TO

ROUTE TICKET

PLEASE HANDLE	
PLEASE APPROVE	
PLEASE NOTE AND RETURN	
FOR YOUR INFORMATION	
PLEASE SEE ME	
PLEASE ADVISE	
YOUR FILE	

REMARKS:

EXHIBITS A & B

EBOR UNIT

FROM

/ /

DATE

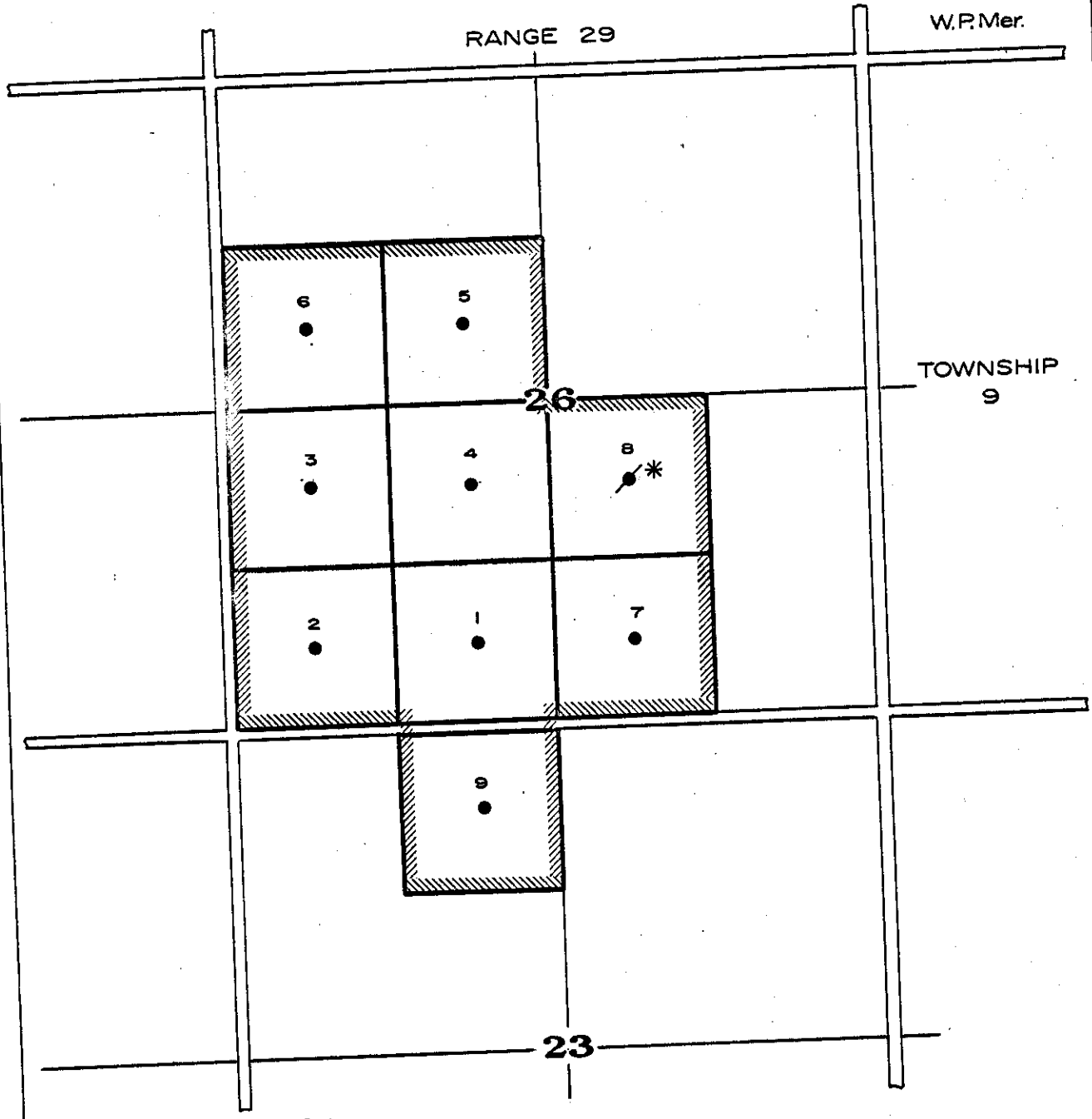
Form O-420—200 Pds.—9-52.

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	
		Provo Gas (Sask)	1.3927	
		Pacific Petroleums Ltd.	1.7408	
				6.9634
8	Lsd. 7-26-9-29 W1	Dome Petroleum Limited	2.9204	
		Provo Gas (Sask)	1.0620	
		Pacific Petroleums Ltd.	1.3275	
				5.3099
9	Lsd. 14-23-9-29 W1	Dome Petroleum Limited	2.9337	
		Provo Gas (Sask)	2.9338	
		D. J. Pickrell	.9779	
		D. J. Pickrell and Virginia C. Pickrell	1.9559	
		Pacific Petroleums Ltd.	2.9338	
				11.7351
				100.0000

EXHIBIT "B"
PLAN OF UNIT AREA



✳ DOME SUSPENDED WELL

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

Utah v. Deerick

7.

Camb. Trayer.

Lease on or right to Jurassic or Swan River Waters.

1500# p.s.i. well head pressure.

SUN OIL COMPANY

CANADIAN PRODUCTION DIVISION

805 - 8TH AVE. W.
P.O. DRAWER 38
CALGARY, ALBERTA
CANADA

G. E. DUNLAP
MANAGER

L. E. MILLER
ASSISTANT MANAGER

M. E. AUSTIN
SUPT. OPERATING DEPT.

DEPARTMENT OF MINES
& NATURAL RESOURCES
JUL 20 1964
PETROLEUM ENGINEERING
DIVISION

July 17, 1964.

Department of Mines and Minerals
Petroleum Engineering Division
Province of Manitoba
WINNIPEG, Manitoba.

ATTENTION: Mr. M. J. Gobert
Senior Petroleum Engineer

Re: Ebor Unit - Right-of-Way Crossing
W½ 26-9-29-WPM

Dear Sir:

Further to our telephone conversation of yesterday afternoon, I am enclosing herewith photo copies of Petroleum and Natural Gas Leases covered by Messrs. Thomas, Lorne and Ross McDougall covering the right-of-way of the Canadian Northern Railway crossing the above captioned land. These parties are, of course, the parties who own the remainder of the mineral interests in this half section. With receipt of this material I trust that you will furnish us with a duly approved copy of the Ebor Unit Agreement.

Yours very truly,

SUN OIL COMPANY

R. H. Ostrosser
Legal Department.

RHO/ap
Encl.

INTER - DEPARTMENTAL MEMORANDUM

PROVINCE OF MANITOBA

DATE June 25, 1965

DEPARTMENT OF MINES & NATURAL RESOURCES
JUN 28 1965
DIRECTOR OF MINES

FROM J. G. Cowan,
Deputy Minister of Public Utilities.

TO Mr. J. S. Richards,
Director of Mines,
Norquay Building.

SUBJECT W½ 26-9-29-W - Ebor Field

I have your memo of June 24th enclosing copies of leases from Lorne McDougall and Ross McDougall, each covering an undivided one-half interest in the Right-of-Way of the Canadian Northern Railway, etc.

I note that the bonus paid in each case was $912.25. I am assuming that Sun Oil obtained a refund from the C.N.R. and that the bonus in each case represent the amount of the refund. The leases appear to be in order, etc. and are returned herewith.

J. G. Cowan.

JGC/mr
Enc. 2

p. c. to: Mr. M. J. Gabert, Assistant Deputy Minister.
Mr. F. S. Gunny, Reservoir Engineer.

June 24, 1965.

Mr. J. G. Cowan, Q.C.,
Chairman,
Oil and Natural Gas Conservation Board.

[redacted]

[redacted] Oil Company -

[redacted] 26-9-29-W-Ebor Field.

Enclosed herewith copies of the "new leases" referred to in the previous correspondence with Mr. R. H. Ostrosser, Sun Oil Company.

Kindly let me know if you consider these documents to be a satisfactory conclusion of our correspondence with the company, and return the leases copies for our files.

E. S. Richards.

[redacted]
Enc.

c.c. to: Mr. M. J. Gobert,
Assistant Deputy Minister.

GEORGE E. DUNLAP
Manager, Canadian Production Division

LLOYD E. MILLER
Assistant Division Manager

PRODUCTION DEPARTMENT **SUN OIL COMPANY** Petro-Chemical Building, 805 8th Avenue, W. • Drawer 38, Calgary, Alberta, Canada

June 17, 1965.

Mr. J. S. Richards
Director of Mines
Department of Mines and Natural Resources
Mines Branch
901 Norquay Building
401 York Avenue
WINNIPEG 1, Manitoba.

Re: C.N.R. Right-of-Way Crossing
W½ 26-9-29-W1 - Ebor Field

Dear Sir:

As requested in your letter of June 14th last we are enclosing copies of the Mineral Leases for the above lands.

Yours very truly,

SUN OIL COMPANY

R. H. Ostrosser
Legal Department.

RHO/ap
Encl.

June 14, 1965.

Mr. R. H. Ostrosser,
Legal Department,
Gulf Oil Company,
Petro-Chemical Building,
605 - 8 Av., W.,
Box 38,
Calgary,
Alberta.

Dear Mr. Ostrosser:

Re C. N. R. Right-of-Way Crossing -
W.½ 26 - 9 - 29, W.P.M., -
Bear Field.

Many thanks for your letter of June 1st, relative to the above matter. I have discussed "the new leases" with Mr. Cowan, and searched our files; apparently, copies were not forwarded to this office.

Would you kindly forward the copies, at your earliest convenience.

Yours very truly,

J. S. Richards,
Director of Mines.

JSR:db

c. c. to: Mr. J. G. Cowan, Q.C., Deputy Minister, Dept. of Public Utilities.

Mr. M. J. Gobert, Assistant Deputy Minister.

Mr. F. S. Gamey, Reservoir Engineer.

GEORGE E. DUNLAP
Manager, Canadian Production Division

LLOYD E. MILLER
Assistant Division Manager

PRODUCTION DEPARTMENT **SUN OIL COMPANY** Petro-Chemical Building, 805 8th Avenue, W. • Drawer 38, Calgary, Alberta, Canada

June 1, 1965.

DEPARTMENT OF MINES
& NATURAL RESOURCES
JUN 3 1965
DIRECTOR OF MINES

Mr. J. S. Richards
Director of Mines
Mines Branch
Legislative Building
WINNIPEG 1, Manitoba.

Re: C.N.R. Right-of-Way Crossing - W½ 26-9-29-W1
Ebor Field

Dear Sir:

This letter will confirm our telephone conversation of last Friday during which I advised that it was the intention of Sun Oil Company to pay the present registered owners of the mineral rights underlying the above lands all bonus and royalty monies returned to Sun Oil Company by the Canadian National Railways under the cancelled C.N.R. lease covering this right-of-way. These monies are expressed on the face of the new leases as the bonus consideration payable for the leases. I was under the impression that copies of these leases had been forwarded to Mr. Cowan on or about June 20, 1964. If I am in error in this respect, and if you wish copies for your files, kindly advise.

I am enclosing a zerox copy of a letter we addressed to the McDougalls on June 17, 1964 covering this matter in some detail.

Yours very truly,

SUN OIL COMPANY

R. H. Ostrosser
Legal Department.

RHO/ap
Encl.

p. c. to: Mr. J. S. Gunn, Q.C., Deputy Minister, Dept. of Public Utilities.
Mr. M. J. Gabert, Assistant Deputy Minister.
Mr. F. S. Gamey, Reservoir Engineer.

INTER-DEPARTMENTAL MEMORANDUM

PROVINCE OF MANITOBA

DATE May 25, 1965

FROM J. G. Cowan,
Deputy Minister of Public Utilities

TO Mr. J. S. Richards,
Director of Mines,
Norquay Building.

DEPARTMENT OF MINES & NATURAL RESOURCES
MAY 26 1965
DATE

SUBJECT Sun Oil Company and McDougall Brothers,
W½ 26-9-29, W. 1

I am enclosing herewith Mr. Hetherington's letter to me of May 21st which is self-explanatory.

My recollection at the time was that the Hudson Bay Company or the C.N.R. (I have forgotten which) was agreeable to the refund to McDougall Brothers of the royalties which they had collected on the mistaken assumption that they were the owners of the underrights.

If McDougall Brothers have not received the refund in question, I would suggest that they be advised to now make formal application for a refund.

Mr. Ostrander agreed to notify owner to McDougall's behalf payment. 27/5/65

JGC/mr
Enc.

J. G. Cowan.

MacInnes, Burbidge, Hetherington, Allison & Cantlie

Barristers and Solicitors

R. B. MAC INNES, Q.C. (1911-1963)
F. M. BURBIDGE, Q.C.
E. GUY HETHERINGTON
J. O. ALLISON
R. B. CANTLIE
D. W. MOYLAN
R. C. CHAMPAGNE
F. L. CVITKOVITCH

VICTORY BUILDING, 333 MAIN STREET
Winnipeg 1, Canada

REFER TO NO 98946 - EGH

May 21, 1965.

Re: Sun Oil Company and McDougall Bros.
W½ 26-9-29 W.1

Dear Sir:

You will remember that early in June last year the writer had a number of telephone conversations with you relating to the minerals under the rights-of-way of CNR across the above lands, and that in view of the fact that we were instructed to clear up the title to these minerals the unitization agreement which was being entered into by all of the interested parties in the area is completed.

After many delays and negotations with the District Registrar at Brandon and the Registrar General we decided on a procedure to be followed and had the McDougall Bros. complete a Real Property Act application relating to all the SW¼ which was under The Registry Act and for the minerals underlying the CNR right-of-way across the NW¼, the balance of which was already in the name of Lorne McDougall and Ross McDougall. We complied with the District Registrar's requisitions of obtaining Quit Claim Deeds from the Hudson's Bay Company and suitable lease from the CNR showing that they made no claim on the mineral rights under the right-of-way as to both quarter sections.

The applications have now gone through and we have in our possession Certificate of Title No. 100457 in the name of Lorne McDougall and Ross McDougall, both of the Post Office of Butler, in Manitoba, Farmers, certifying that each of them is now seized of an estate in fee simple in possession to an undivided one half interest in :

> "All mines and minerals within, upon or under all that portion of the North West Quarter of Section Twenty-six, in Township Nine and Range Twenty-nine, West of the Principal Meridian in Manitoba, shown as Right of Way of the Canadian Northern Railway of a Plan thereof registered in the Brandon Land Titles Office as Plan No. 219."

clear of registered encumbrances.

We also now have before us Certificate of Title No. 100494 in the names of Thomas McDougall and Lorne McDougall, both of the Post Office of Butler, in Manitoba, Farmers, certifying that they are the owners of:

> "Parcel One. All that portion of the South West Quarter of Section Twenty-six, in Township Nine and Range Twenty-nine, West of the Principal Meridian in Manitoba, which lies to the South and West of the Right of Way of the Canadian Northern Railway as shown on a Plan of the said Right of Way registered in the Brandon LandTitles Office as No. 219.
>
> Parcel Two. All that portion of the South West Quarter of Section Twenty-six, in Township Nine and Range Twenty-nine, West of the Principal Meridian in Manitoba, which lies to the North and East of the Right of Way of the Canadian Northern Railway as shown on a Plan of the said Right of Way registered in the Brandon Land Titles Office as No. 219.
>
> Parcel Three. All mines and minerals within, upon or under all that portion of the South West Quarter of Section Twenty-six, in Township Nine and Range Twenty-nine, West of the Principal Meridian in Manitoba, shown as Right of Way of the Canadian Northern Railway on a Plan thereof registered in the Brandon Land Titles Office as No. 219."

subject only to Oil & Gas Lease No. 115481 (O.S.) from Thomas McDougall and Lorne McDougall to Sun Oil Company registered 4th October, 1950 at 10:24 A.M. as to Parcels 1 and 2 and to agreement registered as No. 126432 (O.S.) from Thomas McDougall and Lorne McDougall to Sun Oil Company registered 7th December, 1956 at 10:02 A.M. as to Parcels 1 and 2 and to Easement No. 137108 (O.S.) from Thomas McDougall and Lorne McDougall to Sun Oil Limited registered at 9:08 A.M. on 17th August, 1964 as to Parcels 1, 2 and 3."

Of course we do not know what else you may require to give effect to the Unitization Agreement

but you will no doubt communicate with Sun Oil Company at Calgary to whom we are reporting the issue of the new titles above mentioned which have the effect of vesting the mineral rights as to whole of both quarter sections in the McDougall Bros.

Yours truly,

MACINNES, BURBIDGE & COMPANY

per:

J. G. Cowan, Esq., Q.C.,
Deputy Minister of Public Utilities,
103 Legislative Building,
WINNIPEG 1, Manitoba.

Form 0-8404 Man. 3000-5-57.

SUN OIL COMPANY
MINERAL LEASE

THIS INDENTURE made the 24th day of June A.D. 19 64

BETWEEN THOMAS McDOUGALL AND LORNE McDOUGALL of the Post Office of Butler in the Province of Manitoba (hereinafter referred to as "the Lessor") OF THE FIRST PART

— AND —

SUN OIL COMPANY, a body corporate entitled to carry on business in the Province of Manitoba, (hereinafter referred to as "the Lessee") OF THE SECOND PART

The Lessor, being registered as owner, (or entitled to become registered as owner under an Agreement for Sale or unregistered transfer or otherwise), subject, however, to such mortgages and encumbrances as are noted by memorandum underwritten hereon, and subject to the reservations, exceptions and conditions contained in the Certificate of Title, existing as of the date hereof, of all petroleum, natural gas and related hydrocarbons within, upon or under

The Right-of-Way of the Canadian Northern Railway comprising 1.42 acres more or less lying in and across the South West Quarter (SW¼) of Section Twenty-six (26)

in Township Nine (9), Range Twenty-nine of the Principal Meridian in the Province of Manitoba as more particularly described and set forth in ~~Certificate(s) of Title No(s)~~ Deed No. 60584 of record in the Land Titles Office for the District of Brandon, Province of Manitoba,

in consideration of the sum of Four Hundred and Fifty-two Dollars & Twelve Cents ($452.12) Dollars paid to the Lessor by the Lessee, (the receipt whereof is hereby acknowledged), and in consideration of the rents and royalties hereinafter reserved and the covenants of the Lessee hereinafter contained,

DOTH HEREBY GRANT AND LEASE unto the Lessee all of the petroleum, natural gas and related hydrocarbons (except coal and valuable stone), all other gases, and all minerals and substances (whether liquids or solid or whether hydrocarbons or not) produced in association with any of the foregoing or found in any water contained in an oil and gas reservoir (all hereinafter referred to as the "leased substances"), within, upon, or under the lands hereinbefore described and all the right, title, estate and interest, if any, of the Lessor in and to the leased substances or any of them within, upon or under any lands excepted or reserved from, or roadways, lanes or right-of-way adjoining, the lands aforesaid, together with the exclusive right and privilege to explore, drill for, mine, win, take, remove, store and dispose of the leased substances and, insofar as the Lessor has the right to grant, for the said purposes the right to mine, drill wells, lay pipelines, drill and operate salt water disposal, recycling or repressuring wells, and build and install such tanks, stations, and roadways as may be necessary; ~~AND IN CONSIDERATION of the separate sum of ($) Dollars (receipt whereof is hereby acknowledged by the Lessor) the Lessor doth hereby grant to the Lessee for the said purposes, the right of entering upon, using and occupying the surface of the said lands or so much thereof and to such an extent as may be necessary or convenient; and the Lessee agrees that upon entering the said lands for the purposes aforesaid the Lessee shall pay to the Lessor the sum of ($) Dollars per acre for each acre of the said lands it shall occupy during the first year and thereafter the sum of ($) Dollars per year for each acre of the said lands that it shall continue to occupy. All such payments shall be adjusted to become payable on the anniversary date of this lease.~~ 1st day of April 1964 (herein referred to as the "effective date")

TO HAVE AND ENJOY the same for the space of Ten (10) years from the ~~date hereof~~, called the "primary term", and thereafter for successive Ten (10) year terms, so long as, and for so long as, the leased substances or any of them are produced from the said lands, subject to the sooner termination of the said term as hereinafter provided.

PROVIDED that if operations for the drilling of a well are not commenced on the said lands within one (1) year after the effective date hereof, the Lessee shall pay to the Lessor the sum of One Dollar and forty-two cents ($ 1.42) Dollars (hereinafter called the "delay rental") and in like manner thereafter, if on any anniversary date hereof operations for the drillisg of a well on the said lands have not been commenced, then the Lessee shall pay to the Lessor a like sum.

PROVIDED that if at any time during the first Ten (10) year term and prior to the discovery of the leased substances on the said lands, the Lessee shall drill a dry well or wells thereon, or if at any time during such term and after the discovery of the leased substances on the said lands the production shall cease, then if further operations for the drilling of a well are not commenced on the said lands prior to the next anniversary date, or ninety (90) days from the date on which production shall have ceased, whichever is the later, Lessee shall pay to Lessor the delay rental, in which event the immediately preceding proviso hereof governing the payment of delay rentals shall continue in force.

AND FURTHER ALWAYS PROVIDED that if at any time after the expiration of the first Ten (10) year term the leased substances are not being produced on the said lands and the Lessee is then engaged in drilling, or reworking operations thereon, this lease shall remain in force for successive Ten (10) year terms so long as such operations are prosecuted and, if they result in the production of the leased substances or any of them, so long thereafter as the leased substances or any of them are produced from the said lands; and further provided that if drilling, or reworking operations are commenced within ninety (90) days of the cessation of prior such operations, the immediately preceding proviso governing continuation of the lease term, shall continue in force; provided that if, during the primary term or thereafter, drilling, or reworking or production operations are interrupted or suspended as the result of any cause whatsoever beyond the Lessee's control, the time of such interruption or suspension shall not be charged against the Lessee, anything hereinbefore contained or implied to the contrary, notwithstanding;

THE LESSOR AND THE LESSEE HEREBY COVENANT AND AGREE AS FOLLOWS:

1. Interpretation:—

In this Lease, unless there is something in the subject or context inconsistent therewith, the expressions following shall have the following meaning, namely:

(a) "Commercial production" shall mean such production output from a well determined on a Thirty (30) day test of such quantity of the leased substances or any of them, as, considering the cost of production equipment and production operations (including the cost of drilling), and the price, kind and quality of such production and available markets, would economically warrant the drilling of another well to the same depth.

(b) "Drilling unit" shall mean a section, legal sub-division or other unit of land representing the minimum area in which any well may be drilled on or in the vicinity of the said lands as defined or prescribed by or under any law of the Province of Manitoba now or hereafter in effect governing the spacing of petroleum and/or gas wells.

(c) "Said lands" shall mean all the lands and leased substances hereinbefore described or referred to, or such portion or portions thereof as shall not have been surrendered.

2. Royalties:—

As royalty, the Lessee covenants and agrees:

(a) To pay to the Lessor a royalty in cash of one-eighth (12½%) of the net proceeds realized by the Lessee from the sale of all oil produced and saved from the said lands or one-eighth (12½%) of the market value thereof at the wellhead if it is used by the Lessee off the said lands;

(b) To pay to the Lessor on gas, casinghead gas or other gaseous substance produced from the said lands and sold, or used by the e off the said lands, or in the manufacture of gasoline or other products, the market value at the mouth of the well of one-eight. .2½%) of the gas or casinghead gas so used or sold; PROVIDED that on all gas sold at the well, the royalty shall be one-eighth (12½%) of the net amounts realized from such sales.

(c) To pay to the Lessor on all other minerals produced and saved from the said lands by the Lessee, the market value on the said lands of one-eighth (12½%) of such minerals sold or used; PROVIDED that on all such minerals sold by the Lessee the royalties shall be one-eighth (12½%) of the net amounts realized from such sales.

(d) The money royalty as determined under this clause shall be payable with respect to the leased substances saved and sold during any calendar month, within thirty (30) days following the end of such calendar month. The Lessor's interest in the leased substances, or the royalties payable thereon, shall bear one-eighth of the costs of transportation, storage off the said lands and other such necessary costs incurred in delivering the leased substances to market, where delivery is required to be made by Lessee off the said lands. In calculating the amount of royalty payable on production of leased substances from any well on the said lands, Lessee may use figures obtained from monthly or other production tests required by the Manitoba Oil and Gas Conservation Board, or equivalent, and shall not be required to erect separate tankage where leased substances, or any of them, are co-mingled with production from lands other than the said lands.

(e) Notwithstanding anything to the contrary herein contained or implied, the Lessee shall be entitled to use, free from the payment of royalty, such part of the production of the leased substances from the said lands required and used by the Lessee in its operations hereunder.

(f) PROVIDED no royalties are otherwise paid hereunder, the Lessee shall pay to the Lessor each year as royalty the total sum of Fifty Dollars ($50.00) or the delay rental (whichever is the greater) for all wells on the said lands where gas only or primarily is found and the same is not used or sold, and while the said royalty is so paid each well shall be deemed to be a producing well hereunder.

3. Lesser Interest:—

If the Lessor's interest in the leased substances be less than the entire and undivided fee simple estate therein, then the royalties and delay rentals herein provided shall be paid the Lessor only in the proportion which his interest bears to the whole and undivided fee.

