

REMITTANCE FORM

NAME Chesron Standard Limited

ADDRESS 400 - Fifth Avenue S.W.,

Calgary, Alberta

T2P 0L7

ON ACCOUNT OF \_\_\_\_\_

Registration Fee for Unification Order

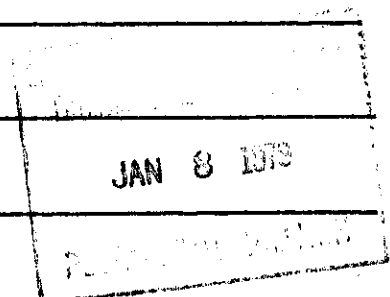
Nos. 25, 26, 27, 28, 29 & 30

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_



AMOUNT \$ 18.00

CASH \_\_\_\_\_

CHEQUE X

MONEY ORDER \_\_\_\_\_

No B11966

REVENUE CODE 3-58

L Bohdanowich

FINANCIAL SERVICES DIVISION

DATE Jan. 4/79

Receipt No. 9516

Amount 18.00

CB# 174

LB



**Chevron Standard Limited**  
400 - Fifth Ave. S.W., Calgary, Alberta T2P 0L7

R. R. Mahaffey  
General Attorney

1978-12-27

**Unitization Orders**  
**Registration**

Department of Mines, Resources  
& Environmental Management  
Mineral Resources Division  
Petroleum Branch  
989 Century Street  
Winnipeg, Manitoba  
R3H 0W4

Attention: H. C. Moster, P. Eng.

Dear Sirs:

Thank you very much for your letter and enclosures of December 13, 1978. I enclose our cheque in favour of the Minister of Finance in the sum of \$18.00 in payment of your fee for registering the Unitization Orders.

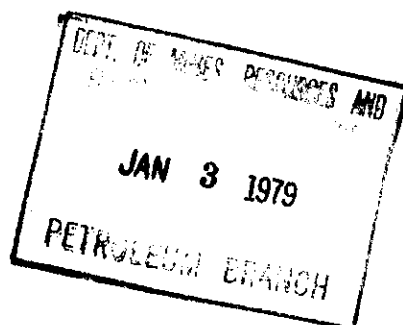
Yours very truly,

  
R. R. MAHAFFEY

EHG/blm

enc.

*forwarded cheque for \$18.00  
to Linda to be processed along  
with xerox copy of letter  
Jan 3/78/28.*



→ Linda  
file  
HBM✓

December 13, 1978

Chevron Standard Limited  
400 - Fifth Avenue S. W.  
Calgary, Alberta  
T2P 0L7

Attention: Mr. R. R. Mahaffey  
General Attorney

Dear Sir:

Re: Unitization Orders

We acknowledge receipt of your letter dated November 29, 1978 requesting certified copies of Unitization Orders Nos. 25, 26, 27, 28, 29 and 30.

Enclosed please find two certified copies of each Unitization Order for filing with the Land Titles Office. Since our Branch has assumed the duties of the Chief Mining Recorder related to oil and natural gas recording functions we have taken the initiative of registering the subject Orders, thereby eliminating the need of sending you extra certified copies only to have you re-submit them to us for registration.

The registration of the Orders against all Gross Oil and Natural Gas Leases affected thereby has been completed under the following Document Nos.:

✓ Doc. No. 1002-0	(December 11/78)	Unitization Order No. 25
Doc. No. 1003-0	(December 11/78)	Unitization Order No. 26
Doc. No. 1004-0	(December 11/78)	Unitization Order No. 27
Doc. No. 1005-0	(December 11/78)	Unitization Order No. 28
Doc. No. 1006-0	(December 11/78)	Unitization Order No. 29
Doc. No. 1007-0	(December 11/78)	Unitization Order No. 30

Please remit a cheque payable to the Minister of Finance in the amount of \$18.00 to cover the \$3.00 registration fee per Unitization Order filed.

Yours sincerely,

H. C. Moster, P. Eng.,  
Director, Petroleum Branch.

LB/et  
Encls.

THE REGULATIONS ACT  
CERTIFICATE

(sec. 13 Reg. 1-45)

I, Derek Bedson, Clerk of the Executive Council,  
hereby certify that the attached regulation marked "A" is a true copy of the original regulation:—

(a) entitled (or respecting) Unitization Order No. 25

(Title or Subject Matter)

(b) made pursuant to The Mines Act  
(Act authorizing)

(c) by The Oil and Natural Gas Conservation Board

(d) on the 7th day of September A.D. 19 78.  
(Date Regulation was made)

(e) approved of by Order-in-Council No. 910/78 on the 27th day of September  
A.D. 19 78 on the recommendation of the Honourable the Minister of Mines,  
Resources and Environmental Management

(f) which regulation comes into force on the day it is filed with the Registrar of Regulations (or the  
1st day of October A.D. 19 78.) and

(g) replaces or amends regulation as follows: amends Manitoba Regulation 57/62 being  
The Oil and Natural Gas Conservation Board Unitization Order No. 1.

I certify that the within instrument is duly entered and registered  
in the office of the Petroleum Branch, Department of Mines,  
Resources and Environmental Management, this 11th  
day of December A.D. 19 78.

Doc. No. 1002-0

H. G. Master  
DIRECTOR, PETROLEUM BRANCH

DATED this 28th day of September A.D. 19 78

Derek Bedson  
Clerk of the Executive Council

This is exhibit "A" referred to  
in the certificate of

Manitoba Regulation 181/78

Being

The Oil and Natural Gas Conservation Board

UNITIZATION ORDER NO. 25

Amending Unitization Order No. 1 Pertaining to

NORTH VIRDEN SCALLION UNIT NO. 1

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

(Filed: *September 29/78*)

Effective at the hour of seven o'clock in the forenoon, official  
time, on the first day of October, A.D., 1978, the Plan for Unit  
Operation Governing the Unitized Management Operation and Further  
Development of North Virden Scallion Unit No. 1 set out in Unitization  
Order No. 1 (Manitoba Regulation 57/62) is amended as follows:

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

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

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

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

regulation was filed in the office of the  
Registrar of Regulations on the 29<sup>th</sup> day  
of Sept. A.D. 1978 at 15 o'clock  
in the forenoon as No. 181/78  
*Arthur Bell*  
Registrar of Regulations

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

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

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

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

5. Section 26.07 is rescinded, and the following substituted therefor:

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

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

(b) Unit Operator's cost of vacation and expenditures or contributions imposed or assessed by any governmental body having jurisdiction with respect to such salaries and wages referred to in paragraph (a) of Section 26.07.

(c) Unit Operator's current cost of established plans for employees' group life insurance, sickness and disability benefits, hospitalization, pension, retirement, stock purchases, thrift, bonus and other benefit plans of like nature applicable to such salaries and wages provided for in paragraph (a) of Section 26.07. Provided that such charges shall not exceed fifteen (15%) percent of the total of the salaries and wages charged under paragraph (a) of Section 26.07. It is agreed, however, that if this limitation of fifteen (15%) percent shall be found to be insufficient, the same may be increased from time to time when authorized by a vote of the Operating Committee.

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

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

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

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

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

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

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

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

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

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

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

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



(k) Area, Division and Administrative Overhead:

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

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

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

(iii) Any other costs of operating the division and/or principal office of the Unit Operator.

The rates, which are subject to review annually, as set forth in paragraph (j) of Section 6.03 are as follows:

(a) \$11,000.00 per month for all producing operations.

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

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


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


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

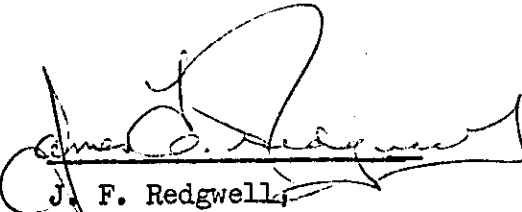
(m) Rentals, payments in lieu of actual production and royalties, when paid by Unit Operator for the Common Account.

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

Oil and Natural Gas Unitization Order No. 25  
made and passed this 7<sup>th</sup> day of SEPTEMBER  
A.D., 1978 at the City of Winnipeg in the  
Province of Manitoba, by The Oil and Natural  
Gas Conservation Board.

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

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

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

Approved By Unitization Order No. 25  
(Doc. No. 1002-0) (December 11/1978)

Lease # 159	Lsd's 3-4-5-6 of Sec. 11, Twp. 11, Rge. 26.
Lease # 179	Lsd's 1-2-7-8 of Sec. 11, Twp. 11, Rge. 26.
Lease # 187	Lsd. 16 of Sec. 10, Twp. 11, Rge. 26.
Lease # 259	Lsd's 11-12-13-14 of Sec. 11, Twp. 11, Rge. 26.
Lease # 261	Lsd's 9-10-15-16 of Sec. 16, Twp. 11, Rge. 26.
Lease # 262	Lsd. 2 of Sec. 24, Twp. 11, Rge. 26.
Lease # 263	Lsd's 11-12-13-14-15 of Sec. 24, Twp. 11, Rge. 26.
Lease # 1442	Lsd. 13 of Sec. 33, Twp. 11, Rge. 26.
Lease # 2221	Lsd. 10 of Sec. 11, Twp. 11, Rge. 26.



**Chevron Standard Limited**  
400 - Fifth Ave. S.W., Calgary, Alberta T2P 0L7

R. R. Mahaffey  
General Attorney

1978-11-29

LINDA  
Please check files  
for previous <sup>similar</sup> request  
(1976?) to see what  
we did and what  
is most appropriate  
this time.  
RMR

Unitization Orders Nos.  
25, 26, 27, 28, 29 and 30

Mr. H. C. Moster, P. Eng.,  
Director, Petroleum Branch,  
Department of Mines, Resources &  
Environmental Management,  
Minerals Resources Division,  
989 Century Street,  
Winnipeg, Manitoba.  
R3H 0W4

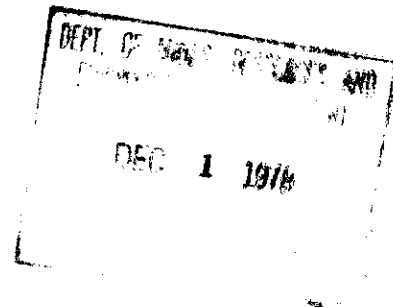
Dear Sir:

Please let us have four (4) certified copies of each of the subject  
Unitization Orders in order that we may file them with the Chief Mining  
Recorder and the Land Titles Office as required by Section 90 (5) of  
The Mines Act.

Yours very truly,

  
R. R. MAHAFFEY

EHG/ps



Affected By Unitization Order No. 17  
(Doc. No. 965-0) (February 4, 1977)

Lease #159	Affected LDD's	3-4-5-6 of Sec. 11, Surg. 11, Rge. 26.
#179	Affected LDD's	1-2-7-8 of Sec. 11, Surg. 11, Rge. 26.
#187	Affected LDD	16 of Sec. 10, Surg. 11, Rge. 26.
#259	Affected LDD's	11-12-13-14 of Sec. 11, Surg. 11, Rge. 26.
#261	Affected LDD's	9-10-15-16 of Sec. 16, Surg. 11, Rge. 26.
#262	Affected LDD's	1-2-7-8 of Sec. 24, Surg. 11, Rge. 26.
#263	Affected LDD's	9-10-11-12-13-14-15-16 of Sec. 24, Surg. 11, Rge. 26.
#1442	Affected LDD	13 of Sec. 33, Surg. 11, Rge. 26 W.P.T.
#2221	Affected LDD's	9-10-15-16 of Sec. 11, Surg. 11, Rge. 26.

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# Chevron Standard Limited

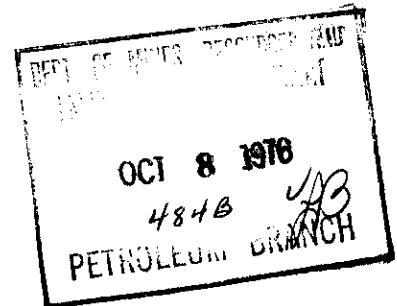
400 - Fifth Ave. S.W., Calgary, Alberta T2P 0L7

October 6, 1976

North Virden Scallion Unit  
No. 1

Our File No. 52,928-7

Mr. H. C. Moster, P. Eng.,  
Director, Petroleum Branch,  
Department of Mines, Resources and  
Environmental Management,  
993 Century Street,  
Winnipeg, Manitoba.  
R3H 0W4



Dear Sir:

Thank you for your letter of October 1, 1976. While we were in the process of registering the various orders resulting from our March 12th hearing we noticed that Unitization Order No. 2, affecting this Unit, had not been registered. To keep the sequence of registrations for this Unit in order we are now registering Unitization Order No. 2 in the Land Titles Office after which we will register Unitization Order No. 17 in both the Land Titles Office and with the Mining Recorder. We do have certified copies of Unitization Order No. 17 on our file.

