and not worked upon for at least a full calendar month.

13. Warehouse Handling Charges

A charge to cover the cost of handling material into and in the warehouse shall be assessed on new and used material furnished from the Unit Operator's warehouse on the following basis:

A. Two and one-half per cent ($2\frac{1}{2}\%$) of the cost of tubular goods (2" and over) or major materials.

B. Five per cent (5%) of the cost of all other material.

If a Unit warehouse is maintained, only actual costs incurred with respect to said warehouse shall be charged.

14. Other Expenditures

Any other expenditures for the necessary and proper development, maintenance, operation and abandonment of the Joint Property, subject to the approval of the Operating Committee.

III. BASIS OF CHARGES FOR THE JOINT ACCOUNT

1. Purchases

Material purchased and services procured shall be charged at the price paid by the Unit Operator, after deduction of discounts actually received.

2. Material Furnished by Unit Operator

Material required for operations shall be purchased direct for the Joint Account whenever practicable, except that Unit Operator may furnish such material from his stocks under the following conditions:

A. New Material (Condition "A")

(1) Major material transferred from Unit Operator's warehouse or other properties shall be priced f.o.b. the nearest reputable supply store or railway receiving point, where such material is available, at current replacement cost of the same kind of material. Tubular goods (2" and over) shall be charged on the basis of carload price effective at date of transfer and f.o.b. railway receiving point nearest the Joint Property, regardless of quantity transferred.

(2) Other material shall be priced on the basis of a reputable supply company's preferential price list effective at date of transfer and f.o.b. the store or railway receiving point nearest the Joint Property where such material is available.

(3) Cash discount shall not be deducted in determining prices of material provided for in this Paragraph 2 of Section III.

B. Used Material

(1) Material which is in sound and serviceable condition and is suitable for re-use without reconditioning shall be classed as Condition "B" and priced at 75% of current new price.

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

(a) After reconditioning will be further serviceable for original function as good secondhand material (Condition "B") or

(b) is not suitable for reconditioning but has a limited remaining service,

shall be classed as Condition "C" and priced at 50% of current new price.

(3) Tanks, derricks, buildings, and other material involving erection costs shall be charged at applicable percentage of dismantled current new price for similar materials.

(4) Some items of material, due to their unusual condition, should be fairly and equitably priced by Unit Operator, subject to approval of the Operating Committee.

(5) Current new price, wherever used in this Subparagraph 2B of this Section III shall be determined in accordance with Sub-paragraph 2A of this Section III.

3. Premium Prices

Whenever material is not readily obtainable at the customary supply point and at prices specified in Paragraphs 1 and 2 of Section III because of national emergencies, strikes or other unusual causes over which the Unit Operator has no control, the Unit Operator may obtain for the Joint Account the required material on the basis of the Unit Operator's direct cost and expense incurred in procuring such material, in making it suitable for use, and in moving it to the location; provided, however, that notice in writing is furnished to each Party of the proposed charge prior to billing each Party for the material acquired pursuant to this provision, whereupon the Party shall have the right, by so electing and notifying the Unit Operator within forty-eight (48) hours after receiving notice from the Unit Operator, to furnish in kind, or in tonnage as the Party and Unit Operator may agree, at the location, nearest railway receiving point, or Unit Operator's storage point within a comparable distance, all or part of his share of material suitable for use and acceptable to the Unit Operator and shall furnish such new material within a reasonable period of time after

making such election. Transportation costs on any such material furnished by the Party, at any point other than at the location, shall be borne by such Party. If, pursuant to the provisions of this paragraph, any Party furnishes material in kind, the Unit Operator shall make appropriate credits to the account of said Party.

4. Warranty of Material Furnished by Unit Operator.

Unit Operator does not warrant the material furnished. Credit for defective material shall not be passed until adjustment has been received by Unit Operator from the manufacturers or their agents.

5. Unit Operator's Exclusively-Owned Facilities.

Unit Operator shall charge for services rendered to the Joint Property by facilities and materials owned exclusively by Unit Operator, at rates commensurate with cost of ownership and operation. Such rates shall include cost of maintenance, repairs, other operating expense, insurance, taxes and depreciation, provided such rates shall not exceed those currently prevailing in the area. Whenever requested, Unit Operator shall inform the Parties in advance of the rates it proposes to charge.