4. Taxes:—

Lessee shall pay all taxes and assessments levied or assessed during the life of this lease against the buildings, machinery, equipment or personal property placed by it on the said lands, and Lessor shall pay all other taxes and assessments levied or assessed against the surface of the said lands and/or improvements thereon. The Lessee shall pay seven-eighths of all taxes and assessments, if any, levied or assessed during the life of this lease against this lease and/or the leasehold estate hereby created, and/or the leased substances in the said lands, and/or any taxes of any kind levied or assessed which are based upon the quantity or value of any of the aforesaid leased substances in place within or produced from the said lands, whether assessed or levied to or against Lessor or Lessee, and Lessor shall pay the other one-eighth thereof. If any taxes or assessments are levied or assessed against the leased substances and the surface of the said lands, and/or other substances therein, Lessee shall pay seven-eights of only that portion of the taxes or assessments so levied or assessed as may fairly be attributed to the leased substances in the said lands. Except as herein provided to be paid by Lessee, all taxes and assessments and/or remaining portions thereof shall be paid by Lessor. Upon failure of Lessor to pay any taxes payable by him or that proportion of any of the taxes prorated as aforesaid as are not herein required to be paid by Lessee, Lessee is hereby authorized to pay same and Lessor agrees to repay Lessee, and Lessee may deduct same frome the royalties and/or delay rentals which may thereafter be due or paid to Lessor. For the fiscal year current at the commencement of this lease and for any fiscal year in which this lease terminates in whole or in part the share of the taxes herein provided to be borne by Lessee shall be prorated between Lessor and Lessee as of the date on which this lease commences or shall terminate in whole or in part, as the case may be.

5. Discharge of Encumbrances:—

The Lessee may at the Lessee's option pay or discharge the whole or any portion of any charge, mortgage, lien or encumbrance of any kind or nature whatsoever incurred or created by the Lessor and/or the Lessor's predecessors or successors in title or interest which may now or hereafter exist on or against or in any way affect the said lands or the leased substances, in which event the Lessee shall be subrogated to the rights of the holder or holders thereof and may in addition thereto at the Lessee's option, reimburse itself deducting the amount so paid from delay rentals, royalties, or other sums accruing to, or paid the Lessor under the terms of this Lease.

6. Use of Gas by Lessor:—

If as a result of drilling operations of the Lessee on the said lands, surplus dry natural gas is produced which is not needed for the operations hereunder, the Lessee shall upon request from Lessor supply such surplus dry natural gas to the Lessor free of charge and at his sole risk and free of payment of royalty by the Lessee, only for domestic use in his principal dwelling on the said lands; but all the necessary installations on the well site for the supply of said gas shall be made by the Lessee at the expense of the Lessor.

7. Offset Wells:—

In the event of commercial production being obtained on any drilling unit laterally adjoining the said lands and not owned by the Lessor, or, if owned by the Lessor, not under lease to the Lessee, the Lessee agrees to drill or cause to be drilled an offset well on the drilling unit of the said lands laterally adjoining the said drilling unit on which production is being so obtained, as a reasonably prudent operator would drill or cause to be drilled under the same or similar circumstances, and thereafter shall drill the same to the horizon in the formation from which production is being obtained from the said adjoining drilling unit: PROVIDED that if such well drilled on lands adjoining the said lands has been proved to be productive primarily or only of natural gas, the Lessee shall not be obligated to drill an offset well unless an adequate and commercially profitable market for natural gas which might be produced from the offset well can be previously arranged and provided. Provided that Lessee shall have the option of paying Lessor a royalty equal to one-sixteenth of the net revenue derived from the gas sold from such adjacent well, and as long as Lessee may elect to pay said royalty in lieu of drilling an offset, it will be considered that gas is being produced from the premises within the meaning of the opening paragraph hereof.

8. Pooling Due to Regulation:—

The Lessee is hereby given the right and power at any time and from time to time to pool or combine the said lands, or any portion thereof, with other lands adjoining the said lands, but so that any one such pool or unit (herein referred to as a "unit") shall not exceed one drilling unit as hereinbefore defined, when such pooling or combining is necessary in order to conform with any regulations or orders of the Government of the Province of Manitoba, or any other authoritative body, which are now or may hereafter be in force in relation thereto. In the event of such pooling or combining, the Lessor shall, in lieu of the royalties elsewhere herein specified, receive on production of leased substances from the said unit, only such portion of the royalties stipulated herein as the area of the said lands placed in the unit bears to the total area of lands in such unit. Drilling operations on, or production of leased substances from, any land included in such unit shall have the same effect in continuing this Lease in force and effect during the term hereby granted, or any extension thereof, as to all the said lands, as if such operation or production were upon or from the said lands, or some portion thereof. Lessee shall not be liable to any party for reduction of the acreage content of any unit resulting from loss of its title or any cause beyond its control, nor shall Lessee be obligated to make any retroactive apportionment of royalties or sums paid on production in the event of any such reduction in acreage content.

9. Disposal of Salt Water:—

The Lessor hereby grants to the Lessee the right to drill, maintain and operate on the said lands, wells for the disposal of salt water produced from the said lands, or other lands, subject to obtaining the consent of the Oil and Gas Conservation Board of the Province of Manitoba; and for such purposes the Lessee shall have the right to use and occupy all or any part of the surface of the said lands subject to the terms and conditions herein elsewhere provided.

10. Operations:—

The Lessee shall conduct all its operations on the said lands in a diligent, careful and workmanlike manner and in compliance with the provisions of law applicable to such operations, and where such provisions of law conflict or are at variance with the provisions of this Lease, such provisions of law shall prevail.

11. Records of Production:—

The Lessee shall make available to the Lessor during normal business hours at the Lessee's address hereinafter mentioned, the Lessee's records relative to the quantity of leased substances produced from the said lands and as ascertained at the point of measurement.

12. Indemnification:—

The Lessee shall indemnify the Lessor against all actions, suits, claims and demands by any person or persons whomsoever in respect of any loss, injury, damage or obligation to compensate arising out of or connected with the work carried on by the Lessee on the said lands or in respect of any breach of any of the terms and conditions of this Lease insofar as the same relates to and affects the said lands.

13. Compensation:—

The Lessee shall pay and be responsible for actual damages caused by its operations to growing crops on the said lands.

14. Surrender:—

Notwithstanding anything herein contained, the Lessee may at any time and from time to time determine or surrender this Lease and the term hereby granted as to the whole or any part or parts of the leased substances and/or the said lands, upon giving the Lessor written notice to that effect, WHEREUPON this Lease and the said term shall terminate as to the whole or any part or parts thereof so surrendered and the delay rentals, royalty or otherwise, shall be extinguished or correspondingly reduced as the case may be, but the Lessee shall not be entitled to a refund of any such rent theretofore paid.

15. Removal of Charge:—

In the event of the Lessee having registered in the Land Titles Office for the area in which the said lands are situated this Lease or any caveat or other document in respect thereof, the Lessee shall withdraw or discharge the document so registered within a reasonable time after termination of this Lease for any reason.

16. Removal of Equipment:—

The Lessee shall at all times during the currency of this Lease and for a period of Six (6) months from the termination thereof, have the right to remove all or any of its machinery, equipment, structures, pipe lines, casing and materials from off the said lands.

17. Default:—

In the case of the breach or non-observance or non-performance on the part of the Lessee of any covenant, proviso, condition, obligation, restriction or stipulation herein contained, or arising hereunder, and which ought to be observed or performed by the Lessee and which has not been waived by the Lessor, the Lessor may give to the Lessee written notice requiring it to remedy such default and in the event of the Lessee failing to remedy such default within a period of Ninety (90) days from receipt of such notice, this Lease shall thereupon terminate and it shall be lawful for the Lessor, into and upon the said lands (or any part thereof in the name of the whole) to re-enter and the same to have again, repossess and enjoy, anything herein contained to the contrary notwithstanding. Provided, however, that if either of the parties hereto should within the Ninety (90) day period commence proceedings for judicial determination of existence of the alleged breach or non-observance or non-performance, this Lease shall not terminate unless and until it is finally judicially determined that such default exists and the Lessee shall fail to remedy such default within Sixty (60) days after it is so determined. And provided further that this lease shall not terminate as to such area for each well being worked on and/or being drilled and/or producing the leased substances or any of them as will embrace the minimum area required under the applicable laws, orders, and/or regulations for the drilling, working and/or producing of such well, and will embrace one such well, except as to any such area to which a default which has been finally judicially determined and not remedied, within Sixty (60) days, thereafter relates.

18. Quiet Enjoyment:—

The Lessor covenants and warrants that he has good title to the leased substances and the said lands as hereinbefore set forth and will defend such title, and that he has good right and full power to grant and demise the same and the rights and privileges in manner aforesaid, and that the Lessee, upon observing and performing the covenants and conditions on the Lessee's part herein contained, shall and may peaceably possess and enjoy the same and the rights and privileges hereby granted during the first term and any extension thereof without any interruption or disturbance from or by the Lessor or any other person whomsoever.

19. Covenant For Further Assurance:—

The Lessor and the Lessee hereby agree that they will each do and perform all such acts and things and execute all such deeds, documents and writings and give all such assurance as may be necessary to give effect to this Lease.

20. Assignment:—

The rights of either party hereto may be assigned in whole or in part and the provisions hereof shall extend to their heirs, successors and assigns, but no change or divisions in the ownership of the mineral rights or land by Lessor, delay rental, or other rentals or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee, and no such change in ownership shall be binding upon Lessee for any purpose until Lessee shall be furnished at least Sixty (60) days before any delay rental or other rental or royalty may be due with a certified copy of recorded instrument, or other legally authenticated written evidence of such change of ownership. In the event of assignment of this lease as to a segregated portion of said land, the delay rental, or other rentals, if any, payable hereunder shall be apportionable as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. Drilling on any portion shall inure to the benefit of the owners of this lease, and of any and all portions thereof. If the said lands are now or shall hereafter be owned in severalty or in separate tracts, they shall nevertheless be developed and operated as one lease and all royalties accruing hereunder shall be treated as an entirety and shall be divided among and paid to such separate owners in the proportion that the mineral acreage owned by each separate owner bears to the entire mineral acreage in the said lands. If two or more parties become entitled to royalty hereunder, or become eligible to receive delay rental payments hereunder, the Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all. If delay rental payments are withheld pursuant to this provision, then for purposes of this lease, the delay rental shall be deemed to have been paid and the Lessee shall not thereby be in default.

21. Manner of Payment:—

All payments to the Lessor provided for in this Lease shall, at the Lessee's option, be paid or tendered either to the Lessor, or for the Lessor's credit in the ..... (Bank) at ....., or its successors, which said Bank and its successors shall be deemed the Lessor's agents and continue as the depository for receipt of any and all sums payable hereunder regardless of changes in ownership (whether by assignment or otherwise) of the said lands or of the leased substances or of the royalties or rentals to accrue hereunder unless and until the Lessee shall have been notified in writing by the Lessor to make such payments in another depository, which shall be either a bank or a trust company and whose name and address shall be specified in such notice; PROVIDED that only one such depository shall be designated as aforesaid. All such payments or tenders may be made by cheque or draft of the Lessee either mailed or delivered to the Lessor or to the depository by him designated as aforesaid. All payments of money required to be made by Lessee pursuant to this Lease shall be made in lawful money of Canada.

22. Entire Agreement:—

The terms of this Lease express and constitute the entire agreement between the parties, and no implied covenant or liability of any kind is created or shall arise by reason of these presents or anything herein contained.

23. Notices:—

All notices to be given hereunder may be given by registered letter addressed to the Lessee at Post Office Drawer 39, Calgary, Alberta, and to the Lessor at Butler, Manitoba or such other address as the Lessor and the Lessee may respectively from time to time appoint in writing, and any such notice shall be deemed to be given to and received by the addressee Seven (7) days after the mailing thereof, postage prepaid.

THIS LEASE shall inure to the benefit of and be binding upon the parties hereto and each of them, their respective heirs, executors, administrators, successors and assigns.

SUN OIL COMPANY, the above mentioned Lessee, does hereby accept this Lease of the above described land, to be held by it as tenant, and subject to the conditions, restrictions and covenants above set forth.

IN WITNESS WHEREOF the Lessor and the Lessee have executed and accepted this Lease, the day and year first above written.

EXECUTED AND DELIVERED
by the Lessor,
in the Presence of:

Witness to signature(s) of Lessor(s)

Witness to execution by Sun Oil Company

Lessor

Lessor

SUN OIL COMPANY

Agent and Attorney-in-Fact

AFFIDAVIT OF EXECUTION

CANADA
PROVINCE OF MANITOBA
To Wit:

I, ..., of .....,
in the Province of Manitoba ....., make oath and say:

1. THAT I was personally present and did see ..... named in the within instrument, who is (are) personally known to me to be the person(s) named therein, duly sign and execute the same for the purposes named therein.

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

3. THAT I know the said ..... and he (or she) is (or they are each), in my belief, of the full age of twenty-one years.

SWORN before me at .....,
in the Province of Manitoba, this .....
day of ....., A.D. 19.....

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

CANADA
PROVINCE OF MANITOBA
TO WIT:

I, ... of the ..... of ..... in the Province of Manitoba, make oath and say:

For witness when husband consents to Lease of homestead.

1. That I was personally present and did see ..... husband of ..... execute his consent to the within lease.
2. That I know the said ..... and that he is of the full age of twenty-one years.
3. That the said consent was executed at ..... aforesaid and that I am a subscribing witness thereto.

SWORN before me at the ..... of ..... in the Province of Manitoba, this ..... day of ..... A.D. 19.....

.....
A Commissioner for Oaths in and for the Province of Manitoba

My Commission expires ..... 19.....

DATED ..... A.D. 195

SUN OIL COMPANY

— and —

MINERAL LEASE

SUN OIL COMPANY
P.O. Drawer 39
CALGARY — ALBERTA

CANADA
PROVINCE OF MANITOBA
TO WIT:

I, Thomas McDougall, of the Post Office of Butler in the Province of Manitoba, make oath and say:

THAT I am one of the within named Lessors and that I am of the full age of twenty-one years.

(a) That I have no wife.

(Severally) SWORN before me at the Town of Virden in the Province of Manitoba, this 29th day of June A. D. 1964

Thomas McDougall

A Notary Public in and for the Province of Manitoba.

A Notary Public ~~XXXXXXXXXXXXXXXX~~ in and for the Province of Manitoba.

My Commission expires ..... 19.....

To be signed by wife when husband leases homestead and by husband when wife leases homestead.

I, ... the ..... of ..... the Lessor named in the within written lease, hereby consent to the making of the same by .....

DATED this ..... day of ..... A.D. 19.....

Witness:

.....

When wife consents to Lease of homestead.

The above consent was acknowledged before me by ..... wife of ..... apart from her husband, to have been voluntarily executed by her of her own free will and accord and without any compulsion on the part of her husband. She has further acknowledged that she is aware of the nature and effect of the same.

DATED at ..... in the Province of Manitoba, this ..... day of ..... A.D. 19.....

.....
A Commissioner for Oaths in and for the Province of Manitoba.

My Commission expires ..... 19.....

Form 0-8404 Man. 3000-5-57.

SUN OIL COMPANY
MINERAL LEASE

THIS INDENTURE made the 24th day of June A.D. 19 64

BETWEEN Lorne McDougall of the Post Office of Butler in the Province of Manitoba (hereinafter referred to as "the Lessor") OF THE FIRST PART

— AND —

SUN OIL COMPANY, a body corporate entitled to carry on business in the Province of Manitoba, (hereinafter referred to as "the Lessee") OF THE SECOND PART

The Lessor, being registered as owner, (or entitled to become registered as owner under an Agreement for Sale or unregistered transfer or otherwise), subject, however, to such mortgages and encumbrances as are noted by memorandum underwritten hereon, and subject to the reservations, exceptions and conditions contained in the Certificate of Title, existing as of the date hereof, of all petroleum, natural gas and related hydrocarbons within, upon or under

An undivided one-half interest in the Right-of-Way of the Canadian Northern Railway comprising 5.77 acres more or less, lying in and across the North West Quarter (NW¼) of Section Twenty-six (26)

in Township Nine (9), Range Twenty-nine of the Principal Meridian in the Province of Manitoba as more particularly described and set forth in ~~Certificate(s) of Title No(s)~~ Deed No. 66040 of record in the Land Titles Office for the District of Brandon, Province of Manitoba,

in consideration of the sum of Nine Hundred & Twelve Dollars & Twenty-five Cents ($ 912.25) Dollars paid to the Lessor by the Lessee, (the receipt whereof is hereby acknowledged), and in consideration of the rents and royalties hereinafter reserved and the covenants of the Lessee hereinafter contained,

DOTH HEREBY GRANT AND LEASE unto the Lessee all of the petroleum, natural gas and related hydrocarbons (except coal and valuable stone), all other gases, and all minerals and substances (whether liquids or solid or whether hydrocarbons or not) produced in association with any of the foregoing or found in any water contained in an oil and gas reservoir (all hereinafter referred to as the "leased substances"), within, upon, or under the lands hereinbefore described and all the right, title, estate and interest, if any, of the Lessor in and to the leased substances or any of them within, upon or under any lands excepted or reserved from, or roadways, lanes or right-of-way adjoining, the lands aforesaid, together with the exclusive right and privilege to explore, drill for, mine, win, take, remove, store and dispose of the leased substances and, insofar as the Lessor has the right to grant, for the said purposes the right to mine, drill wells, lay pipelines, drill and operate salt water disposal, recycling or repressuring wells, and build and install such tanks, stations, and roadways as may be necessary; ~~AND IN CONSIDERATION of the separate sum of ($) Dollars (receipt whereof is hereby acknowledged by the Lessor) the Lessor doth hereby grant to the Lessee for the said purposes, the right of entering upon, using and occupying the surface of the said lands or so much thereof and to such an extent as may be necessary or convenient; and the Lessee agrees that upon entering the said lands for the purposes aforesaid the Lessee shall pay to the Lessor the sum of ($) Dollars per acre for each acre of the said lands it shall occupy during the first year and thereafter the sum of ($) Dollars per year for each acre of the said lands that it shall continue to occupy. All such payments shall be adjusted to become payable on the anniversary date of this lease.~~ 1st day of April, 1964 (herein referred to as the "effective date")

TO HAVE AND ENJOY the same for the space of Ten (10) years from the ~~date hereof~~, called the "primary term", and thereafter for successive Ten (10) year terms, so long as, and for so long as, the leased substances or any of them are produced from the said lands, subject to the sooner termination of the said term as hereinafter provided.

PROVIDED that if operations for the drilling of a well are not commenced on the said lands within one (1) year after the effective date hereof, the Lessee shall pay to the Lessor the sum of Three ($3.00) Dollars (hereinafter called the "delay rental") and in like manner thereafter, if on any anniversary date hereof operations for the drillisg of a well on the said lands have not been commenced, then the Lessee shall pay to the Lessor a like sum.

PROVIDED that if at any time during the first Ten (10) year term and prior to the discovery of the leased substances on the said lands, the Lessee shall drill a dry well or wells thereon, or if at any time during such term and after the discovery of the leased substances on the said lands the production shall cease, then if further operations for the drilling of a well are not commenced on the said lands prior to the next anniversary date, or ninety (90) days from the date on which production shall have ceased, whichever is the later, Lessee shall pay to Lessor the delay rental, in which event the immediately preceding proviso hereof governing the payment of delay rentals shall continue in force.

AND FURTHER ALWAYS PROVIDED that if at any time after the expiration of the first Ten (10) year term the leased substances are not being produced on the said lands and the Lessee is then engaged in drilling, or reworking operations thereon, this lease shall remain in force for successive Ten (10) year terms so long as such operations are prosecuted and, if they result in the production of the leased substances or any of them, so long thereafter as the leased substances or any of them are produced from the said lands; and further provided that if drilling, or reworking operations are commenced within ninety (90) days of the cessation of prior such operations, the immediately preceding proviso governing continuation of the lease term, shall continue in force; provided that if, during the primary term or thereafter, drilling, or reworking or production operations are interrupted or suspended as the result of any cause whatsoever beyond the Lessee's control, the time of such interruption or suspension shall not be charged against the Lessee, anything hereinbefore contained or implied to the contrary, notwithstanding;

THE LESSOR AND THE LESSEE HEREBY COVENANT AND AGREE AS FOLLOWS:

1. Interpretation:—

In this Lease, unless there is something in the subject or context inconsistent therewith, the expressions following shall have the following meaning, namely:

(a) "Commercial production" shall mean such production output from a well determined on a Thirty (30) day test of such quantity of the leased substances or any of them, as, considering the cost of production equipment and production operations (including the cost of drilling), and the price, kind and quality of such production and available markets, would economically warrant the drilling of another well to the same depth.

(b) "Drilling unit" shall mean a section, legal sub-division or other unit of land representing the minimum area in which any well may be drilled on or in the vicinity of the said lands as defined or prescribed by or under any law of the Province of Manitoba now or hereafter in effect governing the spacing of petroleum and/or gas wells.

(c) "Said lands" shall mean all the lands and leased substances hereinbefore described or referred to, or such portion or portions thereof as shall not have been surrendered.

2. Royalties:—

As royalty, the Lessee covenants and agrees:

(a) To pay to the Lessor a royalty in cash of one-eighth (12½%) of the net proceeds realized by the Lessee from the sale of all oil produced and saved from the said lands or one-eighth (12½%) of the market value thereof at the wellhead if it is used by the Lessee off the said lands;

(b) To pay to the Lessor on gas, casinghead gas or other gaseous substance produced from the said lands and sold, or used by the Lessee off the said lands, or in the manufacture of gasoline or other products, the market value at the mouth of the well of one-eighth (12½%) of the gas or casinghead gas so used or sold; PROVIDED that on all gas sold at the well, the royalty shall be one-eighth (12½%) of the net amounts realized from such sales.

(c) To pay to the Lessor on all other minerals produced and saved from the said lands by the Lessee, the market value on the said lands of one-eighth (12½%) of such minerals sold or used; PROVIDED that on all such minerals sold by the Lessee the royalties shall be one-eighth (12½%) of the net amounts realized from such sales.

(d) The money royalty as determined under this clause shall be payable with respect to the leased substances saved and sold during any calendar month, within thirty (30) days following the end of such calendar month. The Lessor's interest in the leased substances, or the royalties payable thereon, shall bear one-eighth of the costs of transportation, storage off the said lands and other such necessary costs incurred in delivering the leased substances to market, where delivery is required to be made by Lessee off the said lands. In calculating the amount of royalty payable on production of leased substances from any well on the said lands, Lessee may use figures obtained from monthly or other production tests required by the Manitoba Oil and Gas Conservation Board, or equivalent, and shall not be required to erect separate tankage where leased substances, or any of them, are co-mingled with production from lands other than the said lands.

(e) Notwithstanding anything to the contrary herein contained or implied, the Lessee shall be entitled to use, free from the payment of royalty, such part of the production of the leased substances from the said lands required and used by the Lessee in its operations hereunder.

(f) PROVIDED no royalties are otherwise paid hereunder, the Lessee shall pay to the Lessor each year as royalty the total sum of Fifty Dollars ($50.00) or the delay rental (whichever is the greater) for all wells on the said lands where gas only or primarily is found and the same is not used or sold, and while the said royalty is so paid each well shall be deemed to be a producing well hereunder.

3. Lesser Interest:—

If the Lessor's interest in the leased substances be less than the entire and undivided fee simple estate therein, then the royalties and delay rentals herein provided shall be paid the Lessor only in the proportion which his interest bears to the whole and undivided fee.

4. Taxes:—

Lessee shall pay all taxes and assessments levied or assessed during the life of this lease against the buildings, machinery, equipment or personal property placed by it on the said lands, and Lessor shall pay all other taxes and assessments levied or assessed against the surface of the said lands and/or improvements thereon. The Lessee shall pay seven-eighths of all taxes and assessments, if any, levied or assessed during the life of this lease against this lease and/or the leasehold estate hereby created, and/or the leased substances in the said lands, and/or any taxes of any kind levied or assessed which are based upon the quantity or value of any of the aforesaid leased substances in place within or produced from the said lands, whether assessed or levied to or against Lessor or Lessee, and Lessor shall pay the other one-eighth thereof. If any taxes or assessments are levied or assessed against the leased substances and the surface of the said lands, and/or other substances therein, Lessee shall pay seven-eights of only that portion of the taxes or assessments so levied or assessed as may fairly be attributed to the leased substances in the said lands. Except as herein provided to be paid by Lessee, all taxes and assessments and/or remaining portions thereof shall be paid by Lessor. Upon failure of Lessor to pay any taxes payable by him or that proportion of any of the taxes prorated as aforesaid as are not herein required to be paid by Lessee, Lessee is hereby authorized to pay same and Lessor agrees to repay Lessee, and Lessee may deduct same frome the royalties and/or delay rentals which may thereafter be due or paid to Lessor. For the fiscal year current at the commencement of this lease and for any fiscal year in which this lease terminates in whole or in part the share of the taxes herein provided to be borne by Lessee shall be prorated between Lessor and Lessee as of the date on which this lease commences or shall terminate in whole or in part, as the case may be.

5. Discharge of Encumbrances:—

The Lessee may at the Lessee's option pay or discharge the whole or any portion of any charge, mortgage, lien or encumbrance of any kind or nature whatsoever incurred or created by the Lessor and/or the Lessor's predecessors or successors in title or interest which may now or hereafter exist on or against or in any way affect the said lands or the leased substances, in which event the Lessee shall be subrogated to the rights of the holder or holders thereof and may in addition thereto at the Lessee's option, reimburse itself deducting the amount so paid from delay rentals, royalties, or other sums accruing to, or paid the Lessor under the terms of this Lease.

6. Use of Gas by Lessor:—

If as a result of drilling operations of the Lessee on the said lands, surplus dry natural gas is produced which is not needed for the operations hereunder, the Lessee shall upon request from Lessor supply such surplus dry natural gas to the Lessor free of charge and at his sole risk and free of payment of royalty by the Lessee, only for domestic use in his principal dwelling on the said lands; but all the necessary installations on the well site for the supply of said gas shall be made by the Lessee at the expense of the Lessor.