Yours very truly,

E. H. GAUDET

EHG/ps

*Registered  
against only  
our copies of  
the order. So  
that, Chevron  
did not register  
the order.*

I certify that the within instrument is duly entered and registered  
in the office of the Petroleum Branch, Department of Mines,  
Resources and Environmental Management, this 4th  
day of February A.D. 19 77  
Doc. No. 965-0

DIRECTOR, PETROLEUM BRANCH

## Manitoba Regulation 129/76

*Being*THE OIL AND NATURAL GAS CONSERVATION BOARD  
UNITIZATION ORDER NO. 17*Amending Unitization Order No. 1 of the Board  
Made Under The Mines Act**(Filed June 8, 1976)*

Effective at the hour of seven o'clock in the forenoon, Central Standard Time, on the first day of June, A.D., 1976, the Plan for Unit Operation Governing the Unitized Management Operation and Further Development of North Virden Scallion Unit No. 1, set out in Unitization Order No. 1 (Manitoba Regulation 57/62) is amended as follows:

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

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

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

"(a) One hundred and fifteen (\$115.00) dollars per well per month for all Unit Operated Wells."

Oil and Natural Gas Unitization Order No. 17,  
made and passed this 4th day of May,  
A.D., 1976, at the City of Winnipeg, in  
the Province of Manitoba, by The Oil and  
Natural Gas Conservation Board.

Approved:

"S. Green"

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

"Jas. T. Cawley"

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

"J.S. Roper"

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

"Ian Haugh"

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

October 1, 1976

Chevron Standard Limited  
100 Fifth Avenue S. W.  
Calgary, Alberta  
T2P 0L7

Attention: Mr. E. H. Gaudet

Dear Sir:

Re: North Virden Sealion Unit No. 1

During the middle part of August, your company submitted certified copies of Unitization Orders No. 18, 19, 20, 21 and 23 requesting registration of each order against all Crown Oil and Natural Gas Leases affected. To date, it has been noted that Unitization Order No. 17 for North Virden Sealion Unit No. 1 has not been submitted to this office for similar registration.

Please advise if this has simply been an oversight or whether a similar request will be made for Unitization Order No. 17. The registration fee is \$3.00.

Yours sincerely,



H. C. Moster, P. Eng.,  
Director, Petroleum Branch.

LCM/et



REC OPS

November 19, 1971

Chevron Standard Limited  
400 Fifth Avenue, S.W.  
Calgary 1, Alberta

Dear Sirs:

Attention: E. H. Gaudet.

Re: Unitization Order #12  
North Virden Scallion Unit # 1.

Enclosed herewith certified copy of the above mentioned Unitization Order # 12 duly endorsed as to the registration in this office under document No. 847-0 together with receipt # 24350 in the amount of \$27.00.

This Unitization Order has been registered against Crown Oil and Gas Leases 187, 179, 159, 259, 2221, 261, 262, 263 and 1412.

Yours truly,

  
Chief Mining Recorder

Encl:  
ED/s.



# Chevron Standard Limited

400 Fifth Avenue S.W., Calgary 1, Alberta

November 8, 1971

Unitization Order No. 12  
North Virden Scallion  
Unit No. 1  
Our File No. 52,928-C

Chief Mining Recorder,  
Department of Mines and Natural  
Resources,  
Province of Manitoba,  
904 Norquay Building,  
401 York Avenue,  
Winnipeg 1, Manitoba.

Dear Sir:

Thank you for your letter of November 3, 1971. We enclose our cheque No. B 61237 in the sum of \$27.00 in payment of your fee for registering the subject Order against 9 Crown leases. We look forward to receiving a certified copy of the Order in due course.

Yours very truly,

E. H. GAUDET, Chairman,  
North Virden Scallion Unit No. 1  
Legal Committee.

/ps  
Encl.

*By cheque B61237  
E. H. Gaudet*

R3C OP8

November 3, 1971

Chevron Standard Limited  
400 Fifth Avenue S.W.  
Calgary 1, Alberta

ATTENTION: E. M. Gaudet

RE: Unitisation Order #12

Dear Sir:

In reply to your letter of October 6, 1971 regarding the filing of Unitisation Order #12 (North Virden Scallion Unit No. 1) we find that this order affects 9 Crown Leases. The fee required for the registration of this Order is \$3.00 per lease - a total of \$27.00.

The following are the Crown Leases affected by this Order:-

✓ Lease 187	L.S.'s	9-10-15-16,	Sec. 10,	Twsp 11	Rge. 26W
✓ " 179	"	1-2-7-8,	Sec. 11,	"	"
✓ " 159	"	3-4-5-6,	"	"	"
✓ " 259	"	11-12-13-14,	"	"	"
✓ " 2221	"	9-10-15-16	"	"	"
✓ " 261	"	9-10-15-16	Sec. 16,	"	"
✓ " 262	"	1-2-7-8	Sec. 24,	"	"
✓ " 263	"	9-10-11-12-13-14-15-16,	Sec. 24,		
			Twsp. 11,	Rge 26W	
✓ " 1442	"	11-12-13-14	Sec. 33	"	"

On receipt of the required fees, registration will be made in our records and certified copy of this Order will be returned duly endorsed.

Yours truly,

  
Chief Mining Recorder

ED/ks



## Chevron Standard Limited

400 Fifth Avenue S.W., Calgary 1, Alberta

October 6, 1971

Enlargement - North Virden  
Scallion Unit No. 1

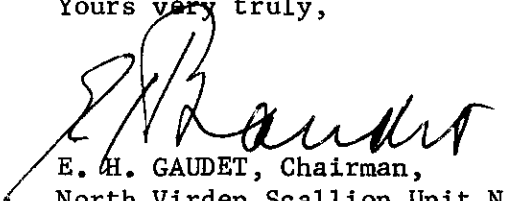
Mr. T. Morgan,  
Chief Mining Recorder,  
Mines Branch,  
Department of Mines, Resources  
and Environmental Management,  
Norquay Building,  
Winnipeg 1, Manitoba.

Dear Sir:

We are enclosing two (2) certified copies of Unitization Order No. 12, amending Unitization Orders Nos. 1 and 2 to provide for the enlargement of the Unit Area of North Virden Scallion Unit No. 1.

We would like to file the enclosed Order against the Crown lands listed in Item No. 5 (Part XXII) thereof as permitted by Section 90 (1) of The Mines Act. Accordingly, if you would let us know the charges for this filing we will remit same so that the filing can be proceeded with. After filing would you please return to us one certified copy of the Order with particulars of filing endorsed thereon.

Yours very truly,

  
E. H. GAUDET, Chairman,  
North Virden Scallion Unit No. 1  
Legal Committee.

EHG/ps  
Encls.

MINES & NAT. RES.  
OCT 7 4 47 PM '71  
ACCOUNTS BRANCH


The Oil and Natural Gas  
Conservation Board

Antiligation Order # 12

(North Garden Scallion Unit #1)

This Unitization Order registered under Document No. 847-0, on the 10th day of November, 1971, on the following Crown Petroleum and Natural Gas Leases:

Lease 187 - L.S.'s 9-10-15-16, Sec. 10, Twsp. 11, Rge. 26W  
Lease 179 - L.S.'s 1-2-7-8, Sec. 11, Twsp. 11, Rge. 26W  
Lease 159 - L.S.'s 3-4-5-6, Sec. 11, Twsp. 11, Rge. 26W  
Lease 259 - L.S.'s 11-12-13-14, Sec. 11, Twsp. 11, Rge. 26W  
Lease 2221 - L.S.'s 9-10-15-16, Sec. 11, Twsp. 11, Rge. 26W  
Lease 261 - L.S.'s 9-10-15-16, Sec. 16, Twsp. 11, Rge. 26W  
Lease 262 - L.S.'s 1-2-7-8, Sec. 24, Twsp. 11, Rge. 26W.  
Lease 263 - L.S.'s 9-10-11-12-13-14-15-16, Sec. 24, Twsp. 11, Rge. 26W.  
Lease 1442 - L.S.'s 11-12-13-14, Sec. 33, Twsp. 11, Rge. 26W.

  
Chief Mining Recorder.

## Manitoba Regulation 132/71

Being THE OIL AND NATURAL GAS CONSERVATION BOARD  
UNITIZATION ORDER NO. 12*Pertaining to the Unitized Management Operation and Further  
Development of North Virden Scallion Unit No. 1.**Made and passed pursuant to "The Mines Act", Cap. M160, R.S.M.,  
1970, and amendments thereto, by The Oil and Natural Gas  
Conservation Board, of Manitoba.**(Filed September 7, 1971)*

1. Effective at the hour of seven o'clock in the forenoon, Central Daylight Time, on the first day of October, 1971, the following Tracts, numbered 10 - 11, 11 - 11, 13 - 11, 14 - 11, 3 - 14, 2 - 22, 2 - 24, 14 - 24, 15 - 24, 3 - 25, and 8 - 33, are added to the Unit Area affected by the Plan for Unit Operation Governing the Unitized Management Operation and Further Development of the North Virden Scallion Unit No. 1, set out in Unitization Order No. 1 (Manitoba Regulation 57/62), and Unitization Order No. 2 (Manitoba Regulation 68/64); and Parts I, III, VII, X, XXI, XXII, XXIII, and XXIV of the said Plan are amended.

Oil and Natural Gas Unitization Order No. 12,  
made and passed this 17th day of August,  
A.D., 1971, at the City of Winnipeg, in  
the Province of Manitoba, by The Oil and  
Natural Gas Conservation Board.

## Approved:

"Sidney Green"

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

"W. Winston Mair"

W. Winston Mair,  
Chairman,  
The Oil and Natural Gas  
Conservation Board.

"J. S. Roper"

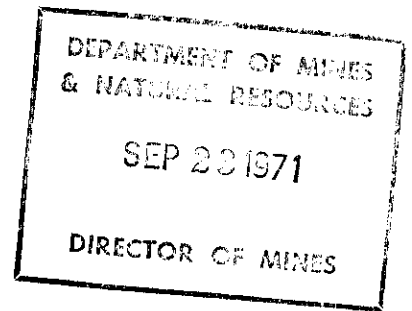
J. S. Roper,  
Deputy Chairman,  
The Oil and Natural Gas  
Conservation Board.

"M. J. Gobert"

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

NOTE: Publication of Unitization Order No. 12 was dispensed with by Order In Council No. 931/71.





AMENDMENTS TO  
PLAN FOR UNIT OPERATION  
GOVERNING THE UNITIZED MANAGEMENT  
OPERATION AND FURTHER DEVELOPMENT OF  
NORTH VIRDEN SCALLION UNIT NO.1

24350  
NOV 10-71 <sup>MINE</sup><sub>ORES</sub> 90339\*\*\*\*\*27.00

**CERTIFIED CORRECT**

*J. L. Kaper*  
*Deputy Chairman*

AMENDMENTS TO  
PLAN FOR UNIT OPERATION  
GOVERNING THE UNITIZED MANAGEMENT  
OPERATION AND FURTHER DEVELOPMENT OF  
NORTH VIRDEN SCALLION UNIT NO.1

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

"  
"Effective Date" (d) "Effective Date" means the hour of 7:00 o'clock  
in the forenoon, Central Standard Time, on the  
first day of August, A.D. 1962; except that:  
i) with respect to Tracts numbered 3-3 and  
6-3 "Effective Date" means the hour of  
7:00 o'clock in the forenoon, Central  
Standard Time, on the first day of October,  
A.D. 1964;  
ii) with respect to Tracts numbered 10-11, 11-11,  
13-11, 14-11, 3-14, 2-22, 2-24, 14-24,  
15-24, 3-25 and 8-33 "Effective Date" means  
the hour of 7:00 o'clock in the forenoon,  
Daylight  
Central ~~STANDARD~~ Time, on the first day of  
October, \_\_\_\_\_, A.D. 1971."

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

"Tract  
Participation 3.01 The Tract Participation of each Tract is shown  
in Part XXIV hereof and was determined with respect

to all Tracts except Tracts 3-3 and 6-3 (hereinafter called "the First Enlargement Tracts") and Tracts 10-11, 11-11, 13-11, 14-11, 3-14, 2-22, 2-24, 14-24, 15-24, 3-25 and 8-33 (hereinafter called "the Second Enlargement Tracts"), by adding one-half ( $1/2$ ) of each of the following:

(a) A current production factor:

such factor is the percentage calculated by dividing the oil production of such Tract during the interval May 1, 1961 to October 31, 1961, by the oil production for all Tracts during the same interval, and multiplying by 100.

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

- i) determining average monthly oil production of the Tract by dividing its cumulative oil production to October 31, 1961 by the number of calendar months since the well on such Tract first went on production, provided that the first calendar month shall not be counted as such unless the oil production from the well on any such Tract for that calendar month was greater than one-half ( $1/2$ ) of the oil production from such well for the next succeeding month;

- ii) calculating a fractional water cut for the Tract by dividing the water production for the interval set out in paragraph (a) hereof by the sum of its water and oil production for the same period; PROVIDED, THAT with respect to those Tracts which did not produce during the interval referred to, the fractional water cut shall be calculated by dividing the water production for each such Tract during the consecutive six month period that ends with the last recorded production by the sum of such Tract's water and oil production for the same period;
- iii) multiplying the average monthly oil production for the Tract obtained in (i) by the fraction one minus the water cut appropriate to the Tract as determined in (ii);
- iv) dividing the product obtained in (iii) for the Tract by the sum of all the products obtained in (iii) for all the Tracts and multiplying by one hundred (100).

3.02 The Tract Participation of the First Enlargement Tracts mentioned in Section 3.01 was determined by adding one-half ( $1/2$ ) of each of the following:

- (a) a current production factor; such factor to be

for each Tract the percentage calculated by dividing the oil production of the Tract during the interval October 1, 1963 to March 31, 1964 by the oil production of all Tracts in the present Unit during the period May 1, 1961 to October 31, 1961 plus the oil production of Tracts #3-3 and #6-3 during the interval October 1, 1963 to March 31, 1964 and multiplying this fraction by 100.