IV. DISPOSAL OF MATERIAL

Unit Operator shall not remove from the Joint Property, nor dispose of, any item of jointly owned major material the current replacement cost of which is greater than $5,000.00 except with the approval of the Operating Committee. Unit Operator shall have the right to dispose of all other material, including junk and scrap material, from the Joint Property.

1. Material Purchased by Unit Operator.

Credit for material purchased by Unit Operator shall be for the Joint Account and included in the monthly statement of operations for the month in which the material is removed from the Joint Property.

2. Material Purchased by a Non-Operating Party.

Material purchased by a non-operating Party shall be invoiced by Unit Operator and paid for by the Party immediately following receipt of invoice. The Unit Operator shall apply credit for the Joint Account and include the same in the monthly statement of operation.

3. Division in Kind

Division of material in kind, if made between Unit Operator and Parties, shall be in proportion to their respective interests in such material. Each party will be charged individually with the value of the material received or receivable by each Party and corresponding credits will be made by the Unit Operator for the Joint Account, and such credits shall appear in the monthly statement of operations.

4. Sales to Outsiders

Credits for sales to outsiders of material from the Joint Property shall be for the Joint Account at the net amount collected by Unit Operator from vendee. Charges for any claims by vendee for defective material, etc., shall be for the Joint Account, if and when paid by Unit Operator.

5. Listing of Surplus Material

Unit Operator shall supply each Party with a list of jointly owned major material surplus to requirements, as often as directed by the Operating Committee.

V. BASIS OF PRICING MATERIAL TRANSFERRED FROM JOINT PROPERTY

Jointly-owned material sold to either Unit Operator or Parties or divided in kind between them, except with the approval of the Operating Committee, shall be valued on the following basis of condition and price: (current new price as used in the following sub-paragraphs shall have the same meaning and be computed on the same basis as the price for new material in Sub-paragraph 2A of Section III).

1. New Material

New material (Condition "A"), being new material purchased or procured for the Joint Property but never used thereon, at one hundred per cent (100%) of current new price.

2. Good Used Material

Good used material (Condition "B"), being good serviceable material which is further usable without reconditioning:

A. At 75% of current new price if material was acquired new for the Joint Account, or

B. At 75% of current new price less depreciation consistent with its usage on and service to the Joint Property, if material was originally acquired for the Joint Account as secondhand at 75% of current new price.

3. Other Used Material

Other used material (Condition "C") being material which:

A. After reconditioning will be further serviceable for original function as good secondhand material (Condition "B"), or

B. Is not suitable for reconditioning but has a limited remaining service, at 50% of current new price.

4. Bad Order Material

Bad order material (Condition "D"), being material not further usable for its original function but for possible other service, at a value commensurate with its use.

5. Junk

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

6. Some items of material, due to their unusual condition, should be fairly and equitably priced by Unit Operator subject to approval of the Operating Committee.

VI. INVENTORIES

Inventories of material ordinarily considered controllable by operators of oil and gas properties shall be taken by Unit Operator at reasonable intervals. The Operating Committee may direct the Unit Operator to take such inventory and may at its discretion, appoint an inventory committee for this purpose.

1. Notice

Notice of Intention to take inventory shall be given by Unit Operator at least thirty (30) days before any inventory is to begin, so that each Party may be represented when any inventory is taken.

2. Representation

Failure of a Party to be represented at the physical inventory shall bind such Party to accept the inventory taken.

3. Reconciliation

Reconciliation of inventory with charges for the Joint Account shall be made by the Unit Operator who shall supply a list of overages and shortages to the Operating Committee.

4. Adjustment

Adjustment of inventory for overages and shortages shall be made by Unit Operator for the Joint Account. Unit Operator shall be held accountable to the Parties only for shortages due to lack of reasonable diligence.

5. Expense

Only the expense of inventories conducted at the direction of the Operating Committee shall be for the Joint Account. The Operating Committee shall establish the basis for determining such charges.

6. Special Inventories

Any Party shall have the right, at any time, upon request in writing, to conduct a special inventory. The inventory shall be commenced within thirty (30) days after the receipt of notice by the Unit Operator. Any expense of the Unit Operator in connection with such special inventory shall be charged to the separate account of the requesting Party.