7. Offset Wells:—

In the event of commercial production being obtained on any drilling unit laterally adjoining the said lands and not owned by the Lessor, or, if owned by the Lessor, not under lease to the Lessee, the Lessee agrees to drill or cause to be drilled an offset well on the drilling unit of the said lands laterally adjoining the said drilling unit on which production is being so obtained, as a reasonably prudent operator would drill or cause to be drilled under the same or similar circumstances, and thereafter shall drill the same to the horizon in the formation from which production is being obtained from the said adjoining drilling unit: PROVIDED that if such well drilled on lands adjoining the said lands has been proved to be productive primarily or only of natural gas, the Lessee shall not be obligated to drill an offset well unless an adequate and commercially profitable market for natural gas which might be produced from the offset well can be previously arranged and provided. Provided that Lessee shall have the option of paying Lessor a royalty equal to one-sixteenth of the net revenue derived from the gas sold from such adjacent well, and as long as Lessee may elect to pay said royalty in lieu of drilling an offset, it will be considered that gas is being produced from the premises within the meaning of the opening paragraph hereof.

8. Pooling Due to Regulation:—

The Lessee is hereby given the right and power at any time and from time to time to pool or combine the said lands, or any portion thereof, with other lands adjoining the said lands, but so that any one such pool or unit (herein referred to as a "unit") shall not exceed one drilling unit as hereinbefore defined, when such pooling or combining is necessary in order to conform with any regulations or orders of the Government of the Province of Manitoba, or any other authoritative body, which are now or may hereafter be in force in relation thereto. In the event of such pooling or combining, the Lessor shall, in lieu of the royalties elsewhere herein specified, receive on production of leased substances from the said unit, only such portion of the royalties stipulated herein as the area of the said lands placed in the unit bears to the total area of lands in such unit. Drilling operations on, or production of leased substances from, any land included in such unit shall have the same effect in continuing this Lease in force and effect during the term hereby granted, or any extension thereof, as to all the said lands, as if such operation or production were upon or from the said lands, or some portion thereof. Lessee shall not be liable to any party for reduction of the acreage content of any unit resulting from loss of its title or any cause beyond its control, nor shall Lessee be obligated to make any retroactive apportionment of royalties or sums paid on production in the event of any such reduction in acreage content.

9. Disposal of Salt Water:—

The Lessor hereby grants to the Lessee the right to drill, maintain and operate on the said lands, wells for the disposal of salt water produced from the said lands, or other lands, subject to obtaining the consent of the Oil and Gas Conservation Board of the Province of Manitoba; and for such purposes the Lessee shall have the right to use and occupy all or any part of the surface of the said lands subject to the terms and conditions herein elsewhere provided.

10. Operations:—

The Lessee shall conduct all its operations on the said lands in a diligent, careful and workmanlike manner and in compliance with the provisions of law applicable to such operations, and where such provisions of law conflict or are at variance with the provisions of this Lease, such provisions of law shall prevail.

11. Records of Production:—

The Lessee shall make available to the Lessor during normal business hours at the Lessee's address hereinafter mentioned, the Lessee's records relative to the quantity of leased substances produced from the said lands and as ascertained at the point of measurement.

12. Indemnification:—

The Lessee shall indemnify the Lessor against all actions, suits, claims and demands by any person or persons whomsoever in respect of any loss, injury, damage or obligation to compensate arising out of or connected with the work carried on by the Lessee on the said lands or in respect of any breach of any of the terms and conditions of this Lease insofar as the same relates to and affects the said lands.

13. Compensation:—

The Lessee shall pay and be responsible for actual damages caused by its operations to growing crops on the said lands.

14. Surrender:—

Notwithstanding anything herein contained, the Lessee may at any time and from time to time determine or surrender this Lease and the term hereby granted as to the whole or any part or parts of the leased substances and/or the said lands, upon giving the Lessor written notice to that effect, WHEREUPON this Lease and the said term shall terminate as to the whole or any part or parts thereof so surrendered and the delay rentals, royalty or otherwise, shall be extinguished or correspondingly reduced as the case may be, but the Lessee shall not be entitled to a refund of any such rent theretofore paid.

15. Removal of Charge:—

In the event of the Lessee having registered in the Land Titles Office for the area in which the said lands are situated this Lease or any caveat or other document in respect thereof, the Lessee shall withdraw or discharge the document so registered within a reasonable time after termination of this Lease for any reason.

16. Removal of Equipment:—

The Lessee shall at all times during the currency of this Lease and for a period of Six (6) months from the termination thereof, have the right to remove all or any of its machinery, equipment, structures, pipe lines, casing and materials from off the said lands.

17. Default:—

In the case of the breach or non-observance or non-performance on the part of the Lessee of any covenant, proviso, condition, obligation, restriction or stipulation herein contained, or arising hereunder, and which ought to be observed or performed by the Lessee and which has not been waived by the Lessor, the Lessor may give to the Lessee written notice requiring it to remedy such default and in the event of the Lessee failing to remedy such default within a period of Ninety (90) days from receipt of such notice, this Lease shall thereupon terminate and it shall be lawful for the Lessor, into and upon the said lands (or any part thereof in the name of the whole) to re-enter and the same to have again, repossess and enjoy, anything herein contained to the contrary notwithstanding. Provided, however, that if either of the parties hereto should within the Ninety (90) day period commence proceedings for judicial determination of existence of the alleged breach or non-observance or non-performance, this Lease shall not terminate unless and until it is finally judicially determined that such default exists and the Lessee shall fail to remedy such default within Sixty (60) days after it is so determined. And provided further that this lease shall not terminate as to such area for each well being worked on and/or being drilled and/or producing the leased substances or any of them as will embrace the minimum area required under the applicable laws, orders, and/or regulations for the drilling, working and/or producing of such well, and will embrace one such well, except as to any such area to which a default which has been finally judicially determined and not remedied, within Sixty (60) days, thereafter relates.

18. Quiet Enjoyment:—

The Lessor covenants and warrants that he has good title to the leased substances and the said lands as hereinbefore set forth and will defend such title, and that he has good right and full power to grant and demise the same and the rights and privileges in manner aforesaid, and that the Lessee, upon observing and performing the covenants and conditions on the Lessee's part herein contained, shall and may peaceably possess and enjoy the same and the rights and privileges hereby granted during the first term and any extension thereof without any interruption or disturbance from or by the Lessor or any other person whomsoever.

19. Covenant For Further Assurance:—

The Lessor and the Lessee hereby agree that they will each do and perform all such acts and things and execute all such deeds, documents and writings and give all such assurance as may be necessary to give effect to this Lease.

20. Assignment:—

The rights of either party hereto may be assigned in whole or in part and the provisions hereof shall extend to their heirs, successors and assigns, but no change or divisions in the ownership of the mineral rights or land by Lessor, delay rental, or other rentals or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee, and no such change in ownership shall be binding upon Lessee for any purpose until Lessee shall be furnished at least Sixty (60) days before any delay rental or other rental or royalty may be due with a certified copy of recorded instrument, or other legally authenticated written evidence of such change of ownership. In the event of assignment of this lease as to a segregated portion of said land, the delay rental, or other rentals, if any, payable hereunder shall be apportionable as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. Drilling on any portion shall inure to the benefit of the owners of this lease, and of any and all portions thereof. If the said lands are now or shall hereafter be owned in severalty or in separate tracts, they shall nevertheless be developed and operated as one lease and all royalties accruing hereunder shall be treated as an entirety and shall be divided among and paid to such separate owners in the proportion that the mineral acreage owned by each separate owner bears to the entire mineral acreage in the said lands. If two or more parties become entitled to royalty hereunder, or become eligible to receive delay rental payments hereunder, the Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all. If delay rental payments are withheld pursuant to this provision, then for purposes of this lease, the delay rental shall be deemed to have been paid and the Lessee shall not thereby be in default.

21. Manner of Payment:—

All payments to the Lessor provided for in this Lease shall, at the Lessee's option, be paid or tendered either to the Lessor, or for the Lessor's credit in the ..... (Bank) at ..... or its successors, which said Bank and its successors shall be deemed the Lessor's agents and continue as the depository for receipt of any and all sums payable hereunder regardless of changes in ownership (whether by assignment or otherwise) of the said lands or of the leased substances or of the royalties or rentals to accrue hereunder unless and until the Lessee shall have been notified in writing by the Lessor to make such payments in another depository, which shall be either a bank or a trust company and whose name and address shall be specified in such notice; PROVIDED that only one such depository shall be designated as aforesaid. All such payments or tenders may be made by cheque or draft of the Lessee either mailed or delivered to the Lessor or to the depository by him designated as aforesaid. All payments of money required to be made by Lessee pursuant to this Lease shall be made in lawful money of Canada.

22. Entire Agreement:—

The terms of this Lease express and constitute the entire agreement between the parties, and no implied covenant or liability of any kind is created or shall arise by reason of these presents or anything herein contained.

23. Notices:—

All notices to be given hereunder may be given by registered letter addressed to the Lessee at Post Office Drawer 39, Calgary, Alberta, and to the Lessor at Butler, Manitoba or such other address as the Lessor and the Lessee may respectively from time to time appoint in writing, and any such notice shall be deemed to be given to and received by the addressee Seven (7) days after the mailing thereof, postage prepaid.

THIS LEASE shall inure to the benefit of and be binding upon the parties hereto and each of them, their respective heirs, executors, administrators, successors and assigns.

SUN OIL COMPANY, the above mentioned Lessee, does hereby accept this Lease of the above described land, to be held by it as tenant, and subject to the conditions, restrictions and covenants above set forth.

IN WITNESS WHEREOF the Lessor and the Lessee have executed and accepted this Lease, the day and year first above written.

EXECUTED AND DELIVERED
by the Lessor,
in the Presence of:

Witness to signature(s) of Lessor(s)

Witness to execution by Sun Oil Company

Lessor

SUN OIL COMPANY

Agent and Attorney-in-Fact

AFFIDAVIT OF EXECUTION

CANADA
PROVINCE OF MANITOBA
To Wit:

I, ..., of ....., in the Province of Manitoba ....., make oath and say:

1. THAT I was personally present and did see ..... named in the within instrument, who is (are) personally known to me to be the person(s) named therein, duly sign and execute the same for the purposes named therein.

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

3. THAT I know the said ..... and he (or she) is (or they are each), in my belief, of the full age of twenty-one years.

SWORN before me at .....
in the Province of Manitoba, this .....
day of ....., A.D. 19.....

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

CANADA
PROVINCE OF MANITOBA
TO WIT:

I, Lorne McDougall of the Post Office of Butlin in the Province of Manitoba, make oath and say:

For witness when husband consents to Lease of homestead.

1. That I was personally present and did see ..... husband of ..... execute his consent to the within lease.
2. That I know the said ..... and that he is of the full age of twenty-one years.
3. That the said consent was executed at ..... aforesaid and that I am a subscribing witness thereto.

SWORN before me at the .....
of ..... in the Province
of Manitoba, this ..... day of .....
.....A.D. 19.....

.....
A Commissioner for Oaths in and for the Province of Manitoba

My Commission expires ..... 19.....

DATED ..... A.D. 195

SUN OIL COMPANY

— and —

SUN OIL COMPANY

MINERAL LEASE

SUN OIL COMPANY
P.O. Drawer 39
CALGARY — ALBERTA

CANADA
PROVINCE OF MANITOBA
TO WIT:

I/~~we~~ Lorne McDougall of the Post Office of Butlin in the Province of Manitoba, make oath and say:

(a) When Lessor is not married.
(b) When wife or husband consents to lease.
(c and d) When land is held jointly by husband and wife.
(e) When land is not homestead.

1. That I am (~~one of~~) the within named Lessor(~~s~~) and that I am of the full age of twenty-one years.
(a) That I have no ~~husband~~ ~~wife~~ wife
OR
~~(b) That the person who consents as wife (husband) to the Lease within written is the wife (husband) of .....~~
..... (one of) the Lessor(s).
OR
(c) That my Co-Lessor is the husband of me ....., one of the Lessors.
AND
(d) That my Co-Lessor is the wife of me ....., one of the Lessors.
OR
(e) That no part of the land referred to in the Lease within is or ever has been the homestead of me ..... ~~the Lessor within the meaning of "The Dower Act".~~

(~~Severally~~) SWORN before me at the Town
..... of Virden in the
Province of Manitoba, this 29th day of June
.....A.D. 19 64

Lorne McDougall

.....
A Notary Public ~~A Commissioner for Oaths~~ in and for the Province of Manitoba.

My Commission expires ..... 19.....

To be signed by wife when husband leases homestead and by husband when wife leases homestead.

I, ... the ..... of ..... the Lessor named in the within written lease, hereby consent to the making of the same by .....
DATED this ..... day of .....A.D. 19.....
Witness:
....

When wife consents to Lease of homestead.

The above consent was acknowledged before me by ..... wife of ..... apart from her husband, to have been voluntarily executed by her of her own free will and accord and without any compulsion on the part of her husband. She has further acknowledged that she is aware of the nature and effect of the same.
DATED at ..... in the Province of Manitoba, this ..... day of .....
..... A.D. 19.....

.....
A Commissioner for Oaths in and for the Province of Manitoba.

My Commission expires ..... 19.....

Form 0-8404 Man. 3000-5-57.

SUN OIL COMPANY
MINERAL LEASE

THIS INDENTURE made the 24th day of June A.D. 19 64

BETWEEN Ross McDougall of the Post Office of Butler in the Province of Manitoba

(hereinafter referred to as "the Lessor")
OF THE FIRST PART

— AND —

SUN OIL COMPANY, a body corporate entitled to carry on business in the Province of Manitoba,
(hereinafter referred to as "the Lessee")
OF THE SECOND PART

The Lessor, being registered as owner, (or entitled to become registered as owner under an Agreement for Sale or unregistered transfer or otherwise), subject, however, to such mortgages and encumbrances as are noted by memorandum underwritten hereon, and subject to the reservations, exceptions and conditions contained in the Certificate of Title, existing as of the date hereof, of all petroleum, natural gas and related hydrocarbons within, upon or under

An undivided one-half interest in the Right-of-Way of the Canadian Northern Railway comprising 5.77 acres more or less, lying in and across the North West Quarter (NW¼) of Twenty-six (26)

in Township Nine (9), Range Twenty-nine of the Principal Meridian in the Province of Manitoba as more particularly described and set forth in ~~Certificate(s) of Title No(s)~~ Deed No. 66040 of record in the Land Titles Office for the District of Brandon, Province of Manitoba,

in consideration of the sum of Nine Hundred and Twelve Dollars & Twenty-five cents ($ 912.25) Dollars paid to the Lessor by the Lessee, (the receipt whereof is hereby acknowledged), and in consideration of the rents and royalties hereinafter reserved and the covenants of the Lessee hereinafter contained,

DOTH HEREBY GRANT AND LEASE unto the Lessee all of the petroleum, natural gas and related hydrocarbons (except coal and valuable stone), all other gases, and all minerals and substances (whether liquids or solid or whether hydrocarbons or not) produced in association with any of the foregoing or found in any water contained in an oil and gas reservoir (all hereinafter referred to as the "leased substances"), within, upon, or under the lands hereinbefore described and all the right, title, estate and interest, if any, of the Lessor in and to the leased substances or any of them within, upon or under any lands excepted or reserved from, or roadways, lanes or right-of-way adjoining, the lands aforesaid, together with the exclusive right and privilege to explore, drill for, mine, win, take, remove, store and dispose of the leased substances and, insofar as the Lessor has the right to grant, for the said purposes the right to mine, drill wells, lay pipelines, drill and operate salt water disposal, recycling or repressuring wells, and build and install such tanks, stations, and roadways as may be necessary; ~~AND IN CONSIDERATION of the separate sum of ($) Dollars (receipt whereof is hereby acknowledged by the Lessor) the Lessor doth hereby grant to the Lessee for the said purposes, the right of entering upon, using and occupying the surface of the said lands or so much thereof and to such an extent as may be necessary or convenient; and the Lessee agrees that upon entering the said lands for the purposes aforesaid the Lessee shall pay to the Lessor the sum of ($) Dollars per acre for each acre of the said lands it shall occupy during the first year and thereafter the sum of ($) Dollars per year for each acre of the said lands that it shall continue to occupy. All such payments shall be adjusted to become payable on the anniversary date of this lease.~~

TO HAVE AND ENJOY the same for the space of Ten (10) years from the 1st day of April 1964 (herein referred to as the "effective date") ~~date hereof~~, called the "primary term", and thereafter for successive Ten (10) year terms, so long as, and for so long as, the leased substances or any of them are produced from the said lands, subject to the sooner termination of the said term as hereinafter provided.

PROVIDED that if operations for the drilling of a well are not commenced on the said lands within one (1) year after the effective date hereof, the Lessee shall pay to the Lessor the sum of Three ($ 3.00) Dollars (hereinafter called the "delay rental") and in like manner thereafter, if on any anniversary date hereof operations for the drillisg of a well on the said lands have not been commenced, then the Lessee shall pay to the Lessor a like sum.

PROVIDED that if at any time during the first Ten (10) year term and prior to the discovery of the leased substances on the said lands, the Lessee shall drill a dry well or wells thereon, or if at any time during such term and after the discovery of the leased substances on the said lands the production shall cease, then if further operations for the drilling of a well are not commenced on the said lands prior to the next anniversary date, or ninety (90) days from the date on which production shall have ceased, whichever is the later, Lessee shall pay to Lessor the delay rental, in which event the immediately preceding proviso hereof governing the payment of delay rentals shall continue in force.

AND FURTHER ALWAYS PROVIDED that if at any time after the expiration of the first Ten (10) year term the leased substances are not being produced on the said lands and the Lessee is then engaged in drilling, or reworking operations thereon, this lease shall remain in force for successive Ten (10) year terms so long as such operations are prosecuted and, if they result in the production of the leased substances or any of them, so long thereafter as the leased substances or any of them are produced from the said lands; and further provided that if drilling, or reworking operations are commenced within ninety (90) days of the cessation of prior such operations, the immediately preceding proviso governing continuation of the lease term, shall continue in force; provided that if, during the primary term or thereafter, drilling, or reworking or production operations are interrupted or suspended as the result of any cause whatsoever beyond the Lessee's control, the time of such interruption or suspension shall not be charged against the Lessee, anything hereinbefore contained or implied to the contrary, notwithstanding:

THE LESSOR AND THE LESSEE HEREBY COVENANT AND AGREE AS FOLLOWS:

1. Interpretation:—

In this Lease, unless there is something in the subject or context inconsistent therewith, the expressions following shall have the following meaning, namely:

(a) "Commercial production" shall mean such production output from a well determined on a Thirty (30) day test of such quantity of the leased substances or any of them, as, considering the cost of production equipment and production operations (including the cost of drilling), and the price, kind and quality of such production and available markets, would economically warrant the drilling of another well to the same depth.

(b) "Drilling unit" shall mean a section, legal sub-division or other unit of land representing the minimum area in which any well may be drilled on or in the vicinity of the said lands as defined or prescribed by or under any law of the Province of Manitoba now or hereafter in effect governing the spacing of petroleum and/or gas wells.

(c) "Said lands" shall mean all the lands and leased substances hereinbefore described or referred to, or such portion or portions thereof as shall not have been surrendered.

2. Royalties:—

As royalty, the Lessee covenants and agrees:

(a) To pay to the Lessor a royalty in cash of one-eighth (12½%) of the net proceeds realized by the Lessee from the sale of all oil produced and saved from the said lands or one-eighth (12½%) of the market value thereof at the wellhead if it is used by the Lessee off the said lands;

(b) To pay to the Lessor on gas, casinghead gas or other gaseous substance produced from the said lands and sold, or used by the Lessee off the said lands, or in the manufacture of gasoline or other products, the market value at the mouth of the well of one-eighth (12½%) of the gas or casinghead gas so used or sold; PROVIDED that on all gas sold at the well, the royalty shall be one-eighth (12½%) of the net amounts realized from such sales.

(c) To pay to the Lessor on all other minerals produced and saved from the said lands by the Lessee, the market value on the said lands of one-eighth (12½%) of such minerals sold or used; PROVIDED that on all such minerals sold by the Lessee the royalties shall be one-eighth (12½%) of the net amounts realized from such sales.

(d) The money royalty as determined under this clause shall be payable with respect to the leased substances saved and sold during any calendar month, within thirty (30) days following the end of such calendar month. The Lessor's interest in the leased substances, or the royalties payable thereon, shall bear one-eighth of the costs of transportation, storage off the said lands and other such necessary costs incurred in delivering the leased substances to market, where delivery is required to be made by Lessee off the said lands. In calculating the amount of royalty payable on production of leased substances from any well on the said lands, Lessee may use figures obtained from monthly or other production tests required by the Manitoba Oil and Gas Conservation Board, or equivalent, and shall not be required to erect separate tankage where leased substances, or any of them, are co-mingled with production from lands other than the said lands.

(e) Notwithstanding anything to the contrary herein contained or implied, the Lessee shall be entitled to use, free from the payment of royalty, such part of the production of the leased substances from the said lands required and used by the Lessee in its operations hereunder.

(f) PROVIDED no royalties are otherwise paid hereunder, the Lessee shall pay to the Lessor each year as royalty the total sum of Fifty Dollars ($50.00) or the delay rental (whichever is the greater) for all wells on the said lands where gas only or primarily is found and the same is not used or sold, and while the said royalty is so paid each well shall be deemed to be a producing well hereunder.

3. Lesser Interest:—

If the Lessor's interest in the leased substances be less than the entire and undivided fee simple estate therein, then the royalties and delay rentals herein provided shall be paid the Lessor only in the proportion which his interest bears to the whole and undivided fee.

4. Taxes:—

Lessee shall pay all taxes and assessments levied or assessed during the life of this lease against the buildings, machinery, equipment or personal property placed by it on the said lands, and Lessor shall pay all other taxes and assessments levied or assessed against the surface of the said lands and/or improvements thereon. The Lessee shall pay seven-eighths of all taxes and assessments, if any, levied or assessed during the life of this lease against this lease and/or the leasehold estate hereby created, and/or the leased substances in the said lands, and/or any taxes of any kind levied or assessed which are based upon the quantity or value of any of the aforesaid leased substances in place within or produced from the said lands, whether assessed or levied to or against Lessor or Lessee, and Lessor shall pay the other one-eighth thereof. If any taxes or assessments are levied or assessed against the leased substances and the surface of the said lands, and/or other substances therein, Lessee shall pay seven-eights of only that portion of the taxes or assessments so levied or assessed as may fairly be attributed to the leased substances in the said lands. Except as herein provided to be paid by Lessee, all taxes and assessments and/or remaining portions thereof shall be paid by Lessor. Upon failure of Lessor to pay any taxes payable by him or that proportion of any of the taxes prorated as aforesaid as are not herein required to be paid by Lessee, Lessee is hereby authorized to pay same and Lessor agrees to repay Lessee, and Lessee may deduct same frome the royalties and/or delay rentals which may thereafter be due or paid to Lessor. For the fiscal year current at the commencement of this lease and for any fiscal year in which this lease terminates in whole or in part the share of the taxes herein provided to be borne by Lessee shall be prorated between Lessor and Lessee as of the date on which this lease commences or shall terminate in whole or in part, as the case may be.

5. Discharge of Encumbrances:—

The Lessee may at the Lessee's option pay or discharge the whole or any portion of any charge, mortgage, lien or encumbrance of any kind or nature whatsoever incurred or created by the Lessor and/or the Lessor's predecessors or successors in title or interest which may now or hereafter exist on or against or in any way affect the said lands or the leased substances, in which event the Lessee shall be subrogated to the rights of the holder or holders thereof and may in addition thereto at the Lessee's option, reimburse itself deducting the amount so paid from delay rentals, royalties, or other sums accruing to, or paid the Lessor under the terms of this Lease.

6. Use of Gas by Lessor:—

If as a result of drilling operations of the Lessee on the said lands, surplus dry natural gas is produced which is not needed for the operations hereunder, the Lessee shall upon request from Lessor supply such surplus dry natural gas to the Lessor free of charge and at his sole risk and free of payment of royalty by the Lessee, only for domestic use in his principal dwelling on the said lands; but all the necessary installations on the well site for the supply of said gas shall be made by the Lessee at the expense of the Lessor.

7. Offset Wells:—

In the event of commercial production being obtained on any drilling unit laterally adjoining the said lands and not owned by the Lessor, or, if owned by the Lessor, not under lease to the Lessee, the Lessee agrees to drill or cause to be drilled an offset well on the drilling unit of the said lands laterally adjoining the said drilling unit on which production is being so obtained, as a reasonably prudent operator would drill or cause to be drilled under the same or similar circumstances, and thereafter shall drill the same to the horizon in the formation from which production is being obtained from the said adjoining drilling unit: PROVIDED that if such well drilled on lands adjoining the said lands has been proved to be productive primarily or only of natural gas, the Lessee shall not be obligated to drill an offset well unless an adequate and commercially profitable market for natural gas which might be produced from the offset well can be previously arranged and provided. Provided that Lessee shall have the option of paying Lessor a royalty equal to one-sixteenth of the net revenue derived from the gas sold from such adjacent well, and as long as Lessee may elect to pay said royalty in lieu of drilling an offset, it will be considered that gas is being produced from the premises within the meaning of the opening paragraph hereof.