- (b) An average monthly oil production factor penalized for water production, such factor to be calculated as a percentage for each Tract by:
  - (1) determining average monthly oil production of the Tract by dividing its cumulative oil production to March 31, 1964 by the number of months since the well on such Tract went on production;
  - (2) calculating a fractional water cut for the Tract by dividing the water production during the interval October 1, 1963 to March 31, 1964 by the sum of its water and oil production for the same period;
  - (3) multiplying the average monthly oil production for the Tract obtained in (1) by the fraction one minus the water cut appropriate to the Tract as determined in (2);

- (4) dividing the product obtained in (3) for the Tract by the sum of the average monthly oil production penalized for water production for all Tracts in the present Unit calculated to October 31, 1961 plus the average monthly oil production penalized for water production of Tracts #3-3 and #6-3 calculated to March 31, 1964, and multiplying by 100.

3.03 The Tract Participation of the Second Enlargement Tracts mentioned in Section 3.01 was determined by adding one-half of the penalized average monthly production determined in accordance with paragraph (a) following, one-sixth of a pseudo current oil production factor determined in accordance with paragraph (b) following and one-third of a current oil production factor determined in accordance with paragraph (c) following.

- (a) The penalized average monthly production is the ratio of the average monthly production from a Second Enlargement Tract multiplied by (1-Water Cut) to the average monthly production for all Tracts in the Unit (including the Second Enlargement Tracts) multiplied by (1-Water Cut) where

the average monthly production for the Second Enlargement Tracts was determined by dividing the cumulative oil production to March 31, 1970 by the number of months on production. The water cut for the Second Enlargement Tracts was determined from the current production period October 1, 1969 to March 31, 1970. The penalized monthly production for the Tracts in the original Unit and the First Enlargement Tracts was determined in accordance with Section 3.02 (b).

(b) The pseudo current oil production factor is the ratio of the Tract's current oil production for a Second Enlargement Tract to the sum of the current oil production for all Tracts (including the Second Enlargement Tracts) where the production period for the Second Enlargement Tracts was October 1, 1969 to March 31, 1970, the production period for the original Unit was May 1, 1961 to October 31, 1961, and the production period for the First Enlargement Tracts was October 1, 1963 to March 31, 1964.

(c) The current oil production factor is the ratio of the Tract's current oil production for a Second Enlargement Tract to the current oil production for all Tracts (including the Second

Enlargement Tracts) where the production period for the proposed Second Enlargement Tracts and the existing Unit was October 1, 1969 to March 31, 1970.

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

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

3. Clause 7.04 of Part VII is amended by deleting the words and figures "Five Thousand (\$5,000.00) Dollars" and by substituting therefor the words and figures "Ten Thousand (\$10,000.00) Dollars".

4. Paragraph three of Section 10.03 of Part X is rescinded and the following substituted therefor:

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



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

PART XXI

WELLS DELIVERED TO UNIT OPERATOR PURSUANT TO PART X

Chevron Scallion Prov. SWD 9-16-11-26  
Cdn-Sup Tapp Scallion SWD 2-22-11-26  
Cdn-Sup Whiteford Scallion SWD 8-28-11-26  
Dome Scallion SWD 13-26-11-26  
Fargo et al Scallion SWD 10-34-11-26  
Imperial Scallion SWD 7-33-11-26  
Shell Moir South Scallion SWD 15-21-11-26  
Shell Moir North Scallion SWD 6A-33-11-26  
Sun W.C. Tapp Scallion SWD 8-27-11-26  
Gulf Union Tapp Scallion 3-28-11-26  
Gulf Union Tapp Scallion 5-28-11-26  
Gulf Union Tapp Scallion 6-28-11-26  
Gulf Union Tapp Scallion 11-28-11-26  
Gulf Union Tapp Scallion 12-28-11-26  
Gulf Union Tapp Scallion 13-28-11-26  
Gulf Union Tapp Scallion 14-28-11-26  
Gulf Union Milne Scallion 2-34-11-26  
Gulf Union Milne Scallion 3-34-11-26  
Gulf Union Milne Scallion 4-34-11-26  
Chevron Scallion 6-2-11-26  
Chevron Scallion 11-2-11-26

Chevron Scallion 13-2-11-26  
Chevron Scallion 14-2-11-26  
Chevron Scallion 9-9-11-26  
Chevron Scallion 15-9-11-26  
Chevron Scallion 16-9-11-26  
Chevron Scallion 1-10-11-26  
Chevron Scallion 2-10-11-26  
Chevron Scallion 3-10-11-26  
Chevron Scallion 5-10-11-26  
Chevron Scallion 6-10-11-26  
Chevron Scallion 7-10-11-26  
Chevron Scallion 8-10-11-26  
Chevron Scallion 9-10-11-26  
Chevron Scallion 10-10-11-26  
Chevron Scallion 11-10-11-26  
Chevron Scallion 12-10-11-26  
Chevron Scallion 13-10-11-26  
Chevron Scallion 14-10-11-26  
Chevron Scallion 15-10-11-26  
Chevron Scallion 16-10-11-26  
Chevron Scallion Prov. 1-11-11-26  
Chevron Scallion Prov. 2-11-11-26  
Chevron Scallion Prov. 3-11-11-26  
Chevron Scallion Prov. 4-11-11-26  
Chevron Scallion Prov. 5-11-11-26

Chevron Scallion Prov. 6-11-11-26  
Chevron Scallion Prov. 7-11-11-26  
Chevron Scallion Prov. 8-11-11-26  
Chevron Scallion Prov. 10-11-11-26  
Chevron Scallion Prov. 11-11-11-26  
Chevron Scallion Prov. 12-11-11-26  
Chevron Scallion Prov. 13A-11-11-26  
Chevron Scallion Prov. 14-11-11-26  
Chevron Scallion 5-13-11-26  
Chevron Scallion 6-13-11-26  
Chevron Scallion 7-13-11-26  
Chevron Scallion 10-13-11-26  
Chevron Scallion 11-13-11-26  
Chevron Scallion 12-13-11-26  
Chevron Scallion 13-13-11-26  
Chevron Scallion 14-13-11-26  
Chevron Scallion 15-13-11-26  
Chevron Scallion 3-14-11-26  
Chevron Scallion 1-15-11-26  
Chevron Scallion 2-15-11-26  
Chevron Scallion 3-15-11-26  
Chevron Scallion 4-15-11-26  
Chevron Scallion 5-15-11-26  
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Chevron Scallion 7-15-11-26

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Chevron Scallion 12-15-11-26  
Chevron Scallion 13-15-11-26  
Chevron Scallion 14-15-11-26  
Chevron Scallion 15-15-11-26  
Chevron Scallion 16-15-11-26  
Chevron Scallion Prov. 9-16-11-26  
Chevron Scallion Prov. 10-16-11-26  
Chevron Scallion Prov. 15-16-11-26  
Chevron Scallion Prov. 16-16-11-26  
Chevron Scallion 1-21-11-26  
Chevron Scallion 2-21-11-26  
Chevron Scallion 3-21-11-26  
Chevron Scallion 6-21-11-26  
Chevron Scallion 7-21-11-26  
Chevron Scallion 8-21-11-26  
Chevron Scallion 2A-22-11-26  
Chevron Scallion 3-22-11-26  
Chevron Scallion 4-22-11-26  
Chevron Scallion 5-22-11-26  
Chevron Scallion 6-22-11-26  
Chevron Scallion 11-22-11-26

Chevron Scallion 12-22-11-26  
Chevron Scallion 13-22-11-26  
Chevron Scallion 14-22-11-26  
Chevron Scallion 9-23-11-26  
Chevron Scallion 10-23-11-26  
Chevron Scallion 11-23-11-26  
Chevron Scallion 12-23-11-26  
Chevron Scallion 13-23-11-26  
Chevron Scallion 14-23-11-26  
Chevron Scallion 15-23-11-26  
Chevron Scallion 16-23-11-26  
Chevron Scallion Prov. 2-24-11-26  
Chevron Scallion Prov. 11-24-11-26  
Chevron Scallion Prov. 12-24-11-26  
Chevron Scallion Prov. 13-24-11-26  
Chevron Scallion Prov. 14-24-11-26  
Chevron Scallion Province 15-24-11-26  
Chevron Scallion 3-25-11-26  
Chevron Scallion 4-25-11-26  
Chevron Scallion 5-25-11-26  
Chevron Scallion 3-27-11-26  
Chevron Scallion 4-27-11-26  
Chevron Scallion 5-27-11-26  
Chevron Scallion 6-27-11-26  
Chevron Scallion 11-27-11-26

Chevron Scallion 12-27-11-26  
Chevron Scallion 13-27-11-26  
Chevron Scallion 14-27-11-26  
Chevron North Scallion 3-4-12-26  
Chevron North Scallion 4-4-12-26  
Chevron North Scallion 5-4-12-26  
Chevron North Scallion 6-4-12-26  
Chevron North Scallion 11-4-12-26  
Chevron North Scallion 12A-4-12-26  
Chevron North Scallion 13-4-12-26  
Chevron North Scallion 14-4-12-26  
CEGO Scallion 1-5-12-26  
CEGO Scallion 7-5-12-26  
CEGO Scallion 8-5-12-26  
CEGO Scallion 9-5-12-26  
Cdn-Sup Veldhouse Scallion 2-16-11-26  
Cdn-Sup Veldhouse Scallion 7-16-11-26  
Cdn-Sup Veldhouse Scallion 8-16-11-26  
Cdn-Sup Tapp Scallion 1-22-11-26  
Cdn-Sup Tapp Scallion 7-22-11-26  
Cdn-Sup Tapp Scallion 8-22-11-26  
Cdn-Sup Whiteford Scallion 2-28-11-26  
Cdn-Sup Whiteford Scallion 7-28-11-26  
Cdn-Sup Whiteford Scallion 8-28-11-26  
Cdn-Sup Whiteford Scallion 9-28-11-26

Cdn-Sup Whiteford Scallion 10-28-11-26

Cdn-Sup Whiteford Scallion 15-28-11-26

Cdn-Sup Whiteford Scallion 16-28-11-26

Dome Cdn Sup Scallion 7-14-11-26

Dome Cdn Sup Scallion 8-14-11-26

Dome Cox Scallion 1-16-11-26

Dome Cdn Sup Scallion 3-24-11-26

Dome Cdn Sup Scallion 4-24-11-26

Dome Cdn Sup Scallion 5-24-11-26

Dome Cdn Sup Scallion 6-24-11-26

Dome Cdn Sup Scallion 11-26-11-26

Dome Cdn Sup Scallion 12-26-11-26

Dome Naco Scallion 1-28-11-26

Dome Scallion 4-3-12-26

Dome Scallion 5-3-12-26

Dome Scallion 12-3-12-26

Dome Cdn Sup Scallion 1-4-12-26

Dome Cdn Sup Scallion 2-4-12-26

Dome Cdn Sup Scallion 7-4-12-26

Dome Scallion 8-4-12-26

CDN RES et al Scallion 9-14-11-26

CDN RES et al Scallion 10-14-11-26

CDN RES et al Scallion 15-14-11-26

CDN RES et al Scallion 16-14-11-26

CDN RES et al Scallion 1-26-11-26

CDN RES et al Scallion 2-26-11-26  
CDN RES et al Scallion 7-26-11-26  
CDN RES et al Scallion 8-26-11-26  
CDN RES et al Scallion 5-34-11-26  
CDN RES et al Scallion 6-34-11-26  
CDN RES et al Scallion 7-34-11-26  
CDN RES et al Scallion 11-34-11-26  
CDN RES et al Scallion 12-34-11-26  
CDN RES et al Scallion 14-34-11-26  
Imperial Scallion 1-33-11-26  
Imperial Scallion 2-33-11-26  
Imperial Scallion 7-33-11-26  
Imperial Scallion 9-33-11-26  
Imperial Scallion 10-33-11-26  
Imperial Scallion 15-33-11-26  
Landa et al Drynan Scallion 7-2-11-26  
Landa et al Drynan Scallion 10-2-11-26  
Landa et al Drynan Scallion 15-2-11-26  
Landa et al Drynan Scallion 16-2-11-26  
Landa Scallion 16-5-12-26  
Shell Moir South Scallion 9-21-11-26  
Shell Moir South Scallion 10-21-11-26  
Shell Moir South Scallion 11-21-11-26  
Shell Moir South Scallion 14-21-11-26  
Shell Moir South Scallion 15-21-11-26