8. Pooling Due to Regulation:—

The Lessee is hereby given the right and power at any time and from time to time to pool or combine the said lands, or any portion thereof, with other lands adjoining the said lands, but so that any one such pool or unit (herein referred to as a "unit") shall not exceed one drilling unit as hereinbefore defined, when such pooling or combining is necessary in order to conform with any regulations or orders of the Government of the Province of Manitoba, or any other authoritative body, which are now or may hereafter be in force in relation thereto. In the event of such pooling or combining, the Lessor shall, in lieu of the royalties elsewhere herein specified, receive on production of leased substances from the said unit, only such portion of the royalties stipulated herein as the area of the said lands placed in the unit bears to the total area of lands in such unit. Drilling operations on, or production of leased substances from, any land included in such unit shall have the same effect in continuing this Lease in force and effect during the term hereby granted, or any extension thereof, as to all the said lands, as if such operation or production were upon or from the said lands, or some portion thereof. Lessee shall not be liable to any party for reduction of the acreage content of any unit resulting from loss of its title or any cause beyond its control, nor shall Lessee be obligated to make any retroactive apportionment of royalties or sums paid on production in the event of any such reduction in acreage content.

9. Disposal of Salt Water:—

The Lessor hereby grants to the Lessee the right to drill, maintain and operate on the said lands, wells for the disposal of salt water produced from the said lands, or other lands, subject to obtaining the consent of the Oil and Gas Conservation Board of the Province of Manitoba: and for such purposes the Lessee shall have the right to use and occupy all or any part of the surface of the said lands subject to the terms and conditions herein elsewhere provided.

10. Operations:—

The Lessee shall conduct all its operations on the said lands in a diligent, careful and workmanlike manner and in compliance with the provisions of law applicable to such operations, and where such provisions of law conflict or are at variance with the provisions of this Lease, such provisions of law shall prevail.

11. Records of Production:—

The Lessee shall make available to the Lessor during normal business hours at the Lessee's address hereinafter mentioned, the Lessee's records relative to the quantity of leased substances produced from the said lands and as ascertained at the point of measurement.

12. Indemnification:—

The Lessee shall indemnify the Lessor against all actions, suits, claims and demands by any person or persons whomsoever in respect of any loss, injury, damage or obligation to compensate arising out of or connected with the work carried on by the Lessee on the said lands or in respect of any breach of any of the terms and conditions of this Lease insofar as the same relates to and affects the said lands.

13. Compensation:—

The Lessee shall pay and be responsible for actual damages caused by its operations to growing crops on the said lands.

14. Surrender:—

Notwithstanding anything herein contained, the Lessee may at any time and from time to time determine or surrender this Lease and the term hereby granted as to the whole or any part or parts of the leased substances and/or the said lands, upon giving the Lessor written notice to that effect, WHEREUPON this Lease and the said term shall terminate as to the whole or any part or parts thereof so surrendered and the delay rentals, royalty or otherwise, shall be extinguished or correspondingly reduced as the case may be, but the Lessee shall not be entitled to a refund of any such rent theretofore paid.

15. Removal of Charge:—

In the event of the Lessee having registered in the Land Titles Office for the area in which the said lands are situated this Lease or any caveat or other document in respect thereof, the Lessee shall withdraw or discharge the document so registered within a reasonable time after termination of this Lease for any reason.

16. Removal of Equipment:—

The Lessee shall at all times during the currency of this Lease and for a period of Six (6) months from the termination thereof, have the right to remove all or any of its machinery, equipment, structures, pipe lines, casing and materials from off the said lands.

17. Default:—

In the case of the breach or non-observance or non-performance on the part of the Lessee of any covenant, proviso, condition, obligation, restriction or stipulation herein contained, or arising hereunder, and which ought to be observed or performed by the Lessee and which has not been waived by the Lessor, the Lessor may give to the Lessee written notice requiring it to remedy such default and in the event of the Lessee failing to remedy such default within a period of Ninety (90) days from receipt of such notice, this Lease shall thereupon terminate and it shall be lawful for the Lessor, into and upon the said lands (or any part thereof in the name of the whole) to re-enter and the same to have again, repossess and enjoy, anything herein contained to the contrary notwithstanding. Provided, however, that if either of the parties hereto should within the Ninety (90) day period commence proceedings for judicial determination of existence of the alleged breach or non-observance or non-performance, this Lease shall not terminate unless and until it is finally judicially determined that such default exists and the Lessee shall fail to remedy such default within Sixty (60) days after it is so determined. And provided further that this lease shall not terminate as to such area for each well being worked on and/or being drilled and/or producing the leased substances or any of them as will embrace the minimum area required under the applicable laws, orders, and/or regulations for the drilling, working and/or producing of such well, and will embrace one such well, except as to any such area to which a default which has been finally judicially determined and not remedied, within Sixty (60) days, thereafter relates.

18. Quiet Enjoyment:—

The Lessor covenants and warrants that he has good title to the leased substances and the said lands as hereinbefore set forth and will defend such title, and that he has good right and full power to grant and demise the same and the rights and privileges in manner aforesaid, and that the Lessee, upon observing and performing the covenants and conditions on the Lessee's part herein contained, shall and may peaceably possess and enjoy the same and the rights and privileges hereby granted during the first term and any extension thereof without any interruption or disturbance from or by the Lessor or any other person whomsoever.

19. Covenant For Further Assurance:—

The Lessor and the Lessee hereby agree that they will each do and perform all such acts and things and execute all such deeds, documents and writings and give all such assurance as may be necessary to give effect to this Lease.

20. Assignment:—

The rights of either party hereto may be assigned in whole or in part and the provisions hereof shall extend to their heirs, successors and assigns, but no change or divisions in the ownership of the mineral rights or land by Lessor, delay rental, or other rentals or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee, and no such change in ownership shall be binding upon Lessee for any purpose until Lessee shall be furnished at least Sixty (60) days before any delay rental or other rental or royalty may be due with a certified copy of recorded instrument, or other legally authenticated written evidence of such change of ownership. In the event of assignment of this lease as to a segregated portion of said land, the delay rental, or other rentals, if any, payable hereunder shall be apportionable as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. Drilling on any portion shall inure to the benefit of the owners of this lease, and of any and all portions thereof. If the said lands are now or shall hereafter be owned in severalty or in separate tracts, they shall nevertheless be developed and operated as one lease and all royalties accruing hereunder shall be treated as an entirety and shall be divided among and paid to such separate owners in the proportion that the mineral acreage owned by each separate owner bears to the entire mineral acreage in the said lands. If two or more parties become entitled to royalty hereunder, or become eligible to receive delay rental payments hereunder, the Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all. If delay rental payments are withheld pursuant to this provision, then for purposes of this lease, the delay rental shall be deemed to have been paid and the Lessee shall not thereby be in default.

21. Manner of Payment:—

All payments to the Lessor provided for in this Lease shall, at the Lessee's option, be paid or tendered either to the Lessor, or for the Lessor's credit in the ..... (Bank) at ....., or its successors, which said Bank and its successors shall be deemed the Lessor's agents and continue as the depository for receipt of any and all sums payable hereunder regardless of changes in ownership (whether by assignment or otherwise) of the said lands or of the leased substances or of the royalties or rentals to accrue hereunder unless and until the Lessee shall have been notified in writing by the Lessor to make such payments in another depository, which shall be either a bank or a trust company and whose name and address shall be specified in such notice; PROVIDED that only one such depository shall be designated as aforesaid. All such payments or tenders may be made by cheque or draft of the Lessee either mailed or delivered to the Lessor or to the depository by him designated as aforesaid. All payments of money required to be made by Lessee pursuant to this Lease shall be made in lawful money of Canada.

22. Entire Agreement:—

The terms of this Lease express and constitute the entire agreement between the parties, and no implied covenant or liability of any kind is created or shall arise by reason of these presents or anything herein contained.

23. Notices:—

All notices to be given hereunder may be given by registered letter addressed to the Lessee at Post Office Drawer 39, Calgary, Alberta, and to the Lessor at Butler, Manitoba or such other address as the Lessor and the Lessee may respectively from time to time appoint in writing, and any such notice shall be deemed to be given to and received by the addressee Seven (7) days after the mailing thereof, postage prepaid.

THIS LEASE shall inure to the benefit of and be binding upon the parties hereto and each of them, their respective heirs, executors, administrators, successors and assigns.

SUN OIL COMPANY, the above mentioned Lessee, does hereby accept this Lease of the above described land, to be held by it as tenant, and subject to the conditions, restrictions and covenants above set forth.

IN WITNESS WHEREOF the Lessor and the Lessee have executed and accepted this Lease, the day and year first above written.

EXECUTED AND DELIVERED
by the Lessor,
in the Presence of:

.....
Witness to signature(s) of Lessor(s)

.....
Lessor

SUN OIL COMPANY

.....
Witness to execution by Sun Oil Company

.....
Agent and Attorney-in-Fact

AFFIDAVIT OF EXECUTION

CANADA
PROVINCE OF MANITOBA
To Wit:

I, ..., of .....,
in the Province of Manitoba ....., make oath and say:

1. THAT I was personally present and did see .....
named in the within instrument, who is (are) personally known to me to be the person(s) named therein, duly sign and execute the same for the purposes named therein.

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

3. THAT I know the said .....
and he (or she) is (or they are each), in my belief, of the full age of twenty-one years.

SWORN before me at .....,
in the Province of Manitoba, this .....
day of ....., A.D. 19.....

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

CANADA
PROVINCE OF MANITOBA
TO WIT:

I, ... of the ..... of ..... in the Province of Manitoba, make oath and say:

For witness when husband consents to Lease of homestead.

1. That I was personally present and did see ..... husband of ..... execute his consent to the within lease.
2. That I know the said ..... and that he is of the full age of twenty-one years.
3. That the said consent was executed at ..... aforesaid and that I am a subscribing witness thereto.

SWORN before me at the ..... of ..... in the Province of Manitoba, this ..... day of ..... A.D. 19.....

A Commissioner for Oaths in and for the Province of Manitoba

My Commission expires ..... 19.....

DATED A.D. 195

— and —

SUN OIL COMPANY

MINERAL LEASE

SUN OIL COMPANY
P.O. Drawer 39
CALGARY — ALBERTA

CANADA
PROVINCE OF MANITOBA
TO WIT:

I/~~WE~~ Ross McDougall of the Post Office of Butler in the Province of Manitoba, make oath and say:

(a) When Lessor is not married.
(b) When wife or husband consents to lease.
(c and d) When land is held jointly by husband and wife.
(e) When land is not homestead.

1. That I am (one of) the within named Lessor(~~s~~) and that I am of the full age of twenty-one years.
(a) ~~That I am the husband of the wife~~
OR
(b) That the person who consents as wife (~~husband~~) to the Lease within written is the wife (~~husband~~) of Ross McDougall (~~mentioned~~) the Lessor(~~s~~).
OR
(c) ~~That the husband of the~~ ....., ~~one of the Lessors~~.
AND
(d) ~~That the wife of the~~ ....., ~~one of the Lessors~~
OR
(e) ~~That land referred to in the Lease within is or never has been the homestead of the~~ ..... ~~the Lessor within the meaning of "The Dower Act"~~.

(Severally) SWORN before me at the Town of Virden in the Province of Manitoba, this 25th day of June A.D. 19 64

R McDougall

A Notary Public ~~XXXXXXXXXXXXXXXXXX~~ in and for the Province of Manitoba.

My Commission expires ..... 19.....

To be signed by wife when husband leases homestead and by husband when wife leases homestead.

I, Verna Mae McDougall the wife of Ross McDougall the Lessor named in the within written lease, hereby consent to the making of the same by Ross McDougall.
DATED this 25th day of June A.D. 19 64
Witness: Verna Mae McDougall

When wife consents to Lease of homestead.

The above consent was acknowledged before me by Verna Mae McDougall wife of Ross McDougall apart from her husband, to have been voluntarily executed by her of her own free will and accord and without any compulsion on the part of her husband. She has further acknowledged that she is aware of the nature and effect of the same.
DATED at Virden in the Province of Manitoba, this 25th day of June A.D. 19 64

A Notary Public ~~XXXXXXXXXXXXXXXXXX~~ in and for the Province of Manitoba.

My ~~Commission expires~~ ..... ~~19~~

Form 0-8404 Man. 3000-5-57.

SUN OIL COMPANY
MINERAL LEASE

THIS INDENTURE made the 24th day of June A.D. 19 64

BETWEEN THOMAS McDOUGALL AND LORNE McDOUGALL of the Post Office of Butler in the Province of Manitoba

(hereinafter referred to as "the Lessor")
OF THE FIRST PART

— AND —

SUN OIL COMPANY, a body corporate entitled to carry on business in the Province of Manitoba,

(hereinafter referred to as "the Lessee")
OF THE SECOND PART

The Lessor, being registered as owner, (or entitled to become registered as owner under an Agreement for Sale or unregistered transfer or otherwise), subject, however, to such mortgages and encumbrances as are noted by memorandum underwritten hereon, and subject to the reservations, exceptions and conditions contained in the Certificate of Title, existing as of the date hereof, of all petroleum, natural gas and related hydrocarbons within, upon or under

The Right-of-Way of the Canadian Northern Railway comprising 1.42 acres more or less lying in and across the South West Quarter (SW¼) of Section Twenty-six (26)

in Township Nine (9), Range Twenty-nine of the Principal Meridian in the Province of Manitoba as more particularly described and set forth in ~~Certificate(s) of Title No(s)~~ Deed No. 60584 of record in the Land Titles Office for the District of Brandon, Province of Manitoba,

in consideration of the sum of Four Hundred and Fifty-two Dollars & Twelve Cents ($452.12) Dollars paid to the Lessor by the Lessee, (the receipt whereof is hereby acknowledged), and in consideration of the rents and royalties hereinafter reserved and the covenants of the Lessee hereinafter contained,

DOTH HEREBY GRANT AND LEASE unto the Lessee all of the petroleum, natural gas and related hydrocarbons (except coal and valuable stone), all other gases, and all minerals and substances (whether liquids or solid or whether hydrocarbons or not) produced in association with any of the foregoing or found in any water contained in an oil and gas reservoir (all hereinafter referred to as the "leased substances"), within, upon, or under the lands hereinbefore described and all the right, title, estate and interest, if any, of the Lessor in and to the leased substances or any of them within, upon or under any lands excepted or reserved from, or roadways, lanes or right-of-way adjoining, the lands aforesaid, together with the exclusive right and privilege to explore, drill for, mine, win, take, remove, store and dispose of the leased substances and, insofar as the Lessor has the right to grant, for the said purposes the right to mine, drill wells, lay pipelines, drill and operate salt water disposal, recycling or repressuring wells, and build and install such tanks, stations, and roadways as may be necessary; ~~AND IN CONSIDERATION of the separate sum of~~ ($) Dollars (receipt whereof is hereby acknowledged by the Lessor) the Lessor doth hereby grant ~~to the~~ Lessee for the said purposes, the right of entering upon, using and occupying the surface of the said lands or so much thereof and to such an extent as may be necessary or convenient; and the Lessee agrees that upon entering the said lands ~~for the~~ purposes aforesaid the Lessee shall pay to the Lessor the sum of ($) Dollars per acre for each ~~acre of~~ the said lands it shall occupy during the first year and thereafter the sum of ($) Dollars ~~per year~~ for each acre of the said lands that it shall continue to occupy. All such payments shall be adjusted to become payable ~~on the anniversary date of this lease~~. 1st day of April 1964 (herein referred to as the "effective date")

TO HAVE AND ENJOY the same for the space of Ten (10) years from the ~~date hereof~~, called the "primary term", and thereafter for successive Ten (10) year terms, so long as, and for so long as, the leased substances or any of them are produced from the said lands, subject to the sooner termination of the said term as hereinafter provided.

PROVIDED that if operations for the drilling of a well are not commenced on the said lands within one (1) year after the effective date hereof, the Lessee shall pay to the Lessor the sum of One Dollar and forty-two cents ($ 1.42) Dollars (hereinafter called the "delay rental") and in like manner thereafter, if on any anniversary date hereof operations for the drillisg of a well on the said lands have not been commenced, then the Lessee shall pay to the Lessor a like sum.

PROVIDED that if at any time during the first Ten (10) year term and prior to the discovery of the leased substances on the said lands, the Lessee shall drill a dry well or wells thereon, or if at any time during such term and after the discovery of the leased substances on the said lands the production shall cease, then if further operations for the drilling of a well are not commenced on the said lands prior to the next anniversary date, or ninety (90) days from the date on which production shall have ceased, whichever is the later, Lessee shall pay to Lessor the delay rental, in which event the immediately preceding proviso hereof governing the payment of delay rentals shall continue in force.

AND FURTHER ALWAYS PROVIDED that if at any time after the expiration of the first Ten (10) year term the leased substances are not being produced on the said lands and the Lessee is then engaged in drilling, or reworking operations thereon, this lease shall remain in force for successive Ten (10) year terms so long as such operations are prosecuted and, if they result in the production of the leased substances or any of them, so long thereafter as the leased substances or any of them are produced from the said lands; and further provided that if drilling, or reworking operations are commenced within ninety (90) days of the cessation of prior such operations, the immediately preceding proviso governing continuation of the lease term, shall continue in force; provided that if, during the primary term or thereafter, drilling, or reworking or production operations are interrupted or suspended as the result of any cause whatsoever beyond the Lessee's control, the time of such interruption or suspension shall not be charged against the Lessee, anything hereinbefore contained or implied to the contrary, notwithstanding;

THE LESSOR AND THE LESSEE HEREBY COVENANT AND AGREE AS FOLLOWS:

1. Interpretation:—

In this Lease, unless there is something in the subject or context inconsistent therewith, the expressions following shall have the following meaning, namely:

(a) "Commercial production" shall mean such production output from a well determined on a Thirty (30) day test of such quantity of the leased substances or any of them, as, considering the cost of production equipment and production operations (including the cost of drilling), and the price, kind and quality of such production and available markets, would economically warrant the drilling of another well to the same depth.

(b) "Drilling unit" shall mean a section, legal sub-division or other unit of land representing the minimum area in which any well may be drilled on or in the vicinity of the said lands as defined or prescribed by or under any law of the Province of Manitoba now or hereafter in effect governing the spacing of petroleum and/or gas wells.

(c) "Said lands" shall mean all the lands and leased substances hereinbefore described or referred to, or such portion or portions thereof as shall not have been surrendered.

2. Royalties:—

As royalty, the Lessee covenants and agrees:

(a) To pay to the Lessor a royalty in cash of one-eighth (12½%) of the net proceeds realized by the Lessee from the sale of all oil produced and saved from the said lands or one-eighth (12½%) of the market value thereof at the wellhead if it is used by the Lessee off the said lands;

(b) To pay to the Lessor on gas, casinghead gas or other gaseous substance produced from the said lands and sold, or used by the Lessee off the said lands, or in the manufacture of gasoline or other products, the market value at the mouth of the well of one-eighth (12½%) of the gas or casinghead gas so used or sold; PROVIDED that on all gas sold at the well, the royalty shall be one-eighth (12½ of the net amounts realized from such sales.

(c) To pay to the Lessor on all other minerals produced and saved from the said lands by the Lessee, the market value on the said lands of one-eighth (12½%) of such minerals sold or used; PROVIDED that on all such minerals sold by the Lessee the royalties shall be one-eighth (12½%) of the net amounts realized from such sales.

(d) The money royalty as determined under this clause shall be payable with respect to the leased substances saved and sold during any calendar month, within thirty (30) days following the end of such calendar month. The Lessor's interest in the leased substances, or the royalties payable thereon, shall bear one-eighth of the costs of transportation, storage off the said lands and other such necessary costs incurred in delivering the leased substances to market, where delivery is required to be made by Lessee off the said lands. In calculating the amount of royalty payable on production of leased substances from any well on the said lands, Lessee may use figures obtained from monthly or other production tests required by the Manitoba Oil and Gas Conservation Board, or equivalent, and shall not be required to erect separate tankage where leased substances, or any of them, are co-mingled with production from lands other than the said lands.

(e) Notwithstanding anything to the contrary herein contained or implied, the Lessee shall be entitled to use, free from the payment of royalty, such part of the production of the leased substances from the said lands required and used by the Lessee in its operations hereunder.

(f) PROVIDED no royalties are otherwise paid hereunder, the Lessee shall pay to the Lessor each year as royalty the total sum of Fifty Dollars ($50.00) or the delay rental (whichever is the greater) for all wells on the said lands where gas only or primarily is found and the same is not used or sold, and while the said royalty is so paid each well shall be deemed to be a producing well hereunder.

3. Lesser Interest:—

If the Lessor's interest in the leased substances be less than the entire and undivided fee simple estate therein, then the royalties and delay rentals herein provided shall be paid the Lessor only in the proportion which his interest bears to the whole and undivided fee.

4. Taxes:—

Lessee shall pay all taxes and assessments levied or assessed during the life of this lease against the buildings, machinery, equipment or personal property placed by it on the said lands, and Lessor shall pay all other taxes and assessments levied or assessed against the surface of the said lands and/or improvements thereon. The Lessee shall pay seven-eighths of all taxes and assessments, if any, levied or assessed during the life of this lease against this lease and/or the leasehold estate hereby created, and/or the leased substances in the said lands, and/or any taxes of any kind levied or assessed which are based upon the quantity or value of any of the aforesaid leased substances in place within or produced from the said lands, whether assessed or levied to or against Lessor or Lessee, and Lessor shall pay the other one-eighth thereof. If any taxes or assessments are levied or assessed against the leased substances and the surface of the said lands, and/or other substances therein, Lessee shall pay seven-eights of only that portion of the taxes or assessments so levied or assessed as may fairly be attributed to the leased substances in the said lands. Except as herein provided to be paid by Lessee, all taxes and assessments and/or remaining portions thereof shall be paid by Lessor. Upon failure of Lessor to pay any taxes payable by him or that proportion of any of the taxes prorated as aforesaid as are not herein required to be paid by Lessee, Lessee is hereby authorized to pay same and Lessor agrees to repay Lessee, and Lessee may deduct same frome the royalties and/or delay rentals which may thereafter be due or paid to Lessor. For the fiscal year current at the commencement of this lease and for any fiscal year in which this lease terminates in whole or in part the share of the taxes herein provided to be borne by Lessee shall be prorated between Lessor and Lessee as of the date on which this lease commences or shall terminate in whole or in part, as the case may be.

5. Discharge of Encumbrances:—

The Lessee may at the Lessee's option pay or discharge the whole or any portion of any charge, mortgage, lien or encumbrance of any kind or nature whatsoever incurred or created by the Lessor and/or the Lessor's predecessors or successors in title or interest which may now or hereafter exist on or against or in any way affect the said lands or the leased substances, in which event the Lessee shall be subrogated to the rights of the holder or holders thereof and may in addition thereto at the Lessee's option, reimburse itself deducting the amount so paid from delay rentals, royalties, or other sums accruing to, or paid the Lessor under the terms of this Lease.

6. Use of Gas by Lessor:—

If as a result of drilling operations of the Lessee on the said lands, surplus dry natural gas is produced which is not needed for the operations hereunder, the Lessee shall upon request from Lessor supply such surplus dry natural gas to the Lessor free of charge and at his sole risk and free of payment of royalty by the Lessee, only for domestic use in his principal dwelling on the said lands; but all the necessary installations on the well site for the supply of said gas shall be made by the Lessee at the expense of the Lessor.

7. Offset Wells:—

In the event of commercial production being obtained on any drilling unit laterally adjoining the said lands and not owned by the Lessor, or, if owned by the Lessor, not under lease to the Lessee, the Lessee agrees to drill or cause to be drilled an offset well on the drilling unit of the said lands laterally adjoining the said drilling unit on which production is being so obtained, as a reasonably prudent operator would drill or cause to be drilled under the same or similar circumstances, and thereafter shall drill the same to the horizon in the formation from which production is being obtained from the said adjoining drilling unit: PROVIDED that if such well drilled on lands adjoining the said lands has been proved to be productive primarily or only of natural gas, the Lessee shall not be obligated to drill an offset well unless an adequate and commercially profitable market for natural gas which might be produced from the offset well can be previously arranged and provided. Provided that Lessee shall have the option of paying Lessor a royalty equal to one-sixteenth of the net revenue derived from the gas sold from such adjacent well, and as long as Lessee may elect to pay said royalty in lieu of drilling an offset, it will be considered that gas is being produced from the premises within the meaning of the opening paragraph hereof.

8. Pooling Due to Regulation:—

The Lessee is hereby given the right and power at any time and from time to time to pool or combine the said lands, or any portion thereof, with other lands adjoining the said lands, but so that any one such pool or unit (herein referred to as a "unit") shall not exceed one drilling unit as hereinbefore defined, when such pooling or combining is necessary in order to conform with any regulations or orders of the Government of the Province of Manitoba, or any other authoritative body, which are now or may hereafter be in force in relation thereto. In the event of such pooling or combining, the Lessor shall, in lieu of the royalties elsewhere herein specified, receive on production of leased substances from the said unit, only such portion of the royalties stipulated herein as the area of the said lands placed in the unit bears to the total area of lands in such unit. Drilling operations on, or production of leased substances from, any land included in such unit shall have the same effect in continuing this Lease in force and effect during the term hereby granted, or any extension thereof, as to all the said lands, as if such operation or production were upon or from the said lands, or some portion thereof. Lessee shall not be liable to any party for reduction of the acreage content of any unit resulting from loss of its title or any cause beyond its control, nor shall Lessee be obligated to make any retroactive apportionment of royalties or sums paid on production in the event of any such reduction in acreage content.

9. Disposal of Salt Water:—

The Lessor hereby grants to the Lessee the right to drill, maintain and operate on the said lands, wells for the disposal of salt water produced from the said lands, or other lands, subject to obtaining the consent of the Oil and Gas Conservation Board of the Province of Manitoba; and for such purposes the Lessee shall have the right to use and occupy all or any part of the surface of the said lands subject to the terms and conditions herein elsewhere provided.

10. Operations:—

The Lessee shall conduct all its operations on the said lands in a diligent, careful and workmanlike manner and in compliance with the provisions of law applicable to such operations, and where such provisions of law conflict or are at variance with the provisions of this Lease, such provisions of law shall prevail.

11. Records of Production:—

The Lessee shall make available to the Lessor during normal business hours at the Lessee's address hereinafter mentioned, the Lessee's records relative to the quantity of leased substances produced from the said lands and as ascertained at the point of measurement.

12. Indemnification:—

The Lessee shall indemnify the Lessor against all actions, suits, claims and demands by any person or persons whomsoever in respect of any loss, injury, damage or obligation to compensate arising out of or connected with the work carried on by the Lessee on the said lands or in respect of any breach of any of the terms and conditions of this Lease insofar as the same relates to and affects the said lands.

13. Compensation:—

The Lessee shall pay and be responsible for actual damages caused by its operations to growing crops on the said lands.

14. Surrender:—

Notwithstanding anything herein contained, the Lessee may at any time and from time to time determine or surrender this Lease and the term hereby granted as to the whole or any part or parts of the leased substances and/or the said lands, upon giving the Lessor written notice to that effect, WHEREUPON this Lease and the said term shall terminate as to the whole or any part or parts thereof so surrendered and the delay rentals, royalty or otherwise, shall be extinguished or correspondingly reduced as the case may be, but the Lessee shall not be entitled to a refund of any such rent theretofore paid.

15. Removal of Charge:—

In the event of the Lessee having registered in the Land Titles Office for the area in which the said lands are situated this Lease or any caveat or other document in respect thereof, the Lessee shall withdraw or discharge the document so registered within a reasonable time after termination of this Lease for any reason.

16. Removal of Equipment:—

The Lessee shall at all times during the currency of this Lease and for a period of Six (6) months from the termination thereof, have the right to remove all or any of its machinery, equipment, structures, pipe lines, casing and materials from off the said lands.

17. Default:—

In the case of the breach or non-observance or non-performance on the part of the Lessee of any covenant, proviso, condition, obligation, restriction or stipulation herein contained, or arising hereunder, and which ought to be observed or performed by the Lessee and which has not been waived by the Lessor, the Lessor may give to the Lessee written notice requiring it to remedy such default and in the event of the Lessee failing to remedy such default within a period of Ninety (90) days from receipt of such notice, this Lease shall thereupon terminate and it shall be lawful for the Lessor, into and upon the said lands (or any part thereof in the name of the whole) to re-enter and the same to have again, repossess and enjoy, anything herein contained to the contrary notwithstanding. Provided, however, that if either of the parties hereto should within the Ninety (90) day period commence proceedings for judicial determination of existence of the alleged breach or non-observance or non-performance, this Lease shall not terminate unless and until it is finally judicially determined that such default exists and the Lessee shall fail to remedy such default within Sixty (60) days after it is so determined. And provided further that this lease shall not terminate as to such area for each well being worked on and/or being drilled and/or producing the leased substances or any of them as will embrace the minimum area required under the applicable laws, orders, and/or regulations for the drilling, working and/or producing of such well, and will embrace one such well, except as to any such area to which a default which has been finally judicially determined and not remedied, within Sixty (60) days, thereafter relates.

18. Quiet Enjoyment:—

The Lessor covenants and warrants that he has good title to the leased substances and the said lands as hereinbefore set forth and will defend such title, and that he has good right and full power to grant and demise the same and the rights and privileges in manner aforesaid, and that the Lessee, upon observing and performing the covenants and conditions on the Lessee's part herein contained, shall and may peaceably possess and enjoy the same and the rights and privileges hereby granted during the first term and any extension thereof without any interruption or disturbance from or by the Lessor or any other person whomsoever.

19. Covenant For Further Assurance:—

The Lessor and the Lessee hereby agree that they will each do and perform all such acts and things and execute all such deeds, documents and writings and give all such assurance as may be necessary to give effect to this Lease.

20. Assignment:—

The rights of either party hereto may be assigned in whole or in part and the provisions hereof shall extend to their heirs, successors and assigns, but no change or divisions in the ownership of the mineral rights or land by Lessor, delay rental, or other rentals or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee, and no such change in ownership shall be binding upon Lessee for any purpose until Lessee shall be furnished at least Sixty (60) days before any delay rental or other rental or royalty may be due with a certified copy of recorded instrument, or other legally authenticated written evidence of such change of ownership. In the event of assignment of this lease as to a segregated portion of said land, the delay rental, or other rentals, if any, payable hereunder shall be apportionable as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. Drilling on any portion shall inure to the benefit of the owners of this lease, and of any and all portions thereof. If the said lands are now or shall hereafter be owned in severalty or in separate tracts, they shall nevertheless be developed and operated as one lease and all royalties accruing hereunder shall be treated as an entirety and shall be divided among and paid to such separate owners in the proportion that the mineral acreage owned by each separate owner bears to the entire mineral acreage in the said lands. If two or more parties become entitled to royalty hereunder, or become eligible to receive delay rental payments hereunder, the Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all. If delay rental payments are withheld pursuant to this provision, then for purposes of this lease, the delay rental shall be deemed to have been paid and the Lessee shall not thereby be in default.

21. Manner of Payment:—

All payments to the Lessor provided for in this Lease shall, at the Lessee's option, be paid or tendered either to the Lessor, or for the Lessor's credit in the ..... (Bank) at ....., or its successors, which said Bank and its successors shall be deemed the Lessor's agents and continue as the depository for receipt of any and all sums payable hereunder regardless of changes in ownership (whether by assignment or otherwise) of the said lands or of the leased substances or of the royalties or rentals to accrue hereunder unless and until the Lessee shall have been notified in writing by the Lessor to make such payments in another depository, which shall be either a bank or a trust company and whose name and address shall be specified in such notice; PROVIDED that only one such depository shall be designated as aforesaid. All such payments or tenders may be made by cheque or draft of the Lessee either mailed or delivered to the Lessor or to the depository by him designated as aforesaid. All payments of money required to be made by Lessee pursuant to this Lease shall be made in lawful money of Canada.

22. Entire Agreement:—

The terms of this Lease express and constitute the entire agreement between the parties, and no implied covenant or liability of any kind is created or shall arise by reason of these presents or anything herein contained.

23. Notices:—

All notices to be given hereunder may be given by registered letter addressed to the Lessee at Post Office Drawer 39, Calgary, Alberta, and to the Lessor at Butler, Manitoba or such other address as the Lessor and the Lessee may respectively from time to time appoint in writing, and any such notice shall be deemed to be given to and received by the addressee Seven (7) days after the mailing thereof, postage prepaid.

THIS LEASE shall inure to the benefit of and be binding upon the parties hereto and each of them, their respective heirs, executors, administrators, successors and assigns.

SUN OIL COMPANY, the above mentioned Lessee, does hereby accept this Lease of the above described land, to be held by it as tenant, and subject to the conditions, restrictions and covenants above set forth.

IN WITNESS WHEREOF the Lessor and the Lessee have executed and accepted this Lease, the day and year first above written.

EXECUTED AND DELIVERED
by the Lessor,
in the Presence of:

Witness to signature(s) of Lessor(s)

Thomas McKaugall — Lessor

Laura McKaugall — Lessor

SUN OIL COMPANY

Witness to execution by Sun Oil Company

Agent and Attorney-in-Fact

AFFIDAVIT OF EXECUTION

CANADA
PROVINCE OF MANITOBA
To Wit:

I, ..., of ....., in the Province of Manitoba ....., make oath and say:

1. THAT I was personally present and did see ..... named in the within instrument, who is (are) personally known to me to be the person(s) named therein, duly sign and execute the same for the purposes named therein.

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

3. THAT I know the said ..... and he (or she) is (or they are each), in my belief, of the full age of twenty-one years.

SWORN before me at .....,
in the Province of Manitoba, this .....
day of ....., A.D. 19..

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

CANADA
PROVINCE OF MANITOBA
TO WIT:

I, ... of the ..... of ..... in the Province of Manitoba, make oath and say:

For witness when husband consents to Lease of homestead.

1. That I was personally present and did see ..... husband of ..... execute his consent to the within lease.
2. That I know the said ..... and that he is of the full age of twenty-one years.
3. That the said consent was executed at ..... aforesaid and that I am a subscribing witness thereto.

SWORN before me at the ..... of ..... in the Province of Manitoba, this ..... day of ..... A.D. 19.....

.....
A Commissioner for Oaths in and for the Province of Manitoba

My Commission expires ..... 19.....

DATED A.D. 195

– and –

SUN OIL COMPANY

MINERAL LEASE

SUN OIL COMPANY
P.O. Drawer 39
CALGARY – ALBERTA

CANADA
PROVINCE OF MANITOBA
TO WIT:

I, Thomas McDougall, of the Post Office of Butler in the Province of Manitoba, make oath and say:

THAT I am one of the within named Lessors and that I am of the full age of twenty-one years.

(a) That I have no wife.

(Severally) SWORN before me at the Town of Virden in the Province of Manitoba, this 29th day of June A. D. 1964

Thomas McDougall

A Notary Public in and for the Province of Manitoba.

A Notary Public ~~XXXXXXXXXXXXXXXX~~ in and for the Province of Manitoba.

My Commission expires ..... 19.....

To be signed by wife when husband leases homestead and by husband when wife leases homestead.

I, ... the ..... of ..... the Lessor named in the within written lease, hereby consent to the making of the same by .....

DATED this ..... day of ..... A.D. 19.....

Witness:

.....

When wife consents to Lease of homestead.

The above consent was acknowledged before me by ..... wife of ..... apart from her husband, to have been voluntarily executed by her of her own free will and accord and without any compulsion on the part of her husband. She has further acknowledged that she is aware of the nature and effect of the same.

DATED at ..... in the Province of Manitoba, this ..... day of ..... A.D. 19.....

.....
A Commissioner for Oaths in and for the Province of Manitoba.

My Commission expires ..... 19.....

SUN OIL COMPANY

CANADIAN PRODUCTION DIVISION

505 - 5TH AVE. W.
P.O. DRAWER 35
CALGARY, ALBERTA
CANADA

G. E. DUNLAP
MANAGER

L. E. MILLER
ASSISTANT MANAGER

M. E. AUSTIN
SUPT. OPERATING DEPT.

June 17, 1964.

Mr. Thomas McDougall
Mr. Lorne McDougall
Mr. Ross McDougall
P. O. BUTLER, Manitoba.

Re: C.N.R. Right-of-Way - W½ 26-9-29-W1

Dear Sir:

Subsequent to meeting with you during the recent Ebor Hearing at Virden, we have been endeavouring to settle the ownership of the mines and minerals underlying the above right-of-way. We have discussed the matter with representatives of the Government, of the Hudson's Bay Company the original Patentee of the lands, and of the Canadian National Railway, and believe we are close to having the matter resolved. If our efforts are successful, mineral ownership of the right-of-way will follow the current ownership of the lands, that is to say, Messrs. Lorne McDougall and Ross McDougall as to an undivided fifty per cent (50%) interest each as to the right-of-way in the NW¼ of 26, and Messrs. Thomas and Lorne McDougall as to an undivided fifty per cent (50%) interest each as to the portion of the right-of-way in the SW¼ of 26. Mr. E. G. Hetherington, Barrister and Solicitor of the law firm of MacInnes, Burbidge, Hetherington and Company, and solicitor for the Hudson's Bay Company, will shortly attempt to get your current titles to the lands amended to include ownership of the mines and minerals underlying the right-of-way. With respect to the SW¼ of 26, this will probably require an application to bring this quarter section under the Real Property Act. Mr. Hetherington advises that if we are unsuccessful in amending the titles, the Hudson's Bay Company will "quit claim" any interests it might have in these mineral rights to you directly. I have, in any event, taken the liberty of informing him that I believe you will be most co-operative in assisting him in this matter.

As you know, the C.N.R. have had these lands under lease and have, as a result, been receiving royalties based on the ratio that the acreage of the right-of-way bears to the acreage for each spacing unit on which a well is located. We furthermore paid the C.N.R. a bonus of $1,100.00 for the acquisition of these mineral rights, together with certain right-of-way rights in the SE¼ of 24. While ordinarily, bonus monies are a matter of negotiation, I feel quite certain that Sun Oil Company will pay the same bonus monies to you as were paid under the

original lease even though circumstances have changed materially. Again, it could perhaps be successfully argued that no bonus monies need be paid in respect of the right-of-way in the SW¼ by reason of the fact that the original Petroleum and Natural Gas lease we acquired from Thomas and Lorne McDougall covered the whole of the quarter without exception. Our accountants have allocated the $1,174.12 royalty monies paid under this lease to the end of March, 1964 to the undividual wells located on each quarter section, and three (3) copies of their calculations are enclosed herewith. It would be our initial thought that royalty monies should be distributed in this matter and, that the bonus monies of $1,100.00 should be distributed on an acreage basis, that is to say, in the ratio of 5.77 acres in the NW¼ and 1.42 acres in the SW¼.

If you jointly agree on some other and more satisfactory division please advise, and we would be only too happy to assist you.

To complete our records in this matter, we will terminate our lease with the C.N.R. and acquire new leases covering the right-of-way from Lorne and Ross McDougall as respects the NW¼ 26, and Thomas and Lorne McDougall as respects the SW¼ 26. It would be our plan to show the distribution of the monies paid under the C.N.R. lease less Mr. E. G Hetherington's legal charges, as the bonus consideration for the new leases. We will make no deductions for our services in this matter.

It, of course, follows if the above procedure is acceptable to you, that your royalty interests in the future under unitization will be increased to reflect your additional ownership.

We rather assume that you will be most pleased with this turn of events and we will plan to have a representative contact you further within the next few days to complete the necessary lease instruments. If you have any questions or suggestions as to a division of the monies that will be returned to Sun under the C.N.R. lease, please do not hesitate to contact us.

Yours very truly,

SUN OIL COMPANY

R. H. Ostrosser
Legal Department.

RHO/ap

p. c. to: Mr. J. S. [illegible], Q.C., Deputy Minister, Dept. of Public Utilities.
Mr. H. J. [illegible], Assistant Deputy Minister.
Mr. F. S. [illegible], Reservoir Engineer.

Canadian National Railways
Prairie Region
E. C. Kirk,
Regional Manager-Real Estate
P.O. Box 279
Winnipeg, Manitoba

3 June 1964

Our File: P & NG 9882

Sun Oil Company
P.O. Drawer 38
Calgary, Alberta

Attention: Mr. R.H. Ostrosser
Legal Department

Dear Sirs:

RE: Oil and Gas Rights
Pt. W½ 26&SE 24-9-29 W.P.M.
Your File: M-145

We acknowledge your letter of 26 May and note your remarks. In view of the developments here we would, in order to assist you, suggest that the present lease you hold from us be permitted to stand, in which event we can see no objection to your quoting this lease to the Conservation Board. The simpliest procedure would probably be for you to continue making payments to the C.N.R. under the terms of this lease as you have in the past and we in turn will treat these monies as trust funds, holding them until you have been able to determine who the rightful owner should be.

If you concur, please advise.

Yours sincerely,

for E.C. Kirk
Regional Manager
EH/bjs

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JUN 5 1964
LEGAL DEPARTMENT

Kerr, Meighen, Haddad & Booth
Barristers, Solicitors Etc.

N.W. Kerr, Q.C. (1912-1963) F.C. Meighen, Q.C.
Joseph Haddad, Q.C.
R. F. Booth, B.A.LL.B.

Telephone PA 6-5347
119 Ninth Street
Brandon, Man.

Our File No. General File HNC

Your File No.

June 1, 1964

Sun Oil Company
805 - 8th Avenue, W.
P. O. Drawer 38
CALGARY, Alberta

Attention: R. H. Ostrosser
Legal Department

Dear Sir:

Re: W½ of 26 - 9 - 29 W1

We acknowledge receipt of your letter of the 26th ultimo.

We have found it simpler to make this a complete search rather than starting from your certified copy of the deed by the Hudson's Bay Company. The following is our complete historical search:

1. Notification from the Minister of Interior to the Hudson's Bay Company dated July 11, 1882 and registered December 31, 1896 as No. 27553. This notice covers all of the West Half of Section 26 in Township 9 and Range 29 West 1.

2. Mortgage dated September 17, 1906 and registered on September 19, 1906 as No. 56326 from Edwin S. Elleby to Letitia J. E. Lees. The land covered by this mortgage is the south west quarter of Section 26-9-29 only.

3. Partial discharge of mortgage dated September 24, 1906 and registered on October 10, 1906 as No. 56480.

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JUN 3 1964
LEGAL DEPARTMENT

from Letitia J. E. Lees to Edwin S. Elleby. This partial discharge discharges all of the mortgage as it affects the south west quarter of said section 26.

4. Deed dated February 21, 1907 and registered December 11, 1907 as No. 60584 from the Hudson's Bay Company to the Canadian Northern Railway Company. This deed covers all that portion of the south west quarter of section 26-9-29 W1 which lies between two lines parallel with and each said line being 49½ feet perpendicularly distant on each side from the centre of the line of land taken for the right-of-way of the Canadian Northern Railway containing 1 42/100ths acres more or less, said centre line being the centre line of the said railway as the same is now located and constructed across said land and lands adjoining the same.

5. Discharge of mortgage dated the 23rd of May, 1910 and registered the 30th of May, 1910 as No. 70585 from Letitia J. E. Lees to Edwin S. Elleby. This discharge discharges the balance of land under mortgage 56326. It has no effect on the south west quarter.

6. Deed of land from Robert Bulloch to Robert C. Bulloch dated March 6, 1911 and registered July 25, 1911 as No. 74073. This deed conveys all the south west quarter except the right-of-way of the Canadian Northern Railway as set out in deed 60584.

7. Deed of land dated August 17, 1910 and registered November 7, 1945 as No. 108904, from the Hudson's Bay Company to Robert Bulloch. This deed conveys all of the south west quarter except the right-of-way of the Canadian Northern Railway as shown in deed 60584.

8. Deed of land dated November 5, 1945 and registered November 7, 1945 as No. 108905 from Robert C. Bulloch to Gordon McDougall. This deed transfers all of the south west quarter except the right-of-way taken by the Canadian Northern Railway as shown in deed 60584.

9. Deed dated May 7, 1948 and registered May 15,1948

(cont..)

as No. 111900 from the estate of Gordon McDougall to Thomas McDougall and Lorne McDougall. This deed covers all of the south west quarter excepting that part taken for the right-of-way of the Canadian Northern Railway as shown in deed 60584.

10. Petroleum and natural gas lease dated September 15, 1950 and registered October 4, 1950 as No. 115481 from Thomas McDougall and Lorne McDougall to the Sun Oil Company. This lease covers all of the west half of section 26 excepting out of the north west quarter the right-of-way of the Canadian Northern Railway as shown on Plan 219 registered in the Brandon Land Titles Office as described in

11. Agreement dated November 24, 1954 and registered December 7, 1956 as No. 126432 from Thomas McDougall and Lorne McDougall to the Sun Oil Company. This agreement covers all of the west half of section 26 excepting the right-of-way of the Canadian Northern Railway.

12. Quit claim deed dated May 18, 1897 and registered September 30, 1897 as No. 28899 from John Holms to the Hudson's Bay Company. This deed covers all of the north east quarter of section 26-9-29 West 1.

13. Mortgage dated September 17, 1906 and registered October 10, 1906 as No. 54643 from Edwin S. Elleby to Letitia J. E. Lees. This mortgage covers all of the north west quarter of section 26.

14. Partial mortgage discharge dated August 11, 1908 and registered August 21, 1908 as No. 63181 from Letitia J. E. Lees to Edwin S. Elleby. This partial discharge discharges part of mortgage 56432.

1r. Deed dated November 10, 1908 and registered May 19, 1909 as No. 66040 from the Hudson's Bay Company to the Canadian Northern Railway. This deed covers all that portion of the north west quarter of section 26-9-29 W 1 which lies between two lines parallel with and each said line being 49½ feet

(cont..)

perpendicularly distant on each side from the centre line of land taken for the right-of-way of the Canadian Northern Railway containing 5 and 77/100ths acres more or less as the same is shown on a plan of said railway filed in the Land Titles Office at Brandon as Plan 149.

16. Discharge of mortgage dated May 9, 1910 and registered May 16, 1910 as No. 70499, from Letitia J. E. Lees to Edwin S. Elleby. This discharge of mortgage discharges the balance of mortgage 56432.

17. Mortgage dated May 12, 1910 and registered May 27, 1910 as No. 70568, from Edwin S. Elleby to Herbrand A. Russell. This mortgage covers all of the north west quarter except that part taken for the right-of-way of the Canadian Northern Railway as shown in Deed 66040.

18. Deed dated June 10, 1910 and registered September 1, 1910 as No. 71134, from the Hudson's Bay Company to Edwin S. Elleby. This deed covers all of the north west quarter excepting that part taken for the right-of-way of the Canadian Northern Railway, as shown in deed 66040.

19. Assignment of mortgage dated January 25, 1928 and registered March 9, 1928 as No. 011473 from Herband A. Russell to Bedford Canadian Company. This assignment assigns all of mortgage 70568.

20. Assignment of mortgage dated January 10, 1933 and registered March 4, 1933 as No. 013522, from Bedford Canadian Company to Kanawaki Investments Ltd. This assignment further assigns mortgage 70568 which was assigned earlier by assignment of mortgage 011473.

21. Old age pension lien dated November 8, 1935 and registered November 13, 1935 as No. 014589, from the Workmens' Compensation Board to Edwin S. Elleby. This lien is against all of the north west quarter of section 26-9-29 W1.

22. Tax sale certificate dated December 12, 1933 and registered November 29, 1937 as No. 015450, from

the Municipality of Pipestone duly covers the north west quarter of section 26-9-29 W1.

23. Real property application dated November 17, 1937 and registered November 29, 1937 as No. V2354 by the Municipality of Pipestone.

24. Certificate of Title V 5448 in the name of The Rural Municipality of Pipestone dated June 21, 1938, covering all of the north west quarter of section 26 in township 9 and range 29 W 1 excepting thereout the right-of-way of the Canadian Northern Railway as shown on a plan filed in the Virden Land Titles Office as No. 219. This title was cancelled on the 14th day of June, 1939.

25. Certificate of Title V 5702 in the name of Gordon McDougall of the Post Office of Butler in the Province of Manitoba, Farmer, dated June 14, 1939 covering all of the north west quarter of 26-9-29 W1. All of this title was cancelled on May 15, 1948.

26. Certificate of Title 60696 dated May 15, 1948 in the name of Thomas McDougall and Lorne McDougall both of the Postal District of Butler in Manitoba, Farmers, as executors of the last will of Gordon McDougall, deceased. This title contains all of the north west quarter and the south east quarter of section 26-9-29 W1, excepting the right-of-way of the Canadian Northern Railway, etc. This title was cancelled on May 15, 1948.

27. Certificate of Title 60697 in the name of Thomas McDougall and Lorne McDougall both of the Postal District of Butler in Manitoba, Farmers, dated May 15, 1948. This title covers all of the north west quarter and the south east quarter of section 26-9-29 W 1, excepting the right-of-way of the Canadian Northern Railway, etc. Part of this title has been transferred out into certificate of title 75093, and the following caveats are on the property: Caveat 81676 and 116332.

28. Certificate of Title 75093 standing in the name of Ross McDougall, of the Post office of Butler in Manitoba, Farmer, dated August 8, 1954. It shows Ross

McDougall as the owner of an undivided one-half interest in all the mines and minerals (which without restricting the generality thereof shall include natural gas, petroleum and related hydrocarbons) in the following described land, together with full power to the transferee and his representatives and assigns to enter, use and occupy such portions of the said land as may be necessary for the effectual working and removal of the same as set forth in Transfer 101986. This is in the north west quarter of section 26-9-29 W1 excepting the right-of-way taken for the Canadian Northern Railway. This title is also subject to Caveat 81676.

29. Caveat 81676 registered October 4, 1950. It has been placed on the property by the Sun Oil Company who claim a leasehold for ten years from September 15, 1950 with renewal rights covering the north west quarter of section 26-9-29 W1, excepting the right-of-way of the Canadian Northern Railway. This caveat is by virtue of an agreement by Thomas and Lorne McDougall. This caveat also covers the interest of Ross McDougall.

30. Caveat 116332 placed on the property by the Sun Oil Company by virtue of an agreement between Thomas and Lorne McDougall and the Sun Oil Company registered November 17, 1956. It covers all the north west quarter of 26-9-29 W1 excepting the right-of-way of the Canadian Northern Railway.

31. Transfer 101986. This is a transfer by Thomas McDougall of an undivided one-half interest in the mines and minerals to Ross McDougall. This was registered August 18, 1954 at 10:47 and Ross McDougall's interest is shown in Certificate of Title 75093 aforesaid.

The names of Thomas McDougall, Lorne McDougall and Ross McDougall are all clear in the general register.

We examined all the documents as to execution and in our opinion they have been properly executed.

We can make no positive determination of the present

(cont...)

ownership of mines and minerals underlying the right-of-way aside from the remarks of our Mr. Booth in his letter to you of May 20, 1964.

If we can be of further assistance please call on us.

We are enclosing herewith our statement of account.

Yours truly

KERR, MEIGHEN, HADDAD & BOOTH

PER:

HNC/bp

Enc.

May 26, 1964.

Canadian National Railways
Western Region
Real Estate Department
WINNIPEG, Manitoba.