Shell Moir South Scallion 16-21-11-26  
Shell Buker Scallion 16-32-11-26  
Shell Moir North Scallion 3-33-11-26  
Shell Moir North Scallion 4-33-11-26  
Shell Moir North Scallion 5-33-11-26  
Shell Moir North Scallion 6-33-11-26  
Chevron Scallion 8-33-11-26  
Shell Moir North Scallion 11-33-11-26  
Shell Moir North Scallion 12-33-11-26  
Shell Moir North Scallion 13-33-11-26  
Shell Moir North Scallion 14-33-11-26  
Sun W. Milne Scallion 4-14-11-26  
Sun W. Milne Scallion 5-14-11-26  
Sun W. Milne Scallion 6-14-11-26  
Sun G. Braybrook Scallion 11-14-11-26  
Sun G. Braybrook Scallion 12-14-11-26  
Sun G. Braybrook Scallion 13-14-11-26  
Sun T.L. Tapp Scallion 9-22-11-26  
Sun T.L. Tapp Scallion 10-22-11-26  
Sun T.L. Tapp Scallion 15-22-11-26  
Sun T.L. Tapp Scallion 16-22-11-26  
Sun E. Hutchison Scallion 5-23-11-26  
Sun E. Hutchison Scallion 6-23-11-26  
Sun W.C. Tapp Scallion 3-26-11-26  
Sun W.C. Tapp Scallion 4-26-11-26

Sun P.J. Tapp Scallion 5-26-11-26  
 Sun P.J. Tapp Scallion 6-26-11-26  
 Sun P.J. Tapp Scallion 10-26-11-26  
 Sun W.C. Tapp Scallion 1-27-11-26  
 Sun W.C. Tapp Scallion 2-27-11-26  
 Sun W.C. Tapp Scallion 7-27-11-26  
 Sun W.C. Tapp Scallion 8-27-11-26  
 Sun W.C. Tapp Scallion 9-27-11-26  
 Sun W.C. Tapp Scallion 10-27-11-26  
 Sun W.C. Tapp Scallion 15-27-11-26  
 Sun W.C. Tapp Scallion 16-27-11-26  
 Vallat et al Scallion 16-33-11-26  
 Vallat et al Scallion 13-34-11-26  
 Vallat Scallion 9-4-12-26  
 Vallat Scallion 10-4-12-26  
 Vallat Scallion 15-4-12-26  
 Milestone Scallion 3-3-12-26  
 Milestone Scallion 6-3-12-26

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

PART XXII

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

<u>TRACT NUMBER</u>	<u>LEGAL DESCRIPTION</u> <u>TOWNSHIP 11, RANGE 26 WPM</u>	<u>TRACT NUMBER</u>	<u>LEGAL DESCRIPTION</u> <u>TOWNSHIP 11, RANGE 26 WP</u>
6 - 2	Lsd. 6, Section 2	7 - 2	Lsd. 7, Section 2

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

<u>TRACT NUMBER</u>	<u>LEGAL DESCRIPTION</u> <u>TOWNSHIP 11, RANGE 26 WPM</u>	<u>TRACT NUMBER</u>	<u>LEGAL DESCRIPTION</u> <u>TOWNSHIP 11, RANGE 26 WPM</u>
5-14	Lsd. 5, Section 14	14-15	Lsd. 14, Section 15
6-14	Lsd. 6, Section 14	15-15	Lsd. 15, Section 15
7-14	Lsd. 7, Section 14	16-15	Lsd. 16, Section 15
8-14	Lsd. 8, Section 14	1-16	Lsd. 1, Section 16
9-14	Lsd. 9, Section 14	2-16	Lsd. 2, Section 16
10-14	Lsd. 10, Section 14	7-16	Lsd. 7, Section 16
11-14	Lsd. 11, Section 14	8-16	Lsd. 8, Section 16
12-14	Lsd. 12, Section 14	9-16	Lsd. 9, Section 16
13-14	Lsd. 13, Section 14	10-16	Lsd. 10, Section 16
15-14	Lsd. 15, Section 14	15-16	Lsd. 15, Section 16
16-14	Lsd. 16, Section 14	16-16	Lsd. 16, Section 16
1-15	Lsd. 1, Section 15	1-21	Lsd. 1, Section 21
2-15	Lsd. 2, Section 15	2-21	Lsd. 2, Section 21
3-15	Lsd. 3, Section 15	3-21	Lsd. 3, Section 21
4-15	Lsd. 4, Section 15	6-21	Lsd. 6, Section 21
5-15	Lsd. 5, Section 15	7-21	Lsd. 7, Section 21
6-15	Lsd. 6, Section 15	8-21	Lsd. 8, Section 21
7-15	Lsd. 7, Section 15	9-21	Lsd. 9, Section 21
8-15	Lsd. 8, Section 15	10-21	Lsd. 10, Section 21
9-15	Lsd. 9, Section 15	11-21	Lsd. 11, Section 21
10-15	Lsd. 10, Section 15	14-21	Lsd. 14, Section 21
11-15	Lsd. 11, Section 15	15-21	Lsd. 15, Section 21
12-15	Lsd. 12, Section 15	16-21	Lsd. 16, Section 21
13-15	Lsd. 13, Section 15	1-22	Lsd. 1, Section 22

<u>TRACT NUMBER</u>	<u>LEGAL DESCRIPTION</u> <u>TOWNSHIP 11, RANGE 26 WPM</u>	<u>TRACT NUMBER</u>	<u>LEGAL DESCRIPTION</u> <u>TOWNSHIP 11, RANGE 26 WPM</u>
2-22	Lsd. 2, Section 22	16-23	Lsd. 16, Section 23
3-22	Lsd. 3, Section 22	2-24	Lsd. 2, Section 24
4-22	Lsd. 4, Section 22	3-24	Lsd. 3, Section 24
5-22	Lsd. 5, Section 22	4-24	Lsd. 4, Section 24
6-22	Lsd. 6, Section 22	5-24	Lsd. 5, Section 24
7-22	Lsd. 7, Section 22	6-24	Lsd. 6, Section 24
8-22	Lsd. 8, Section 22	11-24	Lsd. 11, Section 24
9-22	Lsd. 9, Section 22	12-24	Lsd. 12, Section 24
10-22	Lsd. 10, Section 22	13-24	Lsd. 13, Section 24
11-22	Lsd. 11, Section 22	14-24	Lsd. 14, Section 24
12-22	Lsd. 12, Section 22	15-24	Lsd. 15, Section 24
13-22	Lsd. 13, Section 22	3-25	Lsd. 3, Section 25
14-22	Lsd. 14, Section 22	4-25	Lsd. 4, Section 25
15-22	Lsd. 15, Section 22	5-25	Lsd. 5, Section 25
16-22	Lsd. 16, Section 22	1-26	Lsd. 1, Section 26
5-23	Lsd. 5, Section 23	2-26	Lsd. 2, Section 26
6-23	Lsd. 6, Section 23	3-26	Lsd. 3, Section 26
9-23	Lsd. 9, Section 23	4-26	Lsd. 4, Section 26
10-23	Lsd. 10, Section 23	5-26	Lsd. 5, Section 26
11-23	Lsd. 11, Section 23	6-26	Lsd. 6, Section 26
12-23	Lsd. 12, Section 23	7-26	Lsd. 7, Section 26
13-23	Lsd. 13, Section 23	8-26	Lsd. 8, Section 26
14-23	Lsd. 14, Section 23	10-26	Lsd. 10, Section 26
15-23	Lsd. 15, Section 23	11-26	Lsd. 11, Section 26

<u>TRACT NUMBER</u>	<u>LEGAL DESCRIPTION</u> <u>TOWNSHIP 11. RANGE 26 WPM</u>	<u>TRACT NUMBER</u>	<u>LEGAL DESCRIPTION</u> <u>TOWNSHIP 11. RANGE 26 WPM</u>
12-26	Lsd. 12, Section 26	9-28	Lsd. 9, Section 28
1-27	Lsd. 1, Section 27	10-28	Lsd. 10, Section 28
2-27	Lsd. 2, Section 27	11-28	Lsd. 11, Section 28
3-27	Lsd. 3, Section 27	12-28	Lsd. 12, Section 28
4-27	Lsd. 4, Section 27	13-28	Lsd. 13, Section 28
5-27	Lsd. 5, Section 27	14-28	Lsd. 14, Section 28
6-27	Lsd. 6, Section 27	15-28	Lsd. 15, Section 28
7-27	Lsd. 7, Section 27	16-28	Lsd. 16, Section 28
8-27	Lsd. 8, Section 27	16-32	Lsd. 16, Section 32
9-27	Lsd. 9, Section 27	1-33	Lsd. 1, Section 33
10-27	Lsd. 10, Section 27	2-33	Lsd. 2, Section 33
11-27	Lsd. 11, Section 27	3-33	Lsd. 3, Section 33
12-27	Lsd. 12, Section 27	4-33	Lsd. 4, Section 33
13-27	Lsd. 13, Section 27	5-33	Lsd. 5, Section 33
14-27	Lsd. 14, Section 27	6-33	Lsd. 6, Section 33
15-27	Lsd. 15, Section 27	7-33	Lsd. 7, Section 33
16-27	Lsd. 16, Section 27	8-33	Lsd. 8, Section 33
1-28	Lsd. 1, Section 28	9-33	Lsd. 9, Section 33
2-28	Lsd. 2, Section 28	10-33	Lsd. 10, Section 33
3-28	Lsd. 3, Section 28	11-33	Lsd. 11, Section 33
5-28	Lsd. 5, Section 28	12-33	Lsd. 12, Section 33
6-28	Lsd. 6, Section 28	13-33	Lsd. 13, Section 33
7-28	Lsd. 7, Section 28	14-33	Lsd. 14, Section 33
8-28	Lsd. 8, Section 28	15-33	Lsd. 15, Section 33

<u>TRACT NUMBER</u>	<u>LEGAL DESCRIPTION</u> <u>TOWNSHIP 11, RANGE 26, WPM</u>	<u>TRACT NUMBER</u>	<u>LEGAL DESCRIPTION</u> <u>TOWNSHIP 12, RANGE 26 WPM</u>
16-33	Lsd. 16, Section 33	8-4	Lsd. 8, Section 4
2-34	Lsd. 2, Section 34	9-4	Lsd. 9, Section 4
3-34	Lsd. 3, Section 34	10-4	Lsd. 10, Section 4
4-34	Lsd. 4, Section 34	11-4	Lsd. 11, Section 4
5-34	Lsd. 5, Section 34	12-4	Lsd. 12, Section 4
6-34	Lsd. 6, Section 34	13-4	Lsd. 13, Section 4
7-34	Lsd. 7, Section 34	14-4	Lsd. 14, Section 4
11-34	Lsd. 11, Section 34	15-4	Lsd. 15, Section 4
12-34	Lsd. 12, Section 34	1-5	Lsd. 1, Section 5
13-24	Lsd. 13, Section 34	7-5	Lsd. 7, Section 5
14-34	Lsd. 14, Section 34	8-5	Lsd. 8, Section 5
	<u>TOWNSHIP 12, RANGE 26 WPM</u>	9-5	Lsd. 9, Section 5
3-3	Lsd. 3, Section 3	16-5	Lsd. 16, Section 5
4-3	Lsd. 4, Section 3		
5-3	Lsd. 5, Section 3		
6-3	Lsd. 6, Section 3		
12-3	Lsd. 12, Section 33		
1-4	Lsd. 1, Section 4		
2-4	Lsd. 2, Section 4		
3-4	Lsd. 3, Section 4		
4-4	Lsd. 4, Section 4		
5-4	Lsd. 5, Section 4		
6-4	Lsd. 6, Section 4		
7-4	Lsd. 7, Section 4		

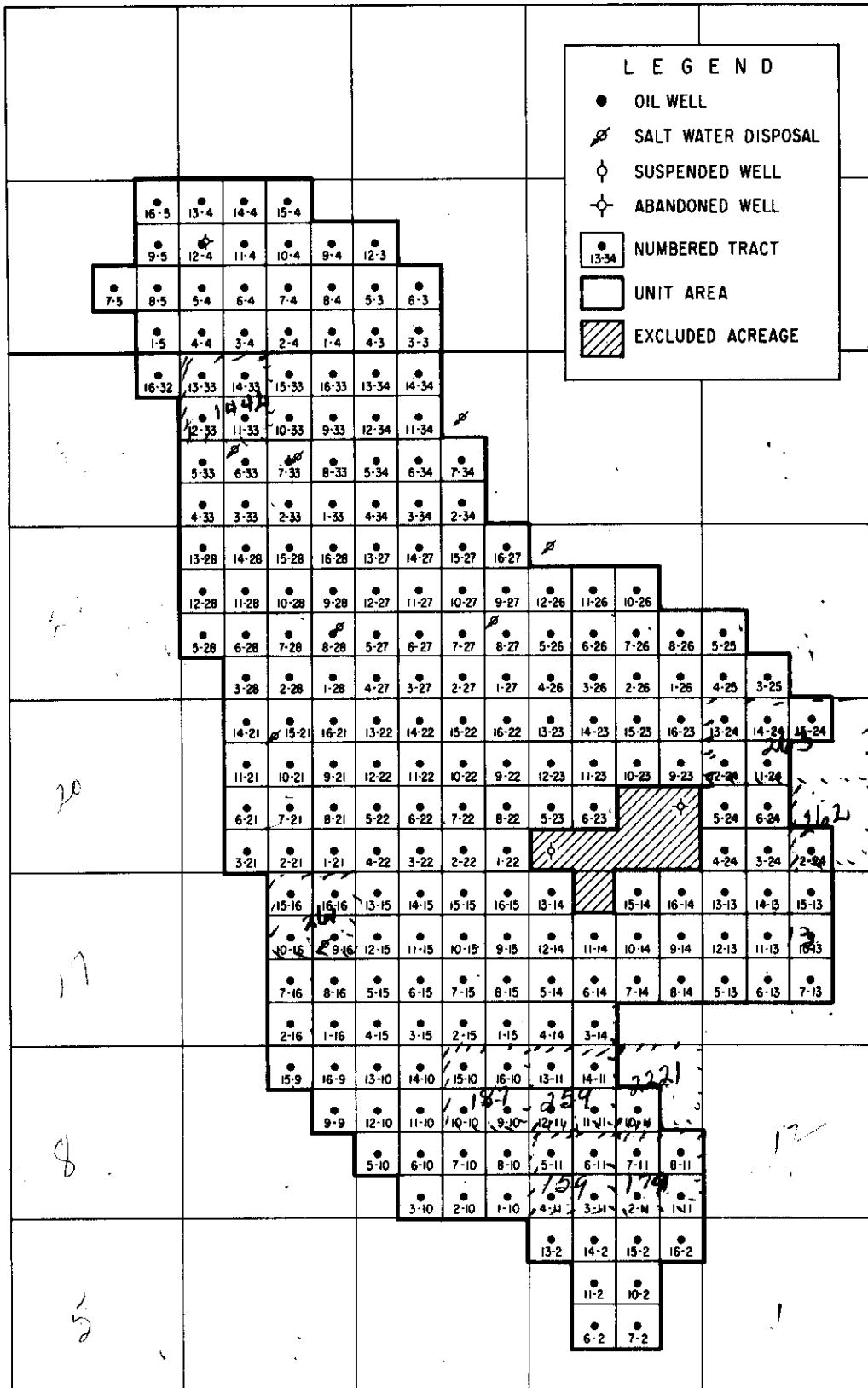
6. Part XXIII is rescinded, and the new Part XXIII hereunder is substituted therefor:



R. 26 W.P.M

T. 12

T. 12



R. 26 W.P.M.

PART XXIII

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

PART XXIV

<u>TRACT NUMBER</u>	<u>TRACT PARTICIPATION</u>	<u>TRACT NUMBER</u>	<u>TRACT PARTICIPATION</u>
6-2	.00096	11-10	.91972
7-2	.00148	12-10	.52826
10-2	.05438	13-10	.68278
11-2	.12345	14-10	.83815
13-2	.23775	15-10	.68154
14-2	.17602	16-10	.32778
15-2	.07861	1-11	.23308
16-2	.02958	2-11	.14463
9-9	.35529	3-11	.25109
15-9	.00795	4-11	.24659
16-9	1.20881	5-11	.14195
1-10	.21619	6-11	.14473
2-10	.28284	7-11	.18943
3-10	.00707	8-11	.07409
5-10	.32054	10-11	.06268
6-10	.40391	11-11	.27178
7-10	.39145	12-11	.17894
8-10	.51389	13-11	.14086
9-10	.49788	14-11	.05226
10-10	.84561	5-13	.29868

<u>TRACT NUMBER</u>	<u>TRACT PARTICIPATION</u>	<u>TRACT NUMBER</u>	<u>TRACT PARTICIPATION</u>
6-13	.13791	4-15	1.65779
7-13	.25835	5-15	.91406
10-13	.43423	6-15	1.41917
11-13	.61194	7-15	1.18702
12-13	.82076	8-15	.94213
13-13	.15064	9-15	.14068
14-13	.41603	10-15	.57911
15-13	.11750	11-15	1.02519
3-14	.57916	12-15	1.34819
4-14	.04116	13-15	.43071
5-14	.40612	14-15	.20513
6-14	.50079	15-15	.13562
7-14	.47382	16-15	.06707
8-14	.47002	1-16	.16357
9-14	.44880	2-16	.37994
10-14	.14987	7-16	.55305
11-14	.00199	8-16	.33853
12-14	.10448	9-16	.73335
13-14	.10973	10-16	.10983
15-14	.38417	15-16	.46646
16-14	.15396	16-16	1.68047
1-15	.36860	1-21	1.83164
2-15	1.29243	2-21	1.61680
3-15	1.15111	3-21	1.57605

<u>TRACT NUMBER</u>	<u>TRACT PARTICIPATION</u>	<u>TRACT NUMBER</u>	<u>TRACT PARTICIPATION</u>
6- 21	.22871	5- 23	.32109
7- 21	.97539	6- 23	.05674
8- 21	1.02001	9- 23	.15519
9- 21	1.16143	10- 23	.02407
10- 21	.40685	11- 23	.08586
11- 21	.03199	12- 23	.50933
14- 21	.41837	13- 23	.20751
15- 21	.17394	14- 23	.20849
16- 21	.78928	15- 23	.12654
1- 22	.02750	16- 23	.15997
2- 22	.81184	2- 24	.07119
3- 22	.46069	3- 24	.47614
4- 22	.65528	4- 24	.00311
5- 22	.74268	5- 24	.00424
6- 22	.68713	6- 24	.14533
7- 22	.51120	11- 24	.13085
8- 22	.44536	12- 24	.43678
9- 22	.51941	13- 24	.22290
10- 22	.52647	14- 24	.92479
11- 22	1.23294	15- 24	.34235
12- 22	1.25408	3- 25	.59506
13- 22	.82852	4- 25	.65418
14- 22	.39599	5- 25	.22756
15- 22	.17950	1- 26	.14364
16- 22	.12837	2- 26	.29969

<u>TRACT NUMBER</u>	<u>TRACT PARTICIPATION</u>	<u>TRACT NUMBER</u>	<u>TRACT PARTICIPATION</u>
3-26	.03970	16-27	.17483
4-26	.32798	1-28	.33633
5-26	.10571	2-28	.61133
6-26	.48583	3-28	.43655
7-26	.68588	5-28	.06346
8-26	.42646	6-28	.32718
10-26	.45004	7-28	.49152
11-26	.22605	8-28	.28332
12-26	.27749	9-28	.55586
1-27	.25878	10-28	.61929
2-27	.20213	11-28	.49800
3-27	.38142	12-28	.14181
4-27	.64998	13-28	.25898
5-27	.40536	14-28	.12878
6-27	.38353	15-28	.42209
7-27	.13014	16-28	.50964
8-27	.33929	16-32	.04404
9-27	.49907	1-33	.08110
10-27	.38951	2-33	.44763
11-27	.39321	3-33	.67656
12-27	.57961	4-33	.16985
13-27	.40160	5-33	.09051
14-27	.55638	6-33	.77053
15-27	.56971	7-33	.36096

<u>TRACT NUMBER</u>	<u>TRACT PARTICIPATION</u>	<u>TRACT NUMBER</u>	<u>TRACT PARTICIPATION</u>
8-33	.95233	2-4	.49150
9-33	.08716	3-4	.85183
10-33	.57622	4-4	.66001
11-33	.48610	5-4	.69117
12-33	.38761	6-4	.27567
13-33	.52341	7-4	.15830
14-33	.89166	8-4	.47525
15-33	.45746	9-4	.67035
16-33	.13905	10-4	.75827
2-34	.00016	11-4	.94587
3-34	.37125	12-4	1.22186
4-34	.00907	13-4	.48607
5-34	.05277	14-4	1.08811
6-34	.08633	15-4	.38930
7-34	.18695	1-5	.51873
11-34	.18707	7-5	.01592
12-34	.10496	8-5	.26800
13-34	.71073	9-5	.19689
14-34	.08786	16-5	.22697
3-3	1.10989		
4-3	1.40283		
5-3	.32245		
6-3	.08362		
12-3	.01554		
1-4	.31930		

September 21, 1962.

The California Standard Company,  
Medical Arts Building,  
Calgary, Alberta.

Dear Sirs:

Re: Unitization Order No. 1  
North Virgin Sealion.

Enclosed please find certified true copy of the above mentioned Unitization Order No. 1, duly endorsed as to registration in this office, together with Official Receipt No. R.7311 for the sum of \$21.00, covering the registration fee.

Yours truly,

T. Morgan,  
Chief Mining Recorder.

TM/L.  
encls.

PLEASE DETACH AND RETURN TO THE  
PORTION BEFORE DEPOSITING

SEP-17-62 17516 E

(3) — —

21.00

SEP-17-62 17516 E

(3) — —

21.00

THIS CHEQUE PAYS THE FOLLOWING:

THE CALIFORNIA STANDARD COMPANY

CALGARY - ALBERTA





# THE CALIFORNIA STANDARD COMPANY

MEDICAL ARTS BUILDING, 329A - 6TH AVENUE S.W., CALGARY, ALBERTA.

R. R. MAHAFFEY  
LEGAL COUNSEL

September 13th, 1962

Mr. T. Morgan,  
Chief Mining Recorder,  
Department of Mines and Natural Resources,  
Mines Branch,  
Government of the Province of Manitoba,  
904 Norquay Building,  
401 York Avenue,  
WINNIPEG 1, Manitoba.

Dear Sir:-

Re: North Virden Scallion Unit No. 1  
Registration of Unitization Order No. 1

As requested in yours of September 11th, we enclose  
herewith our cheque No. S-69399 in the amount of \$21.00, payable  
to the Provincial Treasurer, Province of Manitoba.

Yours very truly,

  
S. A. McCHAE, Chairman,  
North Virden Legal Committee.

SAM/cg  
Enc.

Enclosure S-69399  
to Provincial Treasurer \$21.00

SE 1/4 11	- 11 - 26 WPM	all	179x	Calton	160✓	160
SW 1/4 11		all	"	159x	"	160✓ 160
NW 1/4 11		only 18.12	"	259x	"	160✓ 40
NE 10		only 18.16	"	187x	"	5.93✓ 5.93
NE 16		all	"	261x	"	160✓ 160
N 1/2 24	only 18 11-12-13	"	263x	"	320✓	120
NW 1/4 33	18.13	"	1442x	thel.	0.48✓	.48
					646.41	

September 11, 1962.

The California Standard Company,  
Medical Arts Building,  
329A - 6th Avenue S.W.,  
Calgary, Alta.

Attn: S. A. McCrae

Dear Sir:

In reply to your letter of August 24th last, re the filing of Unitization Order No. 1 (North Virden Scallion), I find that this Order affects 7 Crown Leases. The fee required for registration of this Order is \$3.00 per lease making a total of \$21.00.

The following are the Crown Leases affected by this Order:

Lease No. 159	SW $\frac{1}{4}$ Sec. 11-11-26WPM
Lease No. 179	SE $\frac{1}{4}$ Sec. 11-11-26WPM
Lease No. 187	NE $\frac{1}{4}$ Sec. 10-11-26WPM
Lease No. 259	NW $\frac{1}{4}$ Sec. 11-11-26WPM
Lease No. 261	NE $\frac{1}{4}$ Sec. 16-11-26WPM
Lease No. 263	N $\frac{1}{2}$ Sec. 24-11-26WPM
Lease No. 1442	NW $\frac{1}{4}$ Sec. 33-11-26WPM

On receipt of the required fees, registration will be made in our records, and certified copy will be returned, duly endorsed.

Yours truly,



T. Morgan,  
Chief Mining Recorder.

TM/ah



# THE CALIFORNIA STANDARD COMPANY

MEDICAL ARTS BUILDING, 329A - 6TH AVENUE S.W., CALGARY, ALBERTA.

August 24, 1962

R. R. MAHAFFEY  
LEGAL COUNSEL

Mr. T. Morgan,  
Chief Mining Recorder,  
Department of Mines and  
Natural Resources,  
Winnipeg 1, Manitoba.

Dear Sir:

Re: North Virden Scallion  
Unit No. 1

Enclosed please find a certified true copy of the Unitization Order No. 1 pertaining to The Unitized Management Operation and Further Development of North Virden Scallion Unit No. 1, passed pursuant to The Mines Act, 1954, and approved by Order-in-Council No. 983/62 by The Oil and Natural Gas Conservation Board, in duplicate.

Attached to each of the aforementioned is a copy of the "Plan for Unit Operation Governing The Unitized Management Operation and Further Development of North Virden Scallion Unit No. 1" dated May 1st, 1962.

Section 87 of The Mines Act, Statutes of Manitoba 1954 and amendments thereto authorizes the filing of this type of Order with the Chief Mining Recorder to the extent that it affects that property of the Crown. The lands which are subject to this Order are described in Part XXII of the Plan.

We would be obliged, therefore, if you would make such entries in your records as are required to give effect to this filing, and let us know your charges, which we will be pleased to remit.

We would also be obliged if you would return the duplicate of the certified true copy to this office, with particulars of filing thereon, at your convenience.

Yours very truly,

  
S.A. McCRAE, Chairman  
North Virden Legal Committee

SAM:fc  
Encls.

Unitization Order No. 1

North-Verden Scallion  
No. 1

This Unitization Order registered under Document No. 379-0 on the 17th of September, 1962 on the following Crown Petroleum and Natural Gas Leases:-

Lease 159 (L.S.D. 3-4-5-6 of Sec. 11-11-26WPM)  
Lease 179 (L.S.D. 1-2-7-8 of Sec. 11-11-26WPM)  
Lease 187 (Portion of L.S.D. 16 of Sec. 10-11-26WPM)  
Lease 259 (L.S.D. 12 of Sec. 11-11-26WPM)  
Lease 261 (L.S.D. 9-10-15-16 of Sec. 16-11-26WPM)  
Lease 263 (L.S.D. 11-12-13 of Sec. 24-11-26WPM)  
Lease 1442 (Portion of L.S.D. 13 of Sec. 33-11-26WPM).