ATTENTION: Mr. Hayward

Re: C.N.R. Right-of-Way - W½ 26-9-29-W1

Dear Sirs:

Our earlier correspondence respecting the lease held by Sun covering the right-of-way crossing the above lands was predicated on the assumption that the Hudson's Bay Company as owner of the mines and minerals, would grant Sun a lease on the same terms and conditions as contained in the Sun-CNR Lease and in consideration therefor would receive all monies paid by Sun to the C.N.R. under the SUN-CNR Lease. As I mentioned to you the other day, the Hudson's Bay Company have now adopted the position that it was their intention when disposing of the remainder of these quarter sections to pass their entire interests then remaining. The Hudson's Bay Company, for this reason, does not feel that it can properly assert a title to the mines and minerals underlying this right-of-way. Under these circumstances we are unable at this time to ascertain proper ownership of the mines and minerals. We do, however, feel that we have a valid and subsisting leasehold interest in these mines and minerals. In this latter connection our rough calculations have indicated that royalty ownership (including lease bonus monies) of these lands from the date operations were commenced would be more profitable than a direct working interest participating in the cost of drilling and production operations.

In our view we could continue to make payments to the C.N.R. in future under the terms of the lease as we have in the past. We would alternately pay future royalties under the lease to a trust company in Winnipeg if the C.N.R. having concluded that it did not acquire the mines and minerals under the right-of-way, wishes to rid itself of the bookkeeping involved in handling royalty proceeds. If this latter course were followed, we would assume that the C.N.R. would wish to deposit in any such account, monies paid under the lease to date. The release of any and all monies deposited to this

account would be dependent on proof of ownership satisfactory to the list of oil companies having working interests in the Ebor Unit, or, if you prefer, proof satisfactory to the solicitors of Sun and the C.N.R.

I am directing a copy of this letter to Mr. Nervas of your Law Department with whom I discussed this matter this morning. Your early consideration would be very much appreciated.

Yours very truly,

SUN OIL COMPANY

R. H. Ostrosser
Legal Department.

RHO/ap

cc: Mr. Nervas
C.N.R. Law Department

Kerr, Meighen, Haddad & Booth
Barristers, Solicitors Etc.

N.W. Kerr, Q.C. (1912-1963) F.C. Meighen, Q.C.
Joseph Haddad, Q.C.
R. F. Booth, B.A. LL.B.

Telephone PA 6-5347
119 Ninth Street
Brandon, Man.

Our File No. 19655 RFB

Your File No.

May 20, 1964.

Sun Oil Company,
705 - 8th Avenue, West,
CALGARY, Alberta.

Attention: Mr. Dick Ostrosser

Dear Sir:

Re: W½ of 26-9-29 WPM in Manitoba

This letter is in response to your request for our opinion as to the title to the mines and minerals under the C.N.R. right-of-way passing through the above parcel of land.

The Hudson's Bay Company conveyed the right-of-way in the SW¼ to The Canadian Northern Railway Company by a deed dated February 21, 1907 and registered in the Brandon Land Titles Office December 11, 1907 as No. 60584. There is no express conveyance of mines and minerals in this deed.

The Hudson's Bay Company conveyed the right-of-way in the NW¼ to The Canadian Northern Railway Company by a deed dated November 10, 1908 and registered in the Brandon Land Titles Office May 19, 1909 as No. 66040. There is no express conveyance of mines and minerals in this deed.

Cont'd....

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You are aware of the provisions of Section 198 (2) of The Railway Act RSC 1952 Chapter 234. This section first appeared in its original wording in The Railway Act as Section 132 (3) Edward VII Chapter 58 which came into force on February 1, 1904.

This section was held to be intra vires The Dominion of Canada by The Supreme Court of Canada in Attorney General of Canada vs. C.P.R. and C.N.R.(1958) 12DLR (2nd) 625.

It is our opinion that by virtue of the now Section 198 of The Railway Act, the Canadian Northern Railway Company would not have acquired the mines and minerals under the right-of-way and the title to the mines and minerals would remain in the Hudson's Bay Company subject of course to any other possible conveyances which the Company might have made. Authority for this opinion can be found in the judgment of Mr. Justice Locke at page 645 of the above case where he states "in my opinion, nothing to be found in the acts incorporating ——————the Canadian Northern Railway Company. ——————, nor in Section 3 of The Railway Act, exclude the application of that act, as enacted from time to time, to the undertakings of those Companies in so far as it relates to the subject matter of Section 198".

This proposition in our opinion applies to acquisitions of land prior to June 6, 1919 by the companies which were amalgamated to form The Canadian National Railway. There is doubt however, as to the application of the section to lands acquired by the Canadian National Railway subsequent to that date.

An illustration of the application of this proposition to an acquisition of land by The Canadian Pacific Railway is found in a judgment of The Manitoba Court of Queen's Bench in Re Moir's Estate and Will (1961 - 62) 36 WWR 83.

As this concludes the matter we enclose our account.

Yours truly,

KERR, MEIGHEN, HADDAD & BOOTH

Per: R.F. Booth

RFB/lg
Encl.

Seen Feb 1 Jan-195

FORM AG-8-B-3M-3-55. RE-1867

LAND TITLES OFFICE, DISTRICT OF BRANDON

I HEREBY CERTIFY that the following are the only Instruments or Plans which appear to have been registered upon the [illegible] Section [illegible] Township [illegible] (7) Range [illegible] (27) West of the Principal Meridian, Manitoba.

No. of Instrument	Instrument	Its Date	Date of Registry	Grantor	Grantee	Consideration or Amount of Mortgage	Remarks
[illegible]	Order	11 July 1882	31 Dec 1896	Municipality of Brandon	[illegible]	—	all
56326	Will	17 Sept 1926	[illegible]	Edwin S. Selby	Letitia J. & Elsie	350	all
56450	Will & Codicil	27 Sept 1926	[illegible]	Letitia J. & Elsie	Edwin S. Selby	1	Excepting 56326 as below described
66554	Deed	21 Feb 1927	[illegible]	Northern Life Co.	Alex. Newham & Co.	[illegible]	Lot
70554	Conveyance	23 May 1927	[illegible]	Letitia J. & Elsie	Edwin S. Selby	—	Except 56326
[illegible]	Deed	6 March 1928	[illegible]	[illegible]	Robert C. Burch	4000	all
[illegible]	Deed	17 August 1928	[illegible]	[illegible]	Robert C. Burch	1020	all subject to M.R. & Easement
103[illegible]	Deed	5 Dec 1928	[illegible]	Robert C. Burch	Gordon McDougall	2400	all subject to M.R. & Easement
111[illegible]	Deed	7 May 1929	[illegible]	Gordon McDougall et al	Thomas McDougall et al	[illegible]	all subject to M.R. & Easement
115[illegible]	Lease	15 Sept 1929	4 Oct 1929	Thomas McDougall et al	[illegible] Co.	32[illegible]	all but Natural gas
116[illegible]	Agt	20 Dec 1929	[illegible] 1930	Thomas McDougall et al	[illegible] Co.	[illegible]	all

Dated at Brandon, at [illegible] o'clock [illegible] M., on this [illegible] day of [illegible] A.D. 19[illegible]

[illegible]

DEPUTY OF THE DISTRICT REGISTRAR

Sun Oil Co
Calgary
Re M-145

M J
E.F.

AG-n-8

LAND TITLES OFFICE, DISTRICT OF BRANDON

I HEREBY CERTIFY that the following are the only Instruments or Plans which appear to have been registered upon the North West Quarter of Section Twenty-six in Township Nine (9) and Range Twenty-nine (29) West of the Principal Meridian in Manitoba

No. of Instrument	INSTRUMENT	ITS DATE	DATE OF REGISTRY	GRANTOR	GRANTEE	Consideration or Amount of Mortgage	REMARKS
27553	Notification of Survey	11 July 1882	31 Dec 1896	Minister of the Interior	N. B. Bay.	—	all
28899	Q. C. Deed	18 May 1897	30 Sept 1897	John Holms	N. B. Bay.	1.	all
56432	mtge	17 Sept 1906	4 Oct 1906	Edwin S. Elleby	Letitia J. E. Lees	350	all
63181	Ptl Dis of mtge	11 aug 1908	21 aug 1908	Letitia. J. E. Lees	Edwin S. Elleby	$1.00	Pt. Dis of 56432. C N R right of
66040	Deed	10 Nov 1908	19 may 1909	Hudsons Bay Co	Can Northern Ry Co	37.50	part. C N R right of
70499	Dis of mtge	9 may 1910	16 may 1910	Letitia J. E. Lees	Edwin S. Elleby.	—	Dis of 56432
70568	mtge	12 May 1910	27 may 1910	Edwin S. Elleby	Herbrand A. Russell K. G.	1000	all except C. N. R. right of way.
71134	Deed	2 June 1910	1 Sept 1910	Hudsons Bay Co	Edwin S. Elleby	1002.50	all except C. N. R. right of way
011473	assg of mtge	25 Jan 1928	9 Mch 1928	Herbrand Arthur Russell K. G.	Bedford Canadian Co	—	assg No 70568
013522	assg of mtge	10 Jan 1933	4 Mch 1933	Bedford Canadian Company	Kanawake Investments Ltd	1/5 Val Con	Part
044589	O. A. P. Lien	8 Nov 1933	13 Nov 1933	Workmens Compensation Bd.	Edwin S. Elleby	—	all
015450	Tax Sale Certi	12 Dec 1933	29 Nov 1937	Mun of Pipestone	Mun of Pipestone	141.96	all
V 2334	Applcn	17 Nov 1937	29 Nov 1937	Mun of Pipestone	—	1330.00	all.

Dated at Brandon, at 10 o'clock A M., on this 11 day of August A.D. 19[illegible]

[illegible]
~~Deputy of the~~ District Registrar

Canadian National Railways
Prairie Region
E. C. Kirk,
Regional Manager-Real Estate
P.O. Box 279
Winnipeg, Manitoba

22 April 1964

Our File: P & NG 9882

Sun Oil Company
P.O. Drawer 38
Calgary, Alberta

Attention: Mr. R.H. Ostrosser
Legal Department

Dear Sirs:

RE: Oil and Gas Rights - Pt. W½ 26 and
SE 24-9-29 W.P.M. - Your File: M-145

Further to our letter of 15 April.

We would suggest at this time that you forward us a statement showing the bonus consideration and the various royalty payments which have been paid into us so that we may check these against our records with a view to refunding such monies to Sun Oil Company.

Would you also mind advising us what will be done with the royalty monies refunded. Would it be your Company's intention to pay these over to Hudson Bay Company if they are the rightful owners? If this is not the intention, will these monies be placed in a trust account? What disposition will be made of the bonus monies refunded?

We presume you will be arranging to return your lease document for cancellation and that if any caveat was filed to indicate your interest in these acreages you will arrange to have such caveat withdrawn insofar as our surface title is concerned.

We shall be pleased to hear further from you in due course.

Yours sincerely,

RECEIVED
APR 1964
LEGAL DEPARTMENT

for E.C. Kirk
Regional Manager
EH/bjs

INTER DEPARTMENTAL MEMORANDUM

PROVINCE OF MANITOBA

DATE January 23, 1963

FROM J. S. Richards

TO J. G. Cowan, Q.C.
Chairman
The Oil & Natural Gas Conservation Board

SUBJECT Sun Oil Company - Order No. PM 2

With reference to your memo of January 16, 1962, attached herewith are copies of a suggested Order No. PM 2A which amends Order No. PM 2 by extending the period of water injection from 90 to 180 days.

Director of Mines.

MJG/h

c.c. Pet. Div.

Exhibit 2 #
5C

September 16, 1962.

Department of Mines and Minerals,
Petroleum Engineering Division,
Province of Manitoba,
WINNIPEG, Manitoba.

ATTENTION: Mr. M. J. Gobert
Senior Petroleum Engineer

Re: Proposal of Sun Oil Company to
conduct pilot waterflood project
Lsd. 11-26-9-29 W1 - Ebor Field

Dear Sirs:

The undersigned, being the owners of the mines and minerals underlying the South West Quarter (SW¼) of Section Twenty-Six (26), Township Nine (9), Range Twenty-Nine (29), West of the First (1st) Meridian in the Province of Manitoba, as evidenced by old System deed No. 111900 on file in the Land Titles Office at Brandon, have examined a copy of a submission made by Sun Oil Company in support of the application above noted, a copy of which submission is attached to this letter, and herewith advise that it supports the application of Sun Oil Company and accordingly give their consent thereto.

Yours very truly,

Thos McDougall
Thomas McDougall

Lorne McDougall
Lorne McDougall

RHO:ms
encl.
Sun Oil Company,
805 - 8th Avenue S.W.,
CALGARY, Alberta.

ATTENTION: Mr. M. E. Austin

PS-f-7

$2.00

DISTRICT OF
BRANDON

PROVINCE OF MANITOBA

THE REAL PROPERTY ACT

Certificate of Search

This is to Certify that on this 8 day of May 19 59 at 10 o'clock in the forenoon, under Certificate of Title No. 60697 issued on 15 May 1948 an estate in fee simple in possession in the following land, namely,

The North West Quarter of Section Twenty-six, in Township Nine and Range Twenty-nine, West of the Principal Meridian, in Manitoba, [illegible] the right of way [illegible] The Canadian Northern Railway [illegible] shown on a plan registered in the Brandon Land Titles Office as No. 212, and further [illegible] the reservation of undivided one-half interest in Mines and Minerals [illegible] in Transfer No. [illegible].

stood in the name of THOMAS McDOUGALL, and LORNE McDOUGALL, both of the Postal District of Butler, in Manitoba, Farmers,

SUBJECT TO the provisions of Section 60 of said Act (for which see reverse side hereof), excepting sub-sections f. g., and j. thereof and SUBJECT also to the following only:

No. [illegible] - [illegible] filed 4 Oct. 1950 at 10.10 AM by Sun Oil Co. [illegible] Oil.

No. [illegible] - [illegible] filed 17 Nov. 1950 at 10.15 AM by Sun Oil Company, affecting all and all mines and minerals.

THAT no Tax Sale proceedings in respect of such land are on record in this Office ~~except~~

To Your File H-145
Sun Oil Company,
Calgary, Alta.

Edward J. [illegible]
District Registrar

THE REAL PROPERTY ACT

Certificate of Search

Section 60, Cap. 178, Revised Statutes of Manitoba, 1940, R.P. Act.

(1) The land mentioned in a certificate of title shall by implication and without special mention in the certificate, unless the contrary be expressly declared, be deemed to be subject to:

(*a*) Any subsisting reservation contained in the original grant of the land from the Crown.

(*b*) Any municipal charge, rate or assessment existing at the date of the certificate, or subsequently imposed on the land.

(*c*) Any right-of-way or other easement, howsoever created, upon, over or in respect of the land.

(*d*) Any subsisting lease or agreement for a lease for a period not exceeding three years, where there is actual occupation of the land thereunder.

(*e*) Any drainage levy or mechanics' lien affecting the land.

(*f*) Any order of attachment, judgment or order for the payment of money against the registered owner of the land, registered since the date of the certificate of title, and which has been maintained in force under the provisions of any Act of the province relating thereto.

(*g*) Any certificate of *lis pendens* issued out of a court in the province and registered since the date of the certificate of title.

(*h*) Any right of expropriation by statute.

(*i*) The title of a person adversely in actual occupation of and rightly entitled to the land at the time it was brought under the Act, and who continues in such occupation.

(*j*) Caveats affecting the land registered since the date of the certificate, and

(*k*) Any town planning scheme or by-law authorized under "The Town Planning Act" or under the provisions of the charter of any city and any by-law passed by any municipal corporation under "The Municipal Act" or the charter of any city relating to residential areas or zoning.

(2) Public highways embraced in the description of the land included in a certificate shall be deemed to be excluded.

$2.00

DISTRICT OF

BRANDON

PROVINCE OF MANITOBA

THE REAL PROPERTY ACT

Certificate of Search

This is to Certify that on this 8 day of May 1959 at 10 o'clock in the forenoon, under Certificate of Title No. 75093 issued on [illegible] August 195[illegible] an estate in fee simple in possession in the following land, namely,

an undivided one-half interest in all the mines and minerals (which without restricting the generality thereof, shall include natural gas, petroleum and related hydro-carbons) in the following described land, together with full power to the transferee and his representatives and assigns, [illegible], use and occupy such portion of the said land as may be necessary for the effectual working and removal of the same, as set forth in transfer No. 161988;

The North West Quarter of Section Twenty-six, in Township Nine and Range Twenty-nine, West of the Principal Meridian in Manitoba, excepting thereout the Right of Way of the Canadian Northern Railway as shown on a plan registered in the Winnipeg Land Titles Office as No. 219.

stood in the name of ROSS McDOUGALL, of the Post Office of Butler, in Manitoba, Farmer,

SUBJECT TO the provisions of Section 60 of said Act (for which see reverse side hereof), excepting sub-sections f. g., and j. thereof and SUBJECT also to the following only:

1. 1676 - CNVART filed 4 Oct. 1958 at 10.19 AM by Sun Oil Co. affecting all.

THAT no Tax Sale proceedings in respect of such land are on record in this Office except—

To File 4-145
Sun Oil Company,
Calgary, Alta.

Edward J. Jones
District Registrar

THE REAL PROPERTY ACT

Certificate of Title

Section 66, Cap. 173, Revised Statutes of Manitoba, 1940, R.P. Act.

(1) The land mentioned in a certificate of title shall by implication and without special mention in the certificate, unless the contrary be expressly declared, be deemed to be subject to:

(*a*) Any subsisting reservation contained in the original grant of the land from the Crown.

(*b*) Any municipal charge, rate or assessment existing at the date of the certificate, or subsequently imposed on the land.

(*c*) Any right-of-way or other easement, howsoever created, upon, over or in respect of the land.

(*d*) Any subsisting lease or agreement for a lease for a period not exceeding three years, where there is actual occupation of the land thereunder.

(*e*) Any drainage levy or mechanics' lien affecting the land.

(*f*) Any order of attachment, judgment or order for the payment of money against the registered owner of the land, registered since the date of the certificate of title, and which has been maintained in force under the provisions of any Act of the province relating thereto.

(*g*) Any certificate of *lis pendens* issued out of a court in the province and registered since the date of the certificate of title.

(*h*) Any right of expropriation by statute.

(*i*) The title of a person adversely in actual occupation of and rightly entitled to the land at the time it was brought under the Act, and who continues in such occupation.

(*j*) Caveats affecting the land registered since the date of the certificate, and

(*k*) Any town planning scheme or by-law authorized under "The Town Planning Act" or under the provisions of the charter of any city and any by-law passed by any municipal corporation under "The Municipal Act" or the charter of any city relating to residential areas or zoning.

(2) Public highways embraced in the description of the land included in a certificate shall be deemed to be excluded.

CANADIAN NATIONAL RAILWAYS
WESTERN REGION
REAL ESTATE DEPARTMENT

G. G. BAIRD
REGIONAL MANAGER
O. S. CLEFSTAD
ASST. REGIONAL MANAGER
L. H. BOUSFIELD,
ENGINEER OF SURVEYS

PLEASE REFER TO FILE P. & N.G. 9882

WINNIPEG, MAN., May 13, 1955.

REGISTERED

Sun Oil Company,
P. O. Drawer 39,
Calgary, Alberta.

Dear Sirs:

Attention of Title Record Department
Your File M-686

Re: Petroleum and Natural Gas Lease
R/W in W½ 26 & SE¼ 24-9-29-WPM

We have your letter of the 10th instant returning Petroleum and Natural Gas Lease in this instance with the request that certain omissions in the lease be taken care of. I would prefer not to have to recall the Railway's executed copy of this lease from Montreal in order to have these insertions made, and am wondering if you will be satisfied to hold this letter along with your executed copy of the lease as evidence that Clause 19 should read as follows:

"Manner of Payment:- All payments to the Lessor provided for in this lease shall be tendered to the Lessor, The Canadian Northern Railway Company, c/o Regional Manager, Real Estate Department, Canadian National Railways, Winnipeg, Manitoba."

and that Clause 21 should read as follows:

"Notices:- All notices to be given hereunder may be given by registered letter addressed to the Lessee at P. O. Box No. 427, Calgary, Alberta, and to the Lessor, c/o Regional Manager, Real Estate Department, Canadian National Railways, Winnipeg, Manitoba."

APPROVED
LEGAL DEPT.

E. & O. E. ALL QUOTATIONS FOR THE SALE OR LEASE OF LANDS ARE SUBJECT TO PRIOR SALE OR LEASE, TO CHANGE IN PRICE WITHOUT NOTICE AND TO THE USUAL TERMS OF THE COMPANY'S CONTRACTS FOR SALE OR LEASE.

I would appreciate it very much if you would accept this letter to cover these two clauses.

I am returning your fully executed copy of the Petroleum and Natural Gas Lease herewith under registered cover.

Yours truly,

Regional Manager.

EH/MM
Enc.

RECEIVED
MAY 16 1955
TITLE RECORD
DEPT.

P&NG 9852m

M-686

Man.-2 -52.

PETROLEUM AND NATURAL GAS LEASE

THIS INDENTURE made the 21st day of April A.D. 1955

BETWEEN THE CANADIAN NORTHERN RAILWAY COMPANY

APPROVED as to form only D. O. OWENS Regional Counsel

(hereinafter referred to as "the Lessor")
OF THE FIRST PART

— AND —

OIL COMPANY, a body corporate having an office and carrying on business in the City of Calgary, in the Province of Alberta,
(hereinafter referred to as "the Lessee")
OF THE SECOND PART

The Lessor, being registered as owner, (or entitled to become registered as owner under an Agreement for Sale or unregistered Transfer or otherwise), subject, however, to such mortgages and encumbrances as are notified by memorandum underwritten or indorsed hereon, of the petroleum, natural gas and related hydrocarbons within, upon or under

5.77 acres NW¼ 26

1.42 acres SW¼ 26

1.63 acres SW¼ 24

Correct as to title and Description
Real Estate Dept.

in Township 9, Range 29, West of the Principal Meridian in the Province of Manitoba as more particularly described and set forth in ~~Certificate(s) of Title No(s)~~ Deed 66040, 60584, 015255 of record in the Land Titles Office for the District of Brandon, Province of Manitoba,

in consideration of the sum of One Thousand, One Hundred and Two---50/100--- ($ 1102.50) Dollars paid to the Lessor by the Lessee, (the receipt whereof is hereby acknowledged), and in consideration of the rents and royalties hereinafter reserved and the covenants of the Lessee hereinafter contained,

DOTH HEREBY GRANT AND LEASE unto the Lessee all petroleum, natural gas, and related hydrocarbons except coal and valuable stone, (hereinafter referred to as the "leased substances"), within, upon or under the lands hereinbefore described ~~and all the right, title, estate and interest in any of the lands [illegible] for the said purposes, the right of entering upon, using and occupying the said lands or so much thereof as may be necessary for the purposes of the lease.~~

TO BE HELD BY IT, THE SAID LESSEE, for the space of Ten (10) years from the date hereof, called the "primary term", and thereafter for successive Ten (10) year terms, so long as, and for so long as, the leased substances or any of them are produced from the said lands, subject to the sooner termination of the said term as hereinafter provided.

PROVIDED that if operations for the drilling of a well are not commenced on the said lands within One (1) year from the date hereof, this Lease shall thereupon terminate and be at an end, unless the Lessee shall pay or tender to the Lessor the sum of EIGHT DOLLARS and ---------- ($ 8.02) Dollars, (hereinafter called the "annual acreage rental"), which payment shall confer the privilege of deferring the commencement of drilling operations for a period of One (1) year, and that, in like manner and upon like payments or tenders, the commencement of drilling operations shall be further deferred for like periods successively;

PROVIDED FURTHER that if at any time during the first Ten (10) year term and prior to the discovery of production on the said lands, the Lessee shall drill a dry well or wells thereon, or if at any time during such term and after the discovery of production on the said lands such production shall cease, then this Lease shall terminate at the next ensuing anniversary date hereof unless on or before such date operations for the drilling of a further well on the said lands shall have been commenced or unless the Lessee shall have paid or tendered an annual acreage rental, in which latter event the immediately preceding proviso hereof governing the payment of annual acreage rental and effect thereof, shall continue in force.

AND FURTHER ALWAYS PROVIDED that if at any time after the expiration of the first Ten (10) year term the leased substances are not being produced on the said lands and the Lessee is then engaged in drilling or working operations thereon, this Lease shall remain in force for successive Ten (10) year terms so long as such operations are prosecuted and, if they result in the production of the leased substances or any of them, so long thereafter as the leased substances or any of them are produced from the said lands; and further provided that if drilling or working operations are commenced within ninety days of the cessation of such prior operations, the immediately preceding proviso governing continuation of the lease term, shall continue in force; provided that if drilling, working or production operations are interrupted or suspended as the result of any cause whatsoever beyond the Lessee's control, the time of such interruption or suspension shall not be charged against the Lessee, anything hereinbefore contained or implied to the contrary, notwithstanding;

THE LESSOR AND THE LESSEE HEREBY COVENANT AND AGREE AS FOLLOWS:

1. Interpretation:—

In this Lease, unless there is something in the subject or context inconsistent therewith, the expressions following shall have the following meaning namely:

(a) "Commercial production" shall mean such production output from a well determined on a Thirty (30) day test of such quantity of the leased substances or any of them, as, considering the cost of production equipment and production operations (including the cost of drilling), and the price, kind and quality of such production and available markets, would economically warrant the drilling of another well to the same depth.

(b) "Drilling unit" shall mean a section, legal sub-division or other unit of land representing the minimum area in which any well may be drilled on or in the vicinity of the said lands as defined or prescribed by or under any law of the Province of Manitoba now or hereafter in effect governing the spacing of petroleum and/or natural gas wells.

(c) "Said lands" shall mean all the lands and leased substances hereinbefore described or referred to, or such portion or portions thereof as shall not have been surrendered.

2. Royalties:—

As royalty, the Lessee covenants and agrees:

(a) To deliver to the credit of the Lessor, in the pipe line to which the Lessee may connect its wells, the equal one-eighth part of all oil produced and saved by the Lessee from the said lands, or from time to time, at the option of the Lessee, to pay the Lessor the average posted market price prevailing for the field where produced of such one-eighth part of such oil at the wells as of the day it is run to the pipe line or storage tanks.

(b) To pay the Lessor on gas, casinghead gas or other gaseous substance produced from the said lands and sold or used by the Lessee off the said lands or in the manufacture of gasoline or other products, the market value, at the mouth of the well, of one-eighth of the gas or casinghead gas so used or sold. On all gas or casinghead gas sold at the well, the royalty shall be one-eighth of the amounts realized from such sales.

(c) The royalty as determined under this clause shall be payable with respect to the leased substances saved and sold during any calendar month, within Thirty (30) days following the end of such calendar month.

(d) Notwithstanding anything to the contrary herein contained or implied, the Lessee shall be entitled to use, free from the payment of royalty, such part of the production of the leased substances from the said lands required and used by the Lessee in its operations hereunder.

(e) Provided no royalties are otherwise paid hereunder, the Lessee shall pay to the Lessor each year as royalty the total sum of Fifty Dollars ($50.00) or the annual acreage rental (whichever is the greater) for all wells on the said lands where gas only or primarily is found and the same is not used or sold, and while the said royalty is so paid each such well shall be deemed to be a producing well hereunder.

Lessor Interest:—

[illegible] in the leased substances be less than the entire and undivided fee simple estate therein, then the royalties and rentals herein [illegible] proportion which his interest bears to the whole and undivided fee.

[illegible] this lease against the buildings, machinery, equipment or personal property [illegible] against the surface of the said lands and/or improvements [illegible] this lease against this lease and/or the lease- [illegible] based upon the quantity or [illegible] or Lessee, and [illegible]

(f) For the purposes of determining the amounts of petroleum, natural gas or related hydrocarbons, or any of them, saved and produced from the said lands or of calculating royalty payable hereunder, the Lessee shall be entitled to rely on and use production figures obtained through tests required to be made pursuant to the regulations of the Manitoba Conservation Board and it shall not be necessary for the Lessee to construct and maintain separate tankage and storage facilities for the Lessor's share of production.

paid by Lessor. Upon failure of Lessor to pay any taxes payable by him or that proportion of any of the taxes prorated as aforesaid as are not herein required to be paid by Lessee, Lessee is hereby authorized to pay same and Lessor agrees to repay Lessee, and Lessee may deduct same from the royalties and/or rentals which may thereafter be due Lessor. For the fiscal year current at the commencement of this lease and for any fiscal year in which this lease terminates in whole or in part the share of the taxes herein provided to be borne by Lessee shall be prorated between Lessor and Lessee as of the date on which this lease commences or shall terminate in whole or in part, as the case may be.

5. Discharge of Encumbrances:—

The Lessee may at the Lessee's option pay or discharge the whole or any portion of any charge, mortgage, lien or encumbrance of any kind or nature whatsoever incurred or created by the Lessor and/or the Lessor's predecessors or successors in title or interest which may now or hereafter exist on or against or in any way affect the said lands or the leased substances, in which event the Lessee shall be subrogated to the rights of the holder or holders thereof and may in addition thereto at the Lessee's option, reimburse itself deducting the amount so paid from rentals, royalties, or other sums accruing to the Lessor under the terms of this Lease.

6. Use of Gas by Lessor:—

If as a result of drilling operations of the Lessee on the said lands, surplus dry natural gas is produced which is not needed for the operations hereunder, the Lessee shall supply such surplus dry natural gas to the Lessor free of charge and at his sole risk and free of payment of royalty by the Lessee, only for domestic use in his principal dwelling on the said lands; but all the necessary installations on the well site for the supply of said gas shall be made by the Lessee at the expense of the Lessor.

7. Offset Wells:—

In the event of commercial production being obtained on any drilling unit laterally adjoining the said lands and not owned by the Lessor, or, if owned by the Lessor not under lease to the Lessee, the Lessee agrees to drill or cause to be drilled an offset well on the drilling unit of the said lands laterally adjoining the said drilling unit on which production is being so obtained, as a reasonably prudent operator would drill or cause to be drilled under the same or similar circumstances: PROVIDED that if such well drilled on lands adjoining the said lands has been proved to be productive primarily or only of natural gas, the Lessee shall not be obligated to drill an offset well unless an adequate and commercially profitable market for natural gas which might be produced from the offset well can be previously arranged and provided. Provided that Lessee shall have the option of paying Lessor a royalty equal to one-sixteenth of the net revenue derived from the gas sold from such adjacent well, and as long as Lessee may elect to pay said royalty in lieu of drilling an offset, it will be considered that gas is being produced from the premises within the meaning of the opening paragraphs hereof.

8. Pooling Due to Regulation:—

The Lessee is hereby given the right and power at any time and from time to time to pool or combine the said lands, or any portion thereof, with other lands adjoining the said lands, but so that any one such pool or unit (herein referred to as a "unit") shall not exceed one drilling unit as hereinbefore defined, when such pooling or combining is necessary in order to conform with any regulations or orders of the Government of the Province of Manitoba, or any other authoritative body, which are now or may hereafter be in force in relation thereto. In the event of such pooling or combining, the Lessor shall, in lieu of the royalties elsewhere herein specified, receive on production of leased substances from the said unit, only such proportion of the royalties stipulated herein as the area of the said lands placed in the unit bears to the total area of lands in such unit. Drilling operations on, or production of leased substances from, any land including in such unit shall have the same effect in continuing this Lease in force and effect during the term hereby granted, or any extension thereof, as to all the said lands, as if such operation or production were upon or from the said lands, or some portion thereof. Lessee shall not be liable to any party for reduction of the acreage content of any unit resulting from loss of its title or any cause beyond its control, nor shall Lessee be obligated to make any retroactive apportionment of royalties or sums paid on production in the event of any such reduction in acreage content.

9. Operations:—

The Lessee shall conduct all its operations on the said lands in a diligent, careful and workmanlike manner and in compliance with the provisions of law applicable to such operations, and where such provisions of law conflict or are at variance with the provisions of this Lease, such provisions of law shall prevail.

10. Records of Production:—

The Lessee shall make available to the Lessor during normal business hours at the Lessee's address hereinafter mentioned, the Lessee's records relative to the quantity of leased substances produced from the said lands and as ascertained at the point of measurement.

11. Compensation:—

The Lessee shall pay and be responsible for actual damages caused by its operations to growing crops on the said lands.

12. Surrender:—

Notwithstanding anything herein contained, the Lessee may at any time and from time to time determine or surrender this Lease and the term hereby granted as to the whole or any part or parts of the leased substances and/or the said lands, upon giving the Lessor written notice to that effect, WHEREUPON this Lease and the said term shall terminate as to the whole or any part or parts thereof so surrendered and the rentals, royalty or otherwise, shall be abated or correspondingly reduced as the case may be, but the Lessee shall not be entitled to a refund of any such rent theretofore paid.

13. Removal of Charge:—

In the event of the Lessee having registered in the Land Titles Office for the area in which the said lands are situated this Lease or any caveat or other document in respect thereof, the Lessee shall withdraw or discharge the document so registered within a reasonable time after termination of this Lease for any reason.

14. Removal of Equipment:—

The Lessee shall at all times during the currency of this Lease and for a period of Six (6) months from the termination thereof, have the right to remove all or any of its machinery, equipment, structures, pipe lines, casing and materials from off the said lands.

15. Default:—

In the case of the breach or non-observance or non-performance on the part of the Lessee of any covenant, proviso, condition, obligation, restriction or stipulation herein contained, or arising hereunder, and which ought to be observed or performed by the Lessee and which has not been waived by the Lessor, the Lessor may give to the Lessee written notice requiring it to remedy such default and in the event of the Lessee failing to remedy such default within a period of Ninety (90) days from receipt of such notice, this Lease shall thereupon terminate and it shall be lawful for the Lessor, into and upon the said lands (or any part thereof in the name of the whole) to re-enter and the same to have again, repossess and enjoy, anything herein contained to the contrary notwithstanding. Provided, however, that if either of the parties hereto should within the Ninety (90) day period commence proceedings for judicial determination of existence of the alleged breach or non-observance or non-performance, this Lease shall not terminate unless and until it is finally judicially determined that such default exists and the Lessee shall fail to remedy such default within Sixty (60) days after it is so determined. And provided further that this lease shall not terminate as to such area for each well being worked on and/or being drilled and/or producing oil or gas as will embrace the minimum area required under the applicable laws, orders, and/or regulations for the drilling, working and/or producing of such well, and will embrace one such well, except as to any such area to which a default which has been finally judicially determined and not remedied within Sixty (60) days

16. Title:—

The Lessor does not purport, promise or agree to grant to the Lessee any better title in and to any of the substances within, upon or under the above described lands, than the Title which the Lessor now has or to which it is entitled, but in the event it should be decided by mutual agreement or determined by a final judgment of a court of competent jurisdiction that the Lessor does not have Title to any or all of the said substances then the Lessor will refund to the Lessee all royaltios, (including any bonus bonus) paid to it pursuant to this Lease in respect to the substances to which the Lessor's Title fails; provided that the Lessor will not in any event repay any rentals paid under this Lease.

All payments to the Lessor provided for in this Lease shall, at the Lessee's option, be paid or tendered either to the Lessor, or for the Lessor's credit in the ..... (Bank) at ....., or its successors, which said Bank and its successors shall be deemed the Lessor's agents and continue as the depository for receipt of any and all sums payable hereunder regardless of changes in ownership (whether by assignment or otherwise) of the said lands or of the leased substances or of the royalties or rentals to accrue hereunder unless and until the Lessee shall have been notified in writing by the Lessor to make such payments in another depository in Canada which shall be either a bank or a trust company and whose name and address shall be specified in such notice: PROVIDED that only one such depository shall be designated as aforesaid. All such payments or tenders may be made by cheque or draft of the Lessee either mailed or delivered to the Lessor or to the depository by him designated as aforesaid.

20. Entire Agreement:—

The terms of this Lease express and constitute the entire agreement between the parties, and no implied covenant or liability of any kind is created or shall arise by reason of these presents or anything herein contained.

21. Notices:—

All notices to be given hereunder may be given by registered letter addressed to the Lessee at Post Office Box No. 427, Calgary, Alberta, and to the Lessor at ..... or such other address as the Lessor and the Lessee may respectively from time to time appoint in writing, and any such notice shall be deemed to be given to and received by the addressee Seven (7) days after the mailing thereof, postage prepaid.

THIS LEASE shall enure to the benefit of and be binding upon the parties hereto and each of them, their respective heirs, executors, administrators,

[illegible] Lessee, does hereby accept this Lease of the above described land, to be held by it as tenant, and [illegible]

[illegible] this Lease, the day and year first above written.

22. The Lessee covenants and agrees that it will not drill, explore, construct nor interfere in any way with the surface of the land above described.

SIGN SEALED AND DELIVERED by the Lessor, in the Presence of:

.....

Witness to signature(s) of Lessor(s)

.....

Witness to execution by Sun Oil Company

THE CANADIAN NORTHERN RAILWAY COMPANY

..... Executive Assistant Lessor SEAL

..... ASSISTANT SECRETARY Lessor SEAL

SUN OIL COMPANY

..... Agent and Attorney-in-Fact SEAL

To be signed by wife when husband leases homestead and by husband when wife leases homestead.

I, ... the ..... of ..... the Lessor named in the within written lease, hereby consent to the making of the same by .....

DATED this ..... day of ..... A.D. 19.....

Witness:

....

When wife consents to Lease of homestead.

The above consent was acknowledged before me by ..... wife of ..... apart from her husband, to have been voluntarily executed by her of her own free will and accord and without any compulsion on the part of her husband. She has further acknowledged that she is aware of the nature and effect of the same.

DATED at ..... in the Province of Manitoba, this ..... day of ..... A.D. 19.....

.....
A Commissioner for Oaths in and for the Province of Manitoba.

My Commission expires ..... 19.....

CANADA
PROVINCE OF MANITOBA
TO WIT:

I, ... of the ..... of ..... in the Province of Manitoba, make oath and say:

1. That I am (one of) the within named Lessor(s) and that I am of the full age of twenty-one years.

(a) When Lessor is not married

(a) That I have no husband / wife.

OR

(b) When wife or husband consents to lease.

(b) That the person who consents as wife (husband) to the Lease within written is the wife (husband) of ..... (one of) the Lessor(s).

OR

(c and d) When land is held jointly by husband and wife.

(c) That my Co-Lessor is the husband of me ....., one of the Lessors.

AND

(d) That my Co-Lessor is the wife of me ....., one of the Lessors.

OR

(e) When land is not homestead.

(e) That no part of the land referred to in the Lease within written is or ever has been the homestead of me ..... the Lessor within the meaning of "The Dower Act".

(Severally) SWORN before me at the ..... of ..... in the Province of Manitoba, this ..... day of ..... A.D. 19.....

.....
A Commissioner for Oaths in and for the Province of Manitoba.

My Commission expires ..... 19.....

CANADA
PROVINCE OF MANITOBA
TO WIT:

I, ... of the ..... of ..... in the Province of Manitoba, make oath a say:

For witness when husband consents to Lease of homestead.

1. That I was personally present and did see ..... husband of ..... execute his consent to the within lease.

2. That I know the said ..... and that he is of the full age of twenty-one years.

3. That the said consent was executed at ..... aforesaid and that I am a subscribing witness thereto.

SWORN before me at the .....
of ..... in the Province
of Manitoba, this ..... day of .....
.....A.D. 19.....

.....
A Commissioner for Oaths in and for the Province of Manitoba.

My Commission expires ..... 19.....

AFFIDAVIT OF EXECUTION

CANADA
PROVINCE OF MANITOBA
TO WIT

I, ...,
of ..... in the Province of Manitoba,
....., make oath and say:
(Occupation)

1. THAT I was personally present and did see ..... named in the within instrument, who is (are) personally known to me to be the person(s) named therein, duly sign, seal and execute the same for the purposes named therein.

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

3. THAT I know the said ..... and he (or she) is (or they are each), in my belief, of the full age of twenty-one years.

SWORN before me at .....
in the Province of Manitoba, this .....
day of ..... A.D. 195.....

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

My Commission expires .....19.....

DAVID ..... A.D. 195

[illegible] CALGARY [illegible] LIMITED
CO. [illegible]

and

SUN OIL COMPANY

PETROLEUM AND NATURAL GAS LEASE

SUN OIL COMPANY
P.O. Box No. 427
CALGARY — ALBERTA

AFFIDAVIT OF EXECUTION

CANADA
PROVINCE OF ALBERTA
TO WIT

I, William Thomas
of Calgary in the Province of Alberta,
Clerk, make oath and say:
(Occupation)

1. THAT I was personally present and did see George Ernest Dunlap named in the within instrument, who is personally known to me to be the person named therein, duly sign, seal and execute the same for the purposes named therein.

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

3. THAT I know the said George Ernest Dunlap and that he is the Agent and Attorney-in-Fact of the said SUN OIL COMPANY and he is, in my belief, of the full age of twenty-one years.

SWORN before me at Calgary
in the Province of Alberta, this 17th
day of [illegible] A.D. 195.5

W Thomas

A Notary Public in and for the Province of Alberta

My Commission expires My commission expires with life.

Manitoba

SURFACE COMPENSATION AGREEMENT

Dob
J McE
RMD

THIS AGREEMENT made in triplicate this 24th. day of November A.D. 1954.

B E T W E E N:

THOMAS MCDOUGALL AND LORNE MCDOUGALL both of town of Butler in the Province of Manitoba.

(hereinafter called the "Grantor")

OF THE FIRST PART

- and -

SUN OIL COMPANY, a body corporate having an office and carrying on business in the City of Calgary in the Province of Alberta (hereinafter called the "Grantee")

OF THE SECOND PART

WITNESSETH:

WHEREAS by indenture (hereinafter called "the said lease") made the Fifteenth day of September A.D. 1950 , between Thomas McDougall and Lorne McDougall and Sun Oil Company, the said Thomas McDougall and Lorne McDougall did grant and lease unto Sun Oil Company all petroleum, natural gas and related hydrocarbons, hereinafter called "the leased substances", within, upon or under the following lands, namely:

The West half of Section Twenty-six (26), Township Nine (9), Range Twenty-nine (29), West of the Principal Meridian in the Province of Manitoba.
Excepting thereout the Right of Way of the Canadian Northern Railway.

AND WHEREAS in the said lease the Grantor did grant to the Grantee the exclusive right and privilege to explore, drill for, win, take, remove, store and dispose of the said leased substances and for the said purposes to drill wells, lay pipelines, build and install such tanks, stations, structures and roadways as may be necessary, and insofar as the Grantor has the right so to grant, and for the said purposes, the right of entering upon, using and occupying the said lands or so much thereof and to such an extent as may be necessary

or convenient;

AND WHEREAS the Grantor herein is now the registered owner (or entitled to become the registered owner) of the surface of the said lands;

AND WHEREAS notwithstanding the rights granted to the Grantee in the said lease, the parties hereto have agreed to provide for a compensation to be paid to the Grantor:

NOW, THEREFORE, in consideration of the sum of $10.00 ---TEN--- Dollars now paid by the Grantee to the Grantor (receipt whereof is hereby acknowledged by the Grantor) and the mutual covenants herein contained, the parties hereto covenant and agree as follows:

1. The Grantor doth hereby grant unto the Grantee, as supplemental to and in addition to the rights granted in the said lease and not in derogation thereof, the exclusive right and privilege of entering upon, using and occupying the said lands, or so much thereof and to such an extent as may be necessary or convenient, for the purposes of the said lease, namely to explore, drill for, win, take, remove, store and dispose of the leased substances and for the said purposes to drill wells, lay pipelines, build and install such tanks, stations, structures and roadways as may be necessary.

2. The rights granted to the Grantee herein shall continue in force and may be exercised by the Grantee during the term of the said lease and for so long as the Grantee, its successors or assigns, shall have the right to recover and dispose of the leased substances as described in the said lease.

3. It is further agreed between the parties hereto as follows:

(a) As the Grantee may require to use any portion of the surface of the said lands, from time to time, for the purpose of a roadway, wellsite or tank battery, in connection with its operations on the said lands pursuant to this agreement, it shall select such area as it may require and cause a sketch thereof to be prepared outlining the area and stating the number of acres so selected for its use. The Grantee shall thereupon forward to the Grantor a copy of such sketch. Selection of additional areas by the Grantee for roadway, wellsites and tank batteries from time to time shall be made in the same

manner.

(b) The Grantee agrees to pay to the Grantor on the date of entry upon the said lands, the sum of $40.00 Dollars per acre for each and every acre of the said lands selected by the Grantee and included in the above-mentioned sketch.

(c) The Grantee shall pay to the Grantor on each succeeding anniversary date of such entry upon the said lands, (hereinafter called the "anniversary date") the sum of $20.00 Dollars per acre for each and every acre of the said lands that the Grantee shall continue to use and occupy for purposes of a roadway, wellsite or tank battery.

(d) If the Grantee shall actually use more of the said lands in conducting its operations than is outlined on the said sketch, then for the year that Grantee shall use such additional acreage the Grantee shall pay to the Grantor the sum of $40.00 Dollars per acre for each such additional acre so used; PROVIDED that if less than a whole acre is so used, then such payment shall proportionately abate.

(e) If and when the Grantee shall require additional areas of the said lands for purposes of roadways, wellsites or tank batteries, Grantee shall select them and compensate Grantor in the same manner as hereinbefore provided in (a) and (b); PROVIDED, however, that on the first anniversary date of the selection of an additional area the Grantee shall pay to the Grantor that percentage of the compensation provided for in (c), that equals the same percentage as the period of time from such anniversary date to the anniversary date of the first area selected under this agreement, is of one year; and thereafter the anniversary date of the additional area selected under this agreement shall be deemed to be that of the first area selected under this agreement.

(f) The Grantee may from time to time enlarge or reduce the area

required by it for roadways, wellsites or tank batteries by preparing a new sketch, or sketches, outlining the area and showing the number of acres contained therein, and by delivering same to the Grantor. If the area is so enlarged, then Grantee shall pay to Grantor, at the time of taking such additional acreage, that percentage of

$40.00 Dollars for each acre

so taken, that equals the same percentage as the period of time from the date of taking such additional acreage to the next anniversary date, is of one year; and thereafter the Grantee shall compensate the Grantor for each additional acre so taken at the rates and in the manner as hereinbefore provided in (c).

(g) Nothing herein shall be construed as restricting the rights of the Grantee to use and occupy all or any portion of the said lands; PROVIDED, however, that the Grantee shall be obligated to compensate the Grantor for the use of lands taken for roadways, wellsites and tank batteries as above provided and, notwithstanding anything to the contrary in the said lease contained or implied, the Grantee shall not be obligated to pay to the Grantor any other compensation for damage to any portion of the said lands taken and used pursuant to the said lease except for damage to growing crops, fences and buildings.

(h) That the Grantee shall have the right at any time to remove all machinery and fixtures placed on the said lands, including, without restricting the generality of the foregoing, the right to draw and remove casing; and for all or any of such purposes the Grantee, its servants and agents may enter upon any portion of the said lands during the term hereby granted and any extensions thereof and within six months after termination thereof.

(i) That the Grantee shall have the right to use free of cost, water produced or found on the said lands for its operations thereon or on adjacent lands, except the water from the wells/ordu outs of the Grantor.

(j) All rentals shall be paid to the Grantor at Butler in the Province of Manitoba, directly or by mailing to him the Grantee's cheque therefor on or before the due date.

(k) That any notice required to be given to the parties hereto shall be deemed to have been given fifteen (15) clear days after such notice is mailed by prepaid registered post properly addressed to such party and for the purpose of this clause, the proper address of the respective parties until change of notice shall be:

THE GRANTOR - Thomas McDougall and Lorne McDougall
Butler, Manitoba.

THE GRANTEE - Sun Oil Company
805 - 8th Avenue West
P. O. Drawer 39
Calgary, Alberta.

(l) In any case where the Grantee shall select or use any portion of the lands less than one full acre, then for purposes of calculating the compensation herein, the amount payable per acre shall, in respect of such fractional acre, be proportionately reduced.

4. The Grantee covenants and agrees with the Grantor as follows:

(i) To pay the agreed compensation in advance as herein provided on or before the due date in every year, and to pay all existing and future taxes, rates and assessments imposed upon or in respect to the undertaking and oil drilling and other operations of the Grantee and its equipment used or installed in connection therewith, insofar as the same relates to the said lands.

(ii) To carry on all drilling operations and other operations in such manner as to cause as little permanent injury as possible to the said lands.

(iii) To pay, in addition to the compensation hereinbefore provided, damages caused by its operations to growing crops, fences and buildings on said lands.

(iv) When requested by the Grantor, to bury its pipe lines below ordinary plow depth in other than frozen lands.

(v) Upon termination of its use of all or any portion of the land selected by it under the terms hereof, to remove or cause to be removed from the land of which its use has terminated all its machinery and equipment, fill in all excavations and leave the said lands, insofar as reasonably practicable in a smooth and safe condition.

(vi) To dig a pit or pits or have adequate metal reservoirs and deposit therein the mud and sludge resulting from the drilling operations and will not permit the same to escape onto the Grantor's land adjoining the said lands and the Grantee will take all necessary precautions to keep down and destroy all noxious weeds on the said wellsite and roadway. At the termination as hereinbefore provided of the use and occupation of the said lands, or upon the discontinuance of the use of any portion thereof for the purpose aforesaid, the Grantee will deliver up the said lands or portion thereof as the case may be in the same condition so far as may be reasonably practicable to do so as that existing immediately prior to entry thereon and the use thereof by the Grantee.

(vii) Upon the abandonment of any well to cause such well to be plugged and all excavations in connection therewith to be filled in, all in compliance with the regulations of the government of the Province in which the said lands are situated, in that regard.

(viii) To so construct the roadway as to have shallow ditches where required, or if necessary, adequate number of approaches so that the Grantor can cross the roadway with farm machinery in moving from one field in the said lands to another field which lies across the said roadway.

(ix) That in the use of the rights and privileges hereby granted the Grantee will replace all fences which he may have removed for his purposes and repair all fences which he may have damaged and if and when so required by the Grantor provide proper livestock guards or gates at any point of entrance on any part of the said lands used by him and if gates are installed will cause the same to be closed upon the use thereof.

(x) That the Grantee will indemnify and save harmless the Grantor of, from and against all actions, suits, claims and demands by any persons whomsoever in respect of any loss, injury, damage or obligation arising out of or connected with the operations carried on by the Grantee, his servants or agents, in, under or upon the said lands.

IN WITNESS WHEREOF the parties hereto have caused these presents to be executed the day and year first above written.

SIGNED, SEALED AND DELIVERED
in the presence of:

Ross McDougall

W. Thomas

Lorne McDougall
Grantor

Thomas McDougall
Grantor

SUN OIL COMPANY
By: D. A. Bran
Agent and Attorney-in-Fact

AFFIDAVIT OF EXECUTION

C A N A D A PROVINCE OF TO WIT:	I, Ross McDougall of the Town of Butler, in the Province of Manitoba, Farmer, make oath and say:

1. THAT I was personally present and did see Thomas McDougall and Lorne McDougall
D.C.B. named in the within Instrument, who ~~is~~ are personally known to me to be the persons named therein, duly sign, seal and execute the same for the purposes named therein.