  
Chief Mining Recorder.

THE OIL AND NATURAL GAS CONSERVATION BOARD


UNITIZATION ORDER NO. 1


Pertaining to The Unitized Management Operation and Further Development of North Virden Scallion Unit No. 1.

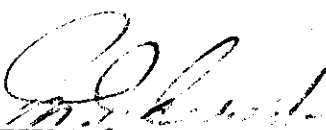
Made and passed pursuant to The Mines Act, 1954, and amendments thereto, and approved by Order-in-Council No. 983/62 by The Oil and Natural Gas Conservation Board.

Effective at the hour of seven o'clock in the forenoon, Central Standard Time, on the first day of August, 1962, that certain part of the North Virden Scallion Field to be known as the Unit Area, and as more particularly described therein, shall be operated as a unit in accordance with the attached Plan for Unit Operation Governing the Unitized Management Operation and Further Development of North Virden Scallion Unit No. 1, dated May 1, 1962, and shall be known as North Virden Scallion Unit No. 1.

Oil and Natural Gas Unitization Order No. 1,  
made and passed this 18th day of July,  
A.D. 1962, at the City of Winnipeg, in  
the Province of Manitoba, by The Oil and  
Natural Gas Conservation Board.

  
Chairman,  
The Oil and Natural Gas  
Conservation Board

  
Deputy Chairman,  
The Oil and Natural Gas  
Conservation Board

  
Member,  
The Oil and Natural Gas  
Conservation Board

Certified to be a true copy  
of the original of  
this document.

  
Chairman,  
The Oil and Natural Gas  
Conservation Board.

**PLAN FOR UNIT OPERATION  
GOVERNING THE UNITIZED MANAGEMENT  
OPERATION AND FURTHER DEVELOPMENT OF  
NORTH VIRDEN SCALLION UNIT No. 1**

**MAY 1, 1962**

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

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

PART I

INTERPRETATION

- |                                           |                                                                                                                                                          |
|-------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|
| References to<br>Terms and<br>Expressions | 1.01 This Plan shall be construed with reference to The Interpretation Act and the terms and interpretation of The Mines Act and regulations thereunder. |
| Definitions                               | 1.02 In this Plan unless the context otherwise requires:                                                                                                 |
| "Accounting<br>Procedure"                 | (a) "Accounting Procedure" means the rules, provisions and conditions set forth in Part XXVI hereof;                                                     |
| "Common Account"                          | (b) "Common Account" means the account set up on behalf of the Working Interest Owners under Part VIII hereof.                                           |
| "Conservation<br>Board"                   | (c) "Conservation Board" or "Board" means The Oil and Natural Gas Conservation Board;                                                                    |
| "Effective Date"                          | (d) "Effective Date" means the hour of seven o'clock in the forenoon, Central Standard Time, on the first day of _____ A.D., 19____.                     |
| "Gas"                                     | (e) "Gas" means natural gas both before and after it has been subjected to any processing and includes all fluid hydrocarbons not defined as Oil.        |
| "Investment<br>Account"                   | (f) "Investment Account" means the account set up and maintained by Unit Operator on behalf of the Working Interest Owners as provided in Part X hereof; |
| "Leases"                                  | (g) "Leases" means severally and collectively the petroleum                                                                                              |

and natural gas leases, petroleum leases, natural gas leases, subleases, agreements to grant a lease and any other agreements whether similar or dissimilar to the foregoing covering the lands described in Part XXII hereof;

- "Oil" (h) "Oil" means crude oil and all other hydrocarbons regardless of gravity, that are or can be recovered in liquid form from a pool through a well by ordinary production methods;
- "Operating Committee" (i) "Operating Committee" means the committee created pursuant to Part V hereof;
- "Outside Substances" (j) "Outside Substances" means all substances obtained from any sources other than the Unitized Strata for injection into the Unitized Strata;
- "Participating Interest" (k) "Participating Interest" means with respect to each Working Interest Owner the sum of the products obtained by multiplying its respective working interest in each Tract by the respective Tract Participation of each such Tract;
- "Royalty Owner" (l) "Royalty Owner" means a person, other than a Working Interest Owner, who has any interest in a right to receive a portion of the Unitized Substances or a portion of the proceeds from the sale thereof, including a reversionary interest, a royalty interest reserved to the lessors named in any Lease, and any overriding royalty interest, or an interest in a payment under, or encumbrance on, a Lease that does not carry with it

- the right to search for or produce the Unitized Substances;
- "Salt Water Disposal Well" (m) "Salt Water Disposal Well" means those wells drilled for the purpose of, or converted to, salt water disposal;
- "Spacing Unit" (n) "Spacing Unit" means the area allocated by any governmental body having jurisdiction with respect thereto for each well drilled for the purpose of producing Oil and Gas from the Unitized Strata;
- "Tract" (o) "Tract" means the parcels of land described as such and given a Tract number in Part XXII hereof;
- "Tract Participation" (p) "Tract Participation" means the percentage set forth for each Tract in Part XXIV hereof;
- "Unit Area" (q) "Unit Area" means and comprises the lands set forth and described in Part XXII hereof and included within the boundaries of the solid black outline on the map shown in Part XXIII hereof, insofar as these lands relate to the Unitized Strata, excepting, however, those lands, if any shown cross-hatched in Part XXIII hereof;
- "Unit Facilities" (r) "Unit Facilities" means all tangible property of every kind, nature and description (excepting Unitized Substances, Unit Operated Wells, rental equipment and Unit Operator's exclusively owned equipment) in the possession of Unit Operator hereunder acquired from a Working Interest Owner pursuant to the provisions of

Part X hereof, together with all facilities and equipment purchased, constructed or acquired by Unit Operator pursuant hereto;

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

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

"Unitized Strata" (u) "Unitized Strata" means the Virden and Scallion members of the Lodgepole Formation of the Mississippian Age underlying the lands described in Part XXII hereof, as same are shown on the electrical log of the Calstan Scallion Prov. SWD 9-16-11-26 well in Legal Subdivision Nine (9) of Section Sixteen (16), Township Eleven (11), Range Twenty-six (26), West of the First Meridian, in the Province of Manitoba, between the interval 1,974 feet and 2,237 feet as measured from the Kelly Bushing. The Virden member consists of submembers sometimes known as the Crinoidal and Four Oolites. The Scallion member is sometimes known as the Cherty Zone.

- "Unitized Substances" (v) "Unitized Substances" means the Oil and Gas that are within or are produced from the Unitized Strata;
- "Well" (w) "Well" means any well within the Unit Area which has been drilled to the Virden or Scallion members of the Lodgepole Formation of the Mississippian Age for the Production of Oil and Gas which at some time since such drilling has produced a minimum of three (3) barrels of Oil per day for at least one-month's duration;
- "Working Interest Owner" (x) "Working Interest Owner" means a person who has the right, in whole or in part, to search for and produce and to appropriate the Unitized Substances, either for himself or for others having an interest therein, or for both, whether such right is derived from ownership in fee simple or from a Lease;

## PART II

### UNIT OPERATION

- Unit Name 2.01 The name of the Unit shall be "North Virden Scallion Unit No. 1" (hereinafter sometimes called the "Unit").
- Operation as a Unit 2.02 On and after the Effective Date, the respective interests of the Working Interest Owners and Royalty Owners, in and to the Unit Area, the Unitized Strata and the Unitized Substances, shall be unitized for the purposes of carrying out in the Unit Area and the Unitized Strata any and all operations which may at any time and from time to time be deemed necessary or advisable by the Operating Committee for the purpose of preventing waste, obtaining

ultimately the greatest possible recovery of the Unitized Substances and accomplishing the more efficient and more economical development and production of the Unitized Substances under prudent and proper operations and practices to the end that all operations for drilling and producing and all other operations in the Unitized Strata may be conducted without regard to the separate Leases or boundary lines of separate Tracts within the Unit Area and as though the Unitized Strata were covered by a single Lease subject to all the terms and conditions hereof.

Effect of Unit  
Operation

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

Amendment of  
Leases

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

Continuation  
of Leases

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

covered by each Lease.

Authority for Operations      2.04    The Working Interest Owners are hereby collectively authorized to develop and operate the Unitized Strata without regard to the separate Leases or the boundary lines of separate Tracts within the Unit Area, and to drill, use and produce such wells as the Operating Committee deems advantageous to operations on or production from the Unitized Strata, to abandon such wells as they deem unnecessary and in general to do all other things that the Operating Committee deems advisable for the purpose of accomplishing the most efficient and most economical development and operation of the Unitized Strata. Without limiting the generality of the foregoing, the Working Interest Owners are hereby authorized to inject Oil and Gas, water, or other substances, or any combination of them, into the Unitized Strata and from time to time to convert and use as injection wells any well now drilled or hereafter drilled into the Unitized Strata.

Royalty Owners Not Obligated to Pay Unitization Costs etc.      2.05    Nothing contained in this Plan shall be construed as imposing upon any Royalty Owner any obligation to pay for any of the expenses of the unitization herein provided for or for any of the costs and expenses incurred in operations hereunder unless such Royalty Owner is obligated to pay for the same by the terms of any Lease.



### PART III

#### TRACT PARTICIPATION

- Determination of Tract Participation      3.01    The Tract Participation of each Tract is shown in Part XXIV hereof and was determined with respect to all Tracts by adding one-half ( $1/2$ ) of each of the following:
- (a)    A current production factor:  
such factor is the percentage calculated by dividing the oil production of such Tract during the interval May 1, 1961 to October 31, 1961, by the oil production for all Tracts during the same interval, and multiplying by 100.
  - (b)    An average monthly oil production factor penalized for water production; such factor is arrived at by:
    - i)    determining average monthly oil production of the Tract by dividing its cumulative oil production to October 31, 1961 by the number of calendar months since the well on such Tract first went on production, provided that the first calendar month shall not be counted as such unless the oil production from the well on any such Tract for that calendar month was greater than one-half ( $1/2$ ) of the oil production from such well for the next succeeding month;
    - ii)   calculating a fractional water cut for the Tract by dividing the water production for the interval set out in paragraph (a) hereof by the sum of its water and oil production for the same period; PROVIDED, THAT with respect to those Tracts which did not produce

during the interval referred to, the fractional water cut shall be calculated by dividing the water production for each such Tract during the consecutive six month period that ends with the last recorded production by the sum of such Tract's water and oil production for the same period.

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

- 3.02 The total of the Tract Participations for all Tracts shall at all times equal one hundred (100%) per cent.
- 3.03 This Part III is explanatory and the Tract Participations shown in Part XXIV shall be deemed to be correctly made in accordance with this Part III.

#### PART IV

#### ALLOCATION OF PRODUCTION

Allocation  
to Tracts

- 4.01 All Unitized Substances produced and saved shall be apportioned among and allocated to the several Tracts in accordance with their respective Tract Participations. The amount of Unitized Substances so allocated to each Tract, and only that amount, regardless of whether it be

more or less than the amount of the actual production of Unitized Substances from the well or wells, if any, on such Tract, shall for all intents, uses and purposes, be deemed to have been produced from such Tract.

Delivery of        4.02  
Unitized Substances  
in kind

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

Distribution        4.03  
Within Tracts

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

Failure to        4.04  
take in kind

To the extent that any Working Interest Owner entitled to take and receive in kind any portion of the Unitized

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

#### Over-production 4.05

- (a) A proper and timely gauge shall be made of all tanks delivered to Unit Operator to ascertain the amount of Oil in such tanks as of the Effective Date. If any Wells producing into such tanks have made more than their cumulative production allowable as set by the Conservation Board, the amount of such over-production

of Oil then in such tanks which has been produced from the Virden and Scallion members of the Lodgepole Formation of the Mississippian Age shall be deemed to be Unitized Substances. Except as aforesaid the Oil in such tanks shall remain and be at the risk of and be the property of the Working Interest Owner owning the same prior to the Effective Date, and upon request shall be delivered in kind to such Working Interest Owner, or, in the absence of such request, shall be sold by Unit Operator for the credit of and on behalf of such Working Interest Owner at not less than the prevailing well-head price, and the proceeds thereof shall be paid by the purchaser directly to such Working Interest Owner.

- (b) If any production in excess of the cumulated production allowable of any Tract as of the Effective Date was sold prior to the Effective Date, the Unit Operator during each subsequent month next following the Effective Date shall withhold from the Unitized Substances which, except for the provisions of this subparagraph, would have been allocated to a Tract or Tracts from which the Oil sold was produced in excess of the cumulated production allowable, an amount equivalent to twenty (20%) per cent of such excess production on the Effective Date, and the amount or amounts so withheld shall be reallocated to all of the Tracts in proportion to their respective Tract

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

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

Royalty on Outside Substances

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

Use of Unitized Substances

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

PART V

## ORGANIZATION OF THE OPERATING COMMITTEE

Operating  
Committee

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

Representatives  
on the Oper-  
ating Committee

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

Organization  
Meeting of the  
Operating  
Committee

5.03

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

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

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

Change of  
Representative

5.04 Each Working Interest Owner may change its designated representative or designated alternate representative or alternate representatives, by notice in writing to the Chairman of the Operating Committee and the Chairman of the Conservation Board. Nothing herein shall preclude two (2) or more Working Interest Owners from designating one (1) member on the Operating Committee to represent them and to vote and act for them thereon and such member shall, if so required by his principals cast his vote for each principal separately.

Voting  
Interest

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

Annual  
Meetings  
to be Held

5.06 The Operating Committee shall meet on the call of Unit Operator, or at the request of a representative of any Working Interest Owner and, in any event, shall meet on the call of Unit Operator at least once in every calendar



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

Voting by  
Telegram, etc.

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

Polls

5.08 Any question within the province of the Operating Committee to decide may be determined in the absence of a formal meeting by a poll of all of the individual representatives. If such poll is taken it shall be conducted by the Chairman, either by telegram or ordinary mail, and he shall keep a written record of the results and report the results thereof to the Working Interest Owners within a reasonable time, either by notice in writing to each of them, or by report to them at the next meeting. The voting interests necessary to act upon and determine

matters or questions submitted by ordinary mail or telegram shall be the same as otherwise herein provided for. Such vote shall be made within fifteen (15) days of the giving of such notice, PROVIDED, THAT any failure to vote within such time, shall be considered as an affirmative vote.

Minutes of  
Proceedings

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

PART VI

POWERS AND DUTIES OF  
THE OPERATING COMMITTEE

Voting

- 6.01 The Working Interest Owners acting through the Operating Committee and Unit Operator shall carry out the purposes of this Plan and shall determine and decide all matters by concurring vote of members of the Operating Committee representing at least four (4) Working Interest Owners owning at least sixty-five (65%) per cent of the

Participating Interests and such vote shall be binding on all Working Interest Owners; PROVIDED, HOWEVER, that if any one Working Interest Owner at any time has a voting interest of thirty-five (35%) per cent or more, the vote of such Working Interest Owner represented on the Operating Committee shall not serve to defeat any matter unless such vote is supported by members of the Operating Committee representing at least two (2) or more Working Interest Owners having a total Participating Interest of at least five (5%) per cent; and PROVIDED, FURTHER, that any abstention or other failure to vote shall be considered as an affirmative vote.

Quorum

6.02 At any meeting of the Operating Committee a quorum shall consist of the representatives personally present of not less than four (4) of the Working Interest Owners having, in the aggregate, sixty-five (65%) per cent or more of the total voting interest.

Rights Granted  
the Operating  
Committee

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

- (a) To instruct Unit Operator concerning all unit operations for the production of Unitized Substances.
- (b) To approve or disapprove the drilling of additional wells to the Unitized Strata either for the production

of Unitized Substances or for injection purposes.

- (c) Subject to the rights of Unit Operator pursuant to Section 7.04 hereof, to approve or disapprove in whole or in part each and every estimate and item of expenditures submitted by Unit Operator, except those that were included in a previous approved budget.
- (d) To appoint an auditor to represent all Working Interest Owners to arrange proper annual audits of the accounts of Unit Operator with respect to the operation and development of the Unit Area, approve or disapprove the same and make available to the Working Interest Owner the results of such audit.
- (e) To fill any vacancy occurring in the position of Unit Operator; PROVIDED, that no Unit Operator shall vote to succeed itself in a position of Unit Operator.
- (f) To represent, or determine who shall represent, the Working Interest Owners before any governmental body having jurisdiction with respect to matters pertaining to unit operations; PROVIDED, HOWEVER, that this shall never be construed as authorization to speak on behalf of any Working Interest Owner dissenting from the views to be expressed or to prevent any Working Interest Owner from presenting its own view on such matters.
- (g) To appoint and grant powers to such committees as they may deem proper and requisite.
- (h) To approve an annual budget as in Section 8.04 hereof

provided.

- (i) To approve the method of disposal of surplus equipment.
- (j) To amend Part XXVI hereof from time to time whether in whole or in part, PROVIDED THAT, no amendment increasing the charges to be made by Unit Operator under Section 26.07 (j) hereof shall become effective until the approval of the Conservation Board to such increase in charges has been obtained.

#### PART VII

##### POWERS AND DUTIES OF UNIT OPERATOR AND CHANGE OF UNIT OPERATOR

- Powers and Duties      7.01 Unit Operator shall, subject to the provisions hereof, and orders given or imposed by the Operating Committee as herein provided;
- (a) Have exclusive charge, management and control of the development, operation and production of the Unitized Strata, and shall have the right and duty to conduct all operations in connection therewith including, but not limited to the following: the drilling, operating, maintaining, repairing, suspension and abandonment of all Unit Operated Wells whether for production, injection or water supply, including wells drilled after the date hereof and wells taken over under the provisions hereof; and the installation, construction and operation of Unit Facilities of

whatsoever character necessary or convenient for the conduct of operations hereunder.

- (b) Conduct operations in a good and workmanlike manner and in the absence of specific instructions from the Operating Committee shall have the right and duty to act in accordance with what a prudent operator would do under the same or similar circumstances.
- (c) Keep true and correct books, accounts and records of its operations hereunder, and shall furnish to each Working Interest Owner, on or before the fifteenth (15th) day of each calendar month, a statement of the amount of production from the Unitized Strata, sales and inventory during the preceding calendar month.
- (d) Keep the lands and Leases used in connection with unit operations free from liens and encumbrances occasioned by its operations, excepting the lien of Unit Operator granted hereunder and excepting liens in connection with which there is a bona fide dispute.
- (e) Freely consult with the Operating Committee and keep it advised of all matters arising in connection with unit operations, which Unit Operator, in the exercise of its best judgment, considers important. Unit Operator shall furnish to the members of the Operating Committee such reports in connection with unit operations as the Operating Committee may direct.

Hiring of  
Employees

7.02 Unit Operator shall fix the number of, hire and dismiss and pay and supervise all employees required for the

operations hereunder and shall determine the hours of labour and compensation to be paid to such employees. Such employees shall be the employees solely of Unit Operator.

Letting of  
Contracts

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

Unit  
Operator's  
Authority for  
Expenditures

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

Unit  
Operator to  
Have Rights  
of Working  
Interest Owner

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

Change of  
Operator

7.06 Unit Operator:

- (a) shall forthwith cease to act as Unit Operator in the event it should become bankrupt or insolvent, or make any general assignment for the benefit of creditors;
- (b) may be removed as Unit Operator by an affirmative vote of members of the Operating Committee representing Working Interest Owners, other than Unit Operator, who own at least eighty-five (85%) per cent of the remaining Participating Interests;
- (c) may resign at any time upon one hundred and eighty (180) days' written notice to the Operating Committee.

Release from  
Duties

- 7.07 In the event of a removal or resignation of Unit Operator pursuant to paragraphs (b) or (c) of Section 7.06, Unit Operator shall be released from its duties and obligations hereunder at 7:00 A.M., Central Standard Time on the first day of the calendar month following the expiration of one hundred and eighty (180) days from the date of delivery of notice of such removal or resignation, or such earlier date as a successor Unit Operator shall have been designated by the Working Interest Owners, and shall have assumed the duties of Unit Operator.

Surrender of  
Operating  
Rights

- 7.08 At the effective time of the release from its duties of any Unit Operator, or upon the selection of a successor Unit Operator, the preceding Unit Operator shall surrender possession of, and deliver to, the successor Unit Operator the exclusive charge, management and control of the development, operation and production of the Unitized Strata



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

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

Audit      7.10      The successor Unit Operator shall cause an audit of the accounts of the preceding Unit Operator with respect to the operation and development of the Unit Area to be made forthwith upon the effective time of its appointment as successor Unit Operator.

#### PART VIII

#### EXPENDITURES AND LIABILITIES

Common Account      8.01      Unit Operator shall set up a Common Account on behalf of

the Working Interest Owners for all costs and expenses incurred by it and all monies received by it in connection with the development and operation of the Unit and all of the said costs and expenses shall be charged, and all of the said monies shall be credited to the Working Interest Owners in accordance with the provisions hereof.

Charges to  
Common Account

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

Unit Operator  
to Make Initial  
Payments

8.03 Unit Operator shall initially pay and discharge all costs and expenses incurred in the operations hereunder. Unit Operator shall bill each Working Interest Owner for its share of all costs and expenses and each Working Interest Owner shall reimburse Unit Operator for its share of such costs and expenses in accordance with the provisions of Part XXVI hereof. Each Working Interest Owner shall pay all such bills within thirty (30) days after receipt thereof, and should any Working Interest Owner fail to pay its proportionate part of such costs and expenses within the said thirty (30) day period, the same shall, at Unit Operator's discretion bear interest at the rate of six (6%) per cent per annum from the end of the said period until paid, which interest shall be for Unit Operator's sole account, and Unit Operator shall have the right at

its option at any time thereafter, such default continuing, to enforce the lien hereinafter provided for upon the respective interests of such Working Interest Owner.

Annual  
Budget, etc.

8.04 As soon as practicable after the Effective Date hereof, Unit Operator shall prepare a budget of estimated costs and expenses for the period from the Effective Date to the 31st day of December A.D. 1962 and on or before the first day of each November after the Effective Date shall prepare a budget of estimated costs and expenses for the ensuing calendar year. Such budget shall set forth the estimated costs and expenses by quarterly periods. Budgets so prepared shall be subject to adjustment and correction by the Working Interest Owners from time to time whenever it shall appear that an adjustment or correction is proper; PROVIDED, HOWEVER, that if Unit Operator's expenditures are within ten (10%) per cent of those costs and expenses approved in any budget, such expenditures shall be considered as having been approved. A copy of each such budget and adjusted budget shall be promptly furnished each Working Interest Owner.

Approval of the budget by the Working Interest Owners shall constitute authorization to the Unit Operator to make the expenditures therein detailed.

Advances to  
Unit Operator  
- Capital Fund

8.05 Unit Operator, in lieu of advancing monies for the capital costs and capital expenses of unit operations may, at its election, require the Working Interest Owners to advance their respective proportionate share of such costs and

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

Advances to        8.06  
Unit Operator  
- Operating Fund

Unit Operator, in lieu of advancing monies for the costs and expenses incurred in the maintenance and operation of the Unit Area may, at its election, require the Working Interest Owners to advance their respective proportionate share of such costs and expenses by submitting to each Working Interest Owner on or before the last day of any calendar month a request for a working capital fund equal to one-twelfth (1/12th) of the expenses as approved in the annual budget of estimated costs and expenses for the unit operation. Within thirty (30) days from the receipt of

such request, each Working Interest Owner shall pay its proportionate share to Unit Operator. If any Working Interest Owner defaults in respect of such request for working capital, the same shall, at Unit Operator's discretion, bear interest at the rate of six (6%) per cent per annum from the end of the said thirty (30) day period until paid, which interest shall be for the Unit Operator's sole account. After the establishment of this working capital fund, which will be separate from that required in Section 8.05 hereof, and which shall at no time exceed one (1) month's estimated costs and expenses, each Working Interest Owner will remit its proportionate share of each month's actual billing within thirty (30) days of receipt, thus maintaining the working capital fund intact. The adequacy of the fund in relation to current expenses will be reviewed annually or oftener upon request by a Working Interest Owner and adjustments made as required.

Unit Oper-  
ator's Lien

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

In the event of the failure of any Working Interest

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

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

Contributions 8.08  
to Unit Operator  
Upon Failure to  
Collect Certain  
Debts

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

Pre-unit  
Expense

8.09 Each Working Interest Owner shall pay a part of the

reasonable cost, as approved by the Operating Committee, of unitizing the Unit Area in proportion to its Participating Interest hereunder.

Commingling  
of Funds

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

#### PART IX

##### RESPONSIBILITY FOR PAYMENTS

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

#### PART X

##### DELIVERY OF WELLS AND EQUIPMENT INVESTMENT ACCOUNT

Delivery of  
Wells - Salt  
Water Disposal  
Wells

- 10.01 Each Working Interest Owner shall, as of the Effective Date, contribute to the Working Interest Owners, acting through Unit Operator, the exclusive use for all purposes of all of its Salt Water Disposal Wells shown listed in Part XXI hereof which, in the opinion of the Operating



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

Warranty 10.02 Unit Operator shall, within sixty (60) days of the delivery of any Well, or wellsite and operating equipment, carry out such tests as may be necessary to determine its mechanical condition as of the Effective Date and, in the event any such Well or wellsite and operating equipment is in sound mechanical condition it shall be accepted by Unit Operator and thereupon become a Unit Operated Well. In the event that any such Well or wellsite and operating equipment is not in sound mechanical condition as determined by the Operating Committee, the Working Interest Owner who contributed such Well or wellsite and operating equipment shall, within thirty (30) days after being requested to do

so by Unit Operator as instructed by the Operating Committee, install the equipment necessary to place such well or wellsite and operating equipment in sound mechanical condition or pay to Unit Operator, for the credit of the Common Account, in cash, the cost of purchasing and/or installing such equipment.

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

Controllable Equipment	10.03	As of the Effective Date all wellsite and operating equipment in and on the Unit Area, used in the normal operation of the Unit Operated Wells and such salt water disposal facilities as are on the Salt Water Disposal Wells shall be delivered to and taken over by Unit Operator, it being the intent hereof that such equipment shall be delivered to and taken over separate and apart from the unitization of the Working Interests and production effected herein and shall become Unit Facilities.
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Wellsite and operating equipment shall include by way of example, "Controllable Equipment" as hereinafter defined, but shall not include warehouses, warehouse stocks, lease houses, camps and office buildings, automobiles and other service equipment which shall remain the separate property of the several owners thereof.