2. THAT the same was executed at Butler in the Province of Manitoba, and that I am the subscribing witness thereto.

D.C.B. 3. THAT I know the said Thomas McDougall and Lorne McDougall ~~he (she) is~~ and they are, in my belief, of the full age of twenty-one years.

SWORN at Butler
in the Province of Manitoba
this 26th day of September
A.D. 1954

Ross McDougall

Before me,

D. C. Berry
A Commissioner for Oaths
in and for the Province of Manitoba

My Commission Expires Sept 5/58.

C A N A D A)
PROVINCE OF MANITOBA)
TO WIT:)

I, _____ of the _____ of _____ in the Province of Manitoba, _____ (Occupation), make oath and say:

For witness when husband consents to lease of homestead

1. That I was personally present and did see _____ husband of _____ execute his consent to the within lease.
2. That I know the said _____ and that he is of the full age of twenty one years.
3. That the said consent was executed at _____ aforesaid and that I am a subscribing witness thereto.

SWORN before me at the _____)
of _____ in the Province)
of Manitoba, this _____ day of)
_____ A. D. 19___)

_____
A Commissioner for Oaths in and for the Province of Manitoba. My Commission expires _____

To be signed by wife when husband leases homestead and by husband when wife leases homestead

I, _____ the _____ of _____ the Lessor named in the within written lease, hereby consent to the making of the same by _____

_____

DATED this _____ day of _____ A. D. 19____

_____ _____

When wife consents to Lease of homestead

The above consent was acknowledged before me by _____ _____ wife of _____ apart from her husband, to have been voluntarily executed by her of her own free will and accord and without any compulsion on the part of her husband. She has further acknowledged that she is aware of the nature and effect of the same.

DATED at _____ in the Province of Manitoba, this _____ day of _____ _____ A. D. 19____

_____
A Commissioner for Oaths in and for the Province of Manitoba. My Commission expires

C A N A D A)
)
PROVINCE OF MANITOBA)
)
TO WIT:)

I, ~~Thomas McDougall and Lorne~~ M. Dougall of the Town of Butler in the Province of Manitoba, Farmers, make oath and say:

1. That I am (one of) the within named Lessor(s) and that I am of the full age of twenty-one years.

D.C.B. (a) When Lessor is not married. (a) That I have no ~~husband~~ wife

OR

D.C.B. (b) When wife or husband consents to lease (b) ~~That the person who consents as wife (husband) to the Lease within written is the wife (husband) of~~ _____ (one of) the Lessor(s).

OR

D.C.B. (c and d) When land is held jointly by husband and wife. (c) ~~That my Co-Lessor is the husband of me one of the Lessors~~ _____,

AND

D.C.B. (d) ~~That my Co-Lessor is the wife of me one of the Lessors.~~ _____,

OR

D.C.B. (e) When land is not homestead. (e) ~~That no part of the~~ land ~~referred to in the Lease within written is or ever has been the homestead of me~~ _____ ~~the Lessor within the meaning of "The Dower Act"~~.

(Severally) SWORN before me at the Town of Butler in the Province of Manitoba, this 26th day of September A. D. 1956.

Lorne M. McDougall
Thomas McDougall

D. C. Berry
A Commissioner for Oaths in and for the Province of Manitoba.
My Commission expires Sept. 5th 1956.

AFFIDAVIT OF EXECUTION

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

1. THAT I was personally present and did see Duncan A. Cran 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 Duncan A. Cran 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 31st day of October)
A.D. 1956.)

Before me,

A Notary Public in and for the Province of Alberta

THIS INDENTURE made (in duplicate) the Tenth day of November in the year of our Lord One Thousand Nine Hundred and Eight.

In Pursuance of the Act respecting short forms of Indentures

BETWEEN THE GOVERNOR AND COMPANY OF ADVENTURERS OF ENGLAND trading into Hudson's Bay of the first part and

CANADIAN NORTHERN RAILWAY COMPANY of the second part

WITNESSETH that in consideration of the sum of Thirty seven (37) and 50/100 Dollars of lawful money of Canada now paid by the said party of the second part to the said parties of the first part (the receipt whereof is hereby by them acknowledged) THEY the said parties of the first part DO grant unto the said party of the second part its ~~heirs~~ successors and assigns forever ALL and singular that certain parcel or Tract of land and premises situate lying and being in the Province of Manitoba being all that portion of the North West quarter of section Twentysix (26) in Township Nine (9) and Range Twentynine (29) West of the Principal Meridian which lies between two lines parallel with and each said line being fortynine and one half (49½) feet perpendicularly distant on each side from the centre line of the land taken for the Right of Way of the Canadian Northern Railway containing Five (5) acres and Seventyseven one-hundredths (77/100) of an acre more or less, as the same is shewn on a plan of said Railway filed in the Land Titles Office at Brandon as Plan 149.

TO HAVE AND TO HOLD unto the said party of the second part its ~~heirs~~ successors and assigns to and for its and their sole and only use for ever.

SUBJECT nevertheless to the reservations, limitations, provisoes and conditions expressed in the original grant thereof from the Crown.

The said parties of the first part for themselves their successors and assigns covenant with the said party of the second part that they have the right to convey the said land to the said party of the second part notwithstanding any act of the said parties of the first part.

AND that the said party of the second part shall have quiet possession of the said land free from all encumbrances.

AND that the said parties of the first part will execute such further assurances of the said land as may be requisite.

AND that the said parties of the first part have done no act to encumber the said land.

AND the said parties of the first part release to the said party of the second part all their claims upon the said land.

IN WITNESS whereof the said Governor and Company have caused their Corporate Seal to be hereunto affixed the day and year aforesaid.

THE CORPORATE SEAL of The Governor and Company of Adventurers of England trading into Hudson's Bay was hereunto affixed by order of the Governor and ~~Deputy~~ Committee in the presence of

(Sgd) F. C. Ingrams

HUDSON~~'S~~'S BAY HOUSE,

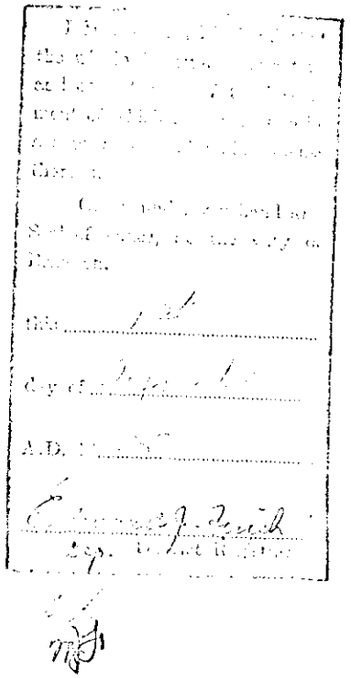
LONDON, ENGLAND.

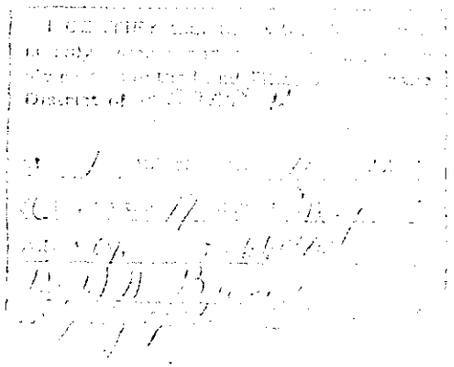
Corporate Seal

Affixed by order of the Governor, Deputy Governor and Committee by me.

(Sgd) W. Warl
Secy.

66040





6077
T.L.

THIS INDENTURE made (in duplicate) the Twentyfirst day of February in the year of our Lord One Thousand Nine Hundred and Seven In pursuance of the Act respecting short forms of Indentures.

BETWEEN THE GOVERNOR AND COMPANY OF ADVENTURERS OF ENGLAND trading into Hudson's Bay of the first part and

THE CANADIAN NORTHERN RAILWAY COMPANY of the second part

WITNESSETH that in consideration of the sum of Nine (9) and 23/100 Dollars of lawful money of Canada now paid by the said party of the second part to the said parties of the first part (the receipt whereof is hereby by them acknowledged) THEY the said parties of the first part DO grant unto the said party of the second part its ~~heirs~~ successors and assigns forever ALL and singular that certain parcel or Tract of land and premises situate lying and being in the Province of Manitoba, being all that portion of the South West quarter of Section Twenty-six (26) in Township Nine (9) and Range Twenty-nine (29) West of the Principal Meridian, which lies been two lines parallel with and each said line being Forty nine and one-half (49½) feet perpendicularly distant on each side from the centre line of the land taken for the right of way of the Canadian Northern Railway Company containing One and Forty two one-hundredths (1 42/100) acres more or less. said centre line being the centre line of the said Railway, as the same is now located and ~~[illegible]~~ constructed across said land and lands adjoining the same.

TO HAVE AND TO HOLD unto the said party of the second part its ~~heirs~~ successors and assigns to and for its and their sole and only use for ever.

SUBJECT nevertheless to the reservations, limitations, provisions AND CONDITIONS EXPRESSED IN THE ORIGINAL GRANT THEREOF FROM THE CROWN.

The said parties of the first part for themselves their successors and assigns covenant with the said party of the second part that they have the right to convey the said land to the said party of the second part notwithstanding any act of the said parties of the first part.

AND that the said party of the second part shall have quiet possession of the said land free from all encumbrances.

AND that the said parties of the first part will execute such further assurances of the said land as may be requisite.

APPROVED
Deputy Commissioner

AND That the said parties of the first part have done no act to encumber the said land.

AND the said parties of the first part release to the said party of the second part all their claims upon the said land.

IN WITNESS whereof the said Governor and Company have caused their Corporate Seal to be hereunto affixed the day and year aforesaid.

THE CORPORATE SEAL of The Governor and Company of Adventurers of England trading into Hudson's Bay was hereunto affixed by order of the Governor and Committee in the presence of

(Sgd) Frank C. Ingrames.

HUDSON'S BAY HOUSE,

LONDON, ENGLAND.

Corporate Seal

Affixed by order of the Governor, Deputy Governor, and Committee by me.

(Sgd) W. Warl
Secy.

60584

60584 60584

Dated 21 Feby ~~1907~~ 1907

H.B.Co.

to

Can. Northern Ry Co.

D E E D

1st

March

25

Entered Book

BRANDON

10

11 Dec.

07. 60584

(Sd) A. Burns

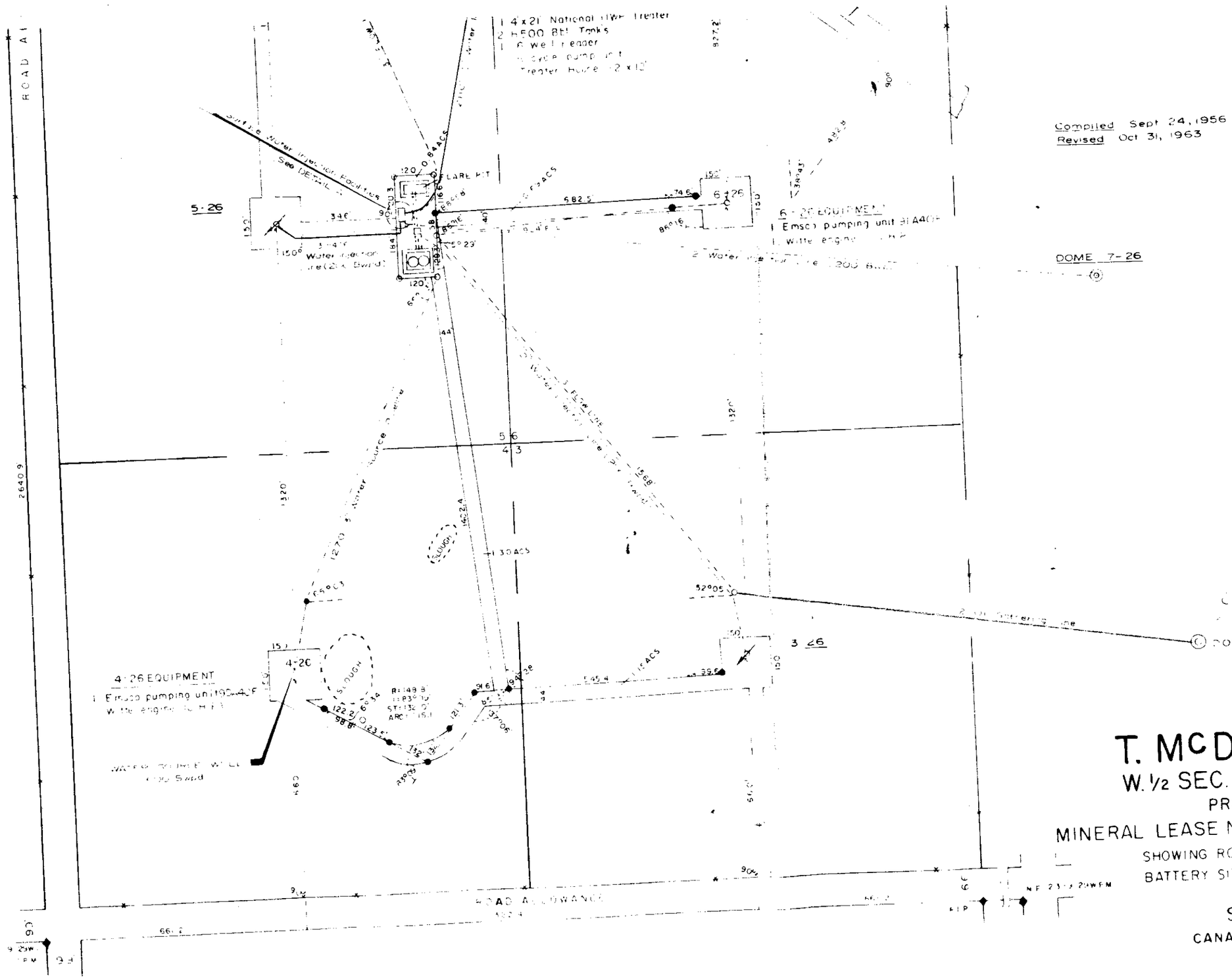
Deputy of the

[illegible]	C-751	441	1075	63		1012
[illegible]	C-944	462	1072	64		1005
[illegible]	C-1139	427	991	61		930
[illegible]	C-1331	438	1016	61		955
[illegible]	C-1585	457	1060	65		[illegible]
[illegible]	C-1754	408	947	58		889
[illegible]	C-1971	439	1018	62		956
October	C-2179	408	947	55		889
[illegible]	C-93	414	960	57		903
Total		5279	12457	710		11717
1950						
January	C-301	353	819	49		770
February	C-503	406	938	58		880
March	C-706	369	852	52		800
[illegible]	C-931	400	924	56		[illegible]
May	C-1115	403	931	57		874
June	C-1326	365	844	50		794
July	C-1484	339	782	48		734
August	C-1652	332	765	47		718
[illegible]	C-1769	363	839	52		787
October	C-2186	358	827	50		777
[illegible]	C-2408	336	771	46		[illegible]
[illegible]	C-118	357	819	50		769
Total		4381	10111	615		9496
1951						
January	C-359	268	615	37		578
February	C-606	234	537	32		505
March	C-809	231	530	32		498
April	C-1103	301	690	42		[illegible]
May	C-1356	247	567	35		[illegible]
June	C-1524	333	763	46		717
July	C-1858	323	741	47		694
August	C-2147	352	808	50		758
[illegible]	C-2424	326	747	48		[illegible]
[illegible]	C-2710	342	784	48		[illegible]
[illegible]	C-2996	305	730	42		688
[illegible]	C-148	311	745	44		[illegible]
Total		3193	8362	503		7859
1952						
[illegible]	C-336	312	717	44		703
[illegible]	C-729	200	479	29		[illegible]
[illegible]	C-1001	243	582	33		549
[illegible]	C-1270	333	775	45		732
[illegible]	C-1552	317	752	45		707
[illegible]	C-1837	[illegible]	736	46		[illegible]

[illegible]	C-151	464	1075	63		1012
[illegible]	C-441	462	1072	64		1008
[illegible]	C-1139	427	991	61		930
[illegible]	C-1331	438	1016	61		955
[illegible]	C-1588	457	1060	65		995
[illegible]	C-1784	408	947	58		889
[illegible]	C-1991	439	1018	62		956
[illegible]	C-2199	408	947	58		889
[illegible]	C-43	414	960	57		903
		5279	12457	740		11717
1960						
January	C-301	353	819	49		770
[illegible]	C-503	406	938	58		880
March	C-706	369	852	52		800
[illegible]	C-851	400	924	56		868
May	C-1115	403	931	57		874
June	C-1326	365	841	50		791
July	C-1484	339	782	48		734
August	C-1552	332	765	47		718
[illegible]	C-1769	363	839	52		787
October	C-2186	358	827	50		777
November	C-2408	336	771	46		725
December	C-148	357	819	50		769
		4381	10111	615		9496
1961						
January	C-359	268	615	37		578
February	C-606	234	537	32		505
March	C-859	231	530	32		498
April	C-1103	301	690	42		648
May	C-1356	247	567	35		532
June	C-1524	332	763	46		717
July	C-1858	333	764	47		717
August	C-2147	352	808	50		758
[illegible]	C-2424	336	794	48		746
[illegible]	C-2710	342	807	48		759
[illegible]	C-2996	305	730	42		688
November	[illegible]	311	745	44		701
December	C-148	3593	8362	503		7859
1962						
January	C-336	312	717	44		703
February	C-729	200	479	29		[illegible]
[illegible]	C-1001	243	582	33		549
[illegible]	C-1275	333	795	46		752
[illegible]	C-1566	317	752	46		707
[illegible]	C-1851	295	732	46		[illegible]

April	C-751	464	1075	63		1012
May	C-944	462	1072	64		1008
June	C-1139	427	991	61		930
July	C-1331	438	1016	61		955
August	C-1526	457	1060	65		995
September	C-1724	408	947	58		889
October	C-1921	439	1018	62		956
November	C-2199	408	947	58		889
December	C-13	414	960	57		903
		5279	12457	740		11717
1960						
January	C-301	353	819	49		770
February	C-503	406	938	58		880
March	C-706	369	852	52		800
April	C-921	400	924	56		868
May	C-1115	403	931	57		874
June	C-1326	365	844	50		794
July	C-1534	339	782	48		734
August	C-1732	332	765	47		718
September	C-1929	363	839	50		787
October	C-2126	358	827	50		777
November	C-2408	336	771	46		[illegible]
December	C-118	357	819	50		[illegible]
		4381	10111	615		9496
1961						
January	C-359	266	615	37		578
February	C-606	234	537	32		505
March	C-859	231	530	32		498
April	C-1103	301	696	42		[illegible]
May	C-1356	241	557	35		[illegible]
June	C-1524	332	763	46		717
July	C-1858	333	764	47		717
August	C-2117	352	808	50		758
September	C-2424	336	771	48		[illegible]
October	C-2710	342	784	48		[illegible]
November	C-2996	305	730	42		688
December	C-148	311	745	44		[illegible]
		3593	8362	503		7859
1962						
January	C-336	312	747	44		703
February	C-729	200	479	29		[illegible]
March	C-1001	243	582	33		549
April	C-1270	333	795	45		750
May	C-1562	317	752	45		707
June	C-1837	295	732	46		[illegible]

						1012
April	C-751	464	1075	63		1008
May	C-914	462	1072	64		930
June	C-1139	427	991	61		955
July	C-1331	438	1016	61		995
August	C-1585	457	1060	65		889
September	C-1764	408	947	58		956
October	C-1971	439	1018	62		889
November	C-2199	408	947	55		903
December	C-93	414	960	57		11717
		5279	12457	740		
1960						770
January	C-301	353	819	49		780
February	C-503	406	938	58		700
March	C-706	369	852	52		768
April	C-931	400	924	56		844
May	C-1115	403	931	57		794
June	C-1326	365	841	50		734
July	C-1454	339	782	48		715
August	C-1652	332	765	47		757
September	C-1769	363	839	52		777
October	C-2186	358	827	50		745
November	C-2405	336	771	46		769
December	C-115	357	819	50		9496
		4381	10111	615		
1961						578
January	C-359	268	615	37		605
February	C-606	234	537	32		496
March	C-759	231	530	32		[illegible]
April	C-1103	301	696	42		[illegible]
May	C-1356	287	667	35		737
June	C-1524	333	763	46		717
July	C-1855	333	764	47		708
August	C-2147	352	808	50		746
September	C-2424	336	771	48		721
October	C-2710	342	817	45		688
November	C-2996	305	730	42		[illegible]
December	C-148	311	745	44		7059
		3593	8362	503		
1962						703
January	C-336	312	717	44		[illegible]
February	C-529	200	477	28		649
March	C-[illegible]	243	582	33		752
April	C-1275	333	775	46		739
May	C-1552	317	752	45		[illegible]
June	C-1837	282	732	42		[illegible]



Compiled Sept 24, 1956
Revised Oct 31, 1963

Approved on behalf of the Dep of Mines and Natural Resources, Province of Manitoba.

Stuart Anderson
Deputy Minister

Dated

PLAN OF

T. McDOUGALL LEASE

W. 1/2 SEC. 26 TWP. 9 RGE. 29 W.P.M.

PROVINCE OF MANITOBA

MINERAL LEASE NO M-145 SURFACE LEASE NO. M-788

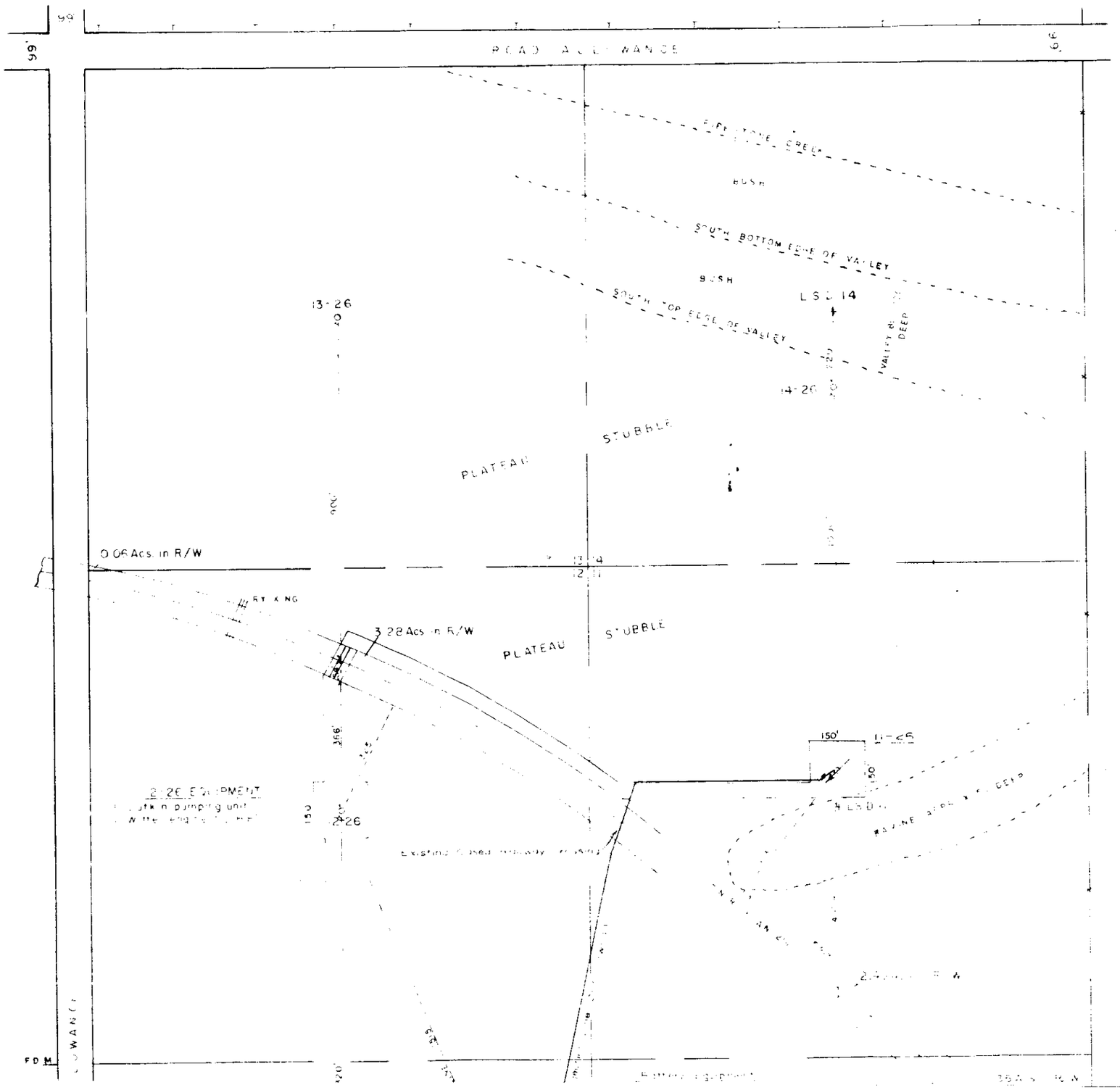
SHOWING ROADWAYS, WELLSITES, FLOW LINES, BATTERY SITE, EQUIPMENT & SURFACE DETAILS

SUN OIL COMPANY

CANADIAN PRODUCTION DIVISION

SCALE 1" = 300'

PROPOSED EBOR WATER FLOOD



Legend

Survey monuments found shown thus
Spikes
Fence
Temporary Line
Proposed Water Injection Well
All flowlines from wells to water injection manifolds shown in red
Flow lines from water injection baseline shown in yellow
All gathering pipelines shown in green

Note

(1) All water injection pipelines to be hydrostatically tested to 1600 psi prior to injection operation. Operating pressure will be 1000 to 1400 psi.

(2) All water injection pipelines to be buried below frost level