For the purposes of this Part X, "Controllable Equipment" shall mean and include, but not be limited to, the following:

1. DOWN HOLE EQUIPMENT

Bottom hole pump	Polish rods
Sucker rods	Retrievable down
Tubing	hole packers
Scraper rods	Bottom hole anchors

2. WELLHEAD

Rotating rod hanger	Flow cross
Tubing head complete	Stuffing box
with hanger	Valves - 2" and over
Tubing bonnet	
Blowout preventer	

3. PUMPING EQUIPMENT

Pumping units	Back pressure valves
Pumping motors	Valves - 2" and over
Automatic controls	Pump houses

4. BATTERY EQUIPMENT

Valves - 2" and over	Walkways
Separators	Stairways
Heaters	Buildings
Treaters	Orifice fittings
Meters and regulators	Chemical injectors
Tanks complete with	Fire extinguishers
thief hatches	
Recycling pumps and	
motors	

5. SALT WATER DISPOSAL FACILITIES

Positive displacement injection pumps	Walkways
Settling tanks and skim pits	Stairways
Surge tanks	Buildings
Meters and regulators	Filters
Valves - 2" and over	Backwash pumps

6. Such other items, whether similar or dissimilar, as the Working Interest Owners deem to be controllable; but shall exclude intangible costs, flow line, surface casing, production casing, casing bowl and casing hanger and valves under 2" in size and similar fittings of a miscellaneous nature.

Tangible Value 10.04 The value of the controllable equipment delivered to and to be Appraised taken over by Unit Operator pursuant to this Part X shall be determined by appraising the same according to condition and pricing the same at a percentage of its current replacement value as determined by the Operating Committee and as of the Effective Date hereof.

Appointment of 10.05 The Operating Committee shall appoint an Inventory Inventory Committee for the purpose of making an inventory of the Committee controllable equipment taken over by Unit Operator, as stated above, and each Working Interest Owner, upon request by the Inventory Committee, shall submit to the Inventory Committee promptly a complete statement in writing of all said Working Interest Owner's controllable equipment so delivered to Unit Operator and a description of the condition of each item at the time of such delivery. In the event a Working Interest Owner has failed to supply such statement as aforesaid, the Inventory Committee shall

proceed to inventory such Working Interest Owner's controllable equipment and shall supply such Working Interest Owner with a copy thereof which shall be binding upon such Working Interest Owner unless it protests or questions such inventory within fifteen (15) days of the receipt thereof. Said Inventory Committee shall take promptly an inventory of all said controllable equipment and check the same against the aforesaid statements furnished by the Working Interest Owners, and accordingly, shall determine the value of said controllable equipment on the basis above set forth and shall make a written report thereof to the Operating Committee.

Working  
Interest  
Owner's  
Initial Share  
in Unit Facilities

10.06 Upon approval of the Inventory Committee's report by the Operating Committee, each Working Interest Owner shall have, subject to Section 10.08 hereof, an initial share in the Unit Facilities which is equal to the proportion (expressed as a percentage) that the value of the controllable equipment delivered by it to Unit Operator is to the total value of all controllable equipment delivered by all of the Working Interest Owners to Unit Operator.

Investment  
Account

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

- (a) the total value of all controllable equipment delivered by all of the Working Interest Owners to Unit Operator pursuant to this Part X, plus
- (b) the total value of all controllable equipment

subsequently acquired for the unit, the cost of which shall be borne by the Working Interest Owners in accordance with their respective Participating Interests, less

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

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

Working  
Interest  
Owner's Share  
in Investment  
Account

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

Proceeds from Disposal of Unit Facilities 10.09 Notwithstanding the provisions of Part VIII hereof, the proceeds from disposal of Unit Facilities whether controllable equipment or otherwise up to the end of the first calendar year shall be credited to each Working Interest Owner in accordance with its respective initial percentage share established under Section 10.06 and, thereafter, such proceeds shall be credited to each of them in accordance with their respective percentage share calculated in accordance with Section 10.08.

## PART XI

### SURFACE RIGHTS

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

Unit Operator to Advise Surface Rights Required 11.02 Unit Operator shall, as soon as practicable after the receipt of the aforesaid lists, advise each Working Interest Owner in writing which, if any, of its said surface rights will be required for the operations hereunder. Each Working Interest Owner shall, upon request in writing by the Unit Operator, assign such rights to Unit Operator. Any such assignment shall, unless contrary to an existing law, contain a provision permitting the

Assignor of the same the use thereof for exploration and production operations for strata other than the Unitized Strata without interfering with unit operations.

- |                                         |       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|-----------------------------------------|-------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Surrender of<br>Surface Rights          | 11.03 | Unit Operator may also from time to time surrender said surface rights, or any of them, that are no longer required for the operations hereunder, provided that Unit Operator shall have cleaned up the surface to the satisfaction of any governmental body having jurisdiction with respect thereto and, provided further that Unit Operator shall give the Working Interest Owner who assigned the same sixty (60) days notice of surrendering such surface rights and such Working Interest Owner may elect to receive from Unit Operator an assignment of such surface rights. Any surface rights not required for the operations hereunder may be held or disposed of by the Working Interest Owner holding the same in such manner as it may deem fit. |
| Surface<br>Charges to<br>Common Account | 11.04 | After the Effective Date hereof all costs of surface rights required for the operations hereunder and all liabilities accruing in connection therewith shall be for the Common Account.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Fee Simple                              | 11.05 | Where a Working Interest Owner holds in fee simple surface rights used in connection herewith or where a Working Interest Owner has made arrangements with the owner of any such surface rights for the use of them without cost to such Working Interest Owner, Unit Operator may use the same, provided that such Working Interest Owner shall be                                                                                                                                                                                                                                                                                                                                                                                                           |



entitled to receive as rental therefor an amount commensurate with rentals paid for other surface rights of a like nature in the Unit Area.

Unit Operator  
May Acquire  
Additional  
Surface Rights

11.06 Unit Operator shall also have the right to acquire such additional surface rights as are necessary for the operations hereunder, and the expense thereof, including rentals, shall be charged to the Common Account.

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

## PART XII

### INDEMNITY

Liability for  
Loss of Title

12.01 In the event any Working Interest Owner does not have the right to develop and operate any Tract in which such Working Interest Owner claims to have a Working Interest insofar as such Tract comprises the Unitized Substances, any loss resulting therefrom

shall be borne by the contributing Working Interest Owner and to that end, such Working Interest Owner shall indemnify and hold harmless Unit Operator and all other Working Interest Owners from any and all loss, cost or damage sustained by them and resulting from the failure to have such right; PROVIDED, HOWEVER, that to the extent that such loss, cost or damage is based upon the value of the Unitized Substances produced from such Tract, such indemnity shall be limited to an amount equal to the value of that portion of Unitized Substances allocated hereunder to such Tract.

Maintenance  
of Leases

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

enforcing the payment of such amounts owed by such Working Interest Owner as are given to Unit Operator with respect to any other sum owed by a Working Interest Owner to Unit Operator hereunder.

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

### PART XIII

#### APPROVAL OF TITLES

Titles 13.01 There shall be a Titles Committee appointed by the  
Committee Operating Committee which shall examine the titles to all  
Tracts in the Unit Area. Each Working Interest Owner in  
the Unit Area shall, upon request, submit to the Titles  
Committee a current historical search of title, together  
with original or true copies of all Leases, assignments  
and other contracts and all other title data and informa-  
tion (including title opinions) as may be requested by  
the Titles Committee affecting the title to its Tracts  
within the Unit Area. The Titles Committee shall, in  
writing, and within a reasonable time, recommend to the

Operating Committee the approval or disapproval of title documents submitted to them pursuant to this Section. Upon the acceptance of the recommendation of the Titles Committee by the Operating Committee, the title documents accepted shall be deemed to have been approved by the Operating Committee; PROVIDED THAT, no approval of title documents by the Operating Committee shall be construed as a warranty or certification of title in and to any portion of the Unit Area or the Unitized Substances.

#### PART XIV

#### DISPUTES

Disputes and  
Non-approved  
Titles

- 14.01 If the title documents to any Tract are not approved by the Operating Committee as in Section 13.01 provided, or if there is now or should hereafter be any dispute involving the working interest in a Tract then the Working Interest Owner concerned shall immediately give written notice thereof to Unit Operator and upon the receipt of such written notice, Unit Operator shall:
- (a) sell the Unitized Substances allocated to the Tract in respect of which the title documents have not been approved by the Operating Committee, or in respect of which the dispute arises;
  - (b) pay the portion of the costs and expenses allocated or apportioned to the Tract out of the proceeds of the sale;
  - (c) pay the balance of the proceeds to a trust company to

be held by it until settlement has been reached by the persons interested therein or until a judge of Her Majesty's Court of Queen's Bench for Manitoba has made an order with respect thereto.

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

#### PART XV

##### FILING

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

#### PART XVI

##### TRANSFER OF INTEREST

- |                                                  |       |                                                                                                                                                                                                                                                                                  |
|--------------------------------------------------|-------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Plan Binding<br>on Successors                    | 16.01 | This Plan shall be binding upon every owner of any lands, Leases and interests in minerals covered hereby who acquires the same regardless of the manner in which the same shall have been acquired.                                                                             |
| Assignments,<br>etc. Subject to<br>Terms of Plan | 16.02 | Any disposition of any interest owned by any Working Interest Owner in any land or part thereof in the Unit Area shall be made expressly subject to all the terms and provisions hereof. Such disposition of any interest whether expressly so provided or not, shall operate to |

impose upon the person or persons acquiring such interest its or their proportionate part of all costs and expenses and other obligations, if any, chargeable hereunder to the interest affected by such disposition, and shall likewise operate to give and grant to the person or persons acquiring such interest its or their proportionate part of all Unitized Substances and other benefits which may accrue thereto under the provisions hereof.

When Change  
of Ownership  
Binding

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

Disposition  
Must Include  
Related Interest  
in Unit Facilities  
or Unit Area

16.04 Notwithstanding the foregoing, no interest in the unit shall be disposed of unless such transaction shall include a like disposition of a related interest in the Unit Facilities and likewise, no disposition of any

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

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

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

- |                                                  |       |                                                                                                                                                                                                                                |
|--------------------------------------------------|-------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Assignment<br>not to Relieve<br>from Obligations | 16.05 | No disposition shall operate to relieve any Working Interest Owner of any obligation hereunder which accrued or was incurred prior to the effective date of such disposition.                                                  |
| Unit Operator<br>not to Assign<br>Rights         | 16.06 | Unit Operator shall not assign its right to conduct operations hereunder.                                                                                                                                                      |
| No Surrender<br>of Lease Without<br>Consent      | 16.07 | No Working Interest Owner shall surrender or release its interest in any Lease covering any portion of the Unitized Strata without the written consent of the Operating Committee, and the approval of the Conservation Board. |
| What Term<br>"Disposition"<br>Includes           | 16.08 | The term "disposition" as used in this Part shall include, but not be limited to, the following: transfer, assignment, conveyance, and sale. The term "disposition" as used in                                                 |

this Part shall not apply to a disposal by way of mortgage, pledge or hypothecation; PROVIDED, THAT, the mortgagee or pledgee shall hold its security subject to all the terms of this Plan and upon any realization or foreclosure of the security, the purchaser, mortgagee or pledgee, as the case may be, shall become bound by all the terms of this Plan.

#### PART XVII

##### INDIVIDUAL RIGHTS AND PRIVILEGES OF THE WORKING INTEREST OWNERS

###### Access to Unit Area

- 17.01 Each Working Interest Owner shall be entitled, at its own sole risk and expense, to have access to the Unit Area at all reasonable times upon notice to Unit Operator for the purpose of inspecting and observing unit operations of every nature; to have access at all reasonable times upon notice to Unit Operator to any and all information pertaining to the Unit Operated Wells, the records of production and the records of all other unit operations; to be present during the drilling, testing and completion of all Unit Operated Wells and to make copies of well logs, drilling, progress and casing reports and reports of production and storage. The presence of a Working Interest Owner or its representative on the Unit Area or on the premises and their activities in connection therewith shall be at the sole risk and expense of such Working Interest Owner.



Plan Affects  
Only Unitized  
Strata

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

Abandonment  
of Wells

17.03 If Unit Operator, with the approval of the Operating Committee, should decide permanently to abandon any Unit Operated Well prior to the termination hereof, Unit Operator shall give to the Working Interest Owner of the Tract on which such well is located written notice of such decision, stating whether or not a drilling rig is in place at such well, and said owner shall have the right and option for a period of Forty-eight (48) hours if a drilling rig is in place, or a period of Sixty (60) days if no drilling rig is in place, after receipt of such notice to notify Unit Operator of its election to take over said well, and to deepen or plug back said well to a strata other than the Virden and Scallion members of the Lodgepole Formation of the

Mississippian Age. Within Ten (10) days after said owner has so notified Unit Operator, said owner shall pay to Unit Operator the value of the well equipment as determined in accordance with the provisions of Part XXVI hereof less the cost of salvaging the same as estimated and fixed by the Operating Committee, and at the same time shall agree by letter addressed to Unit Operator:

- (a) to case or seal off the Virden and Scallion members of the Lodgepole Formation of the Mississippian Age in said well in an efficient and workmanlike manner and in accordance with the applicable laws, rules, regulations and orders;
- (b) to produce such well, if the same is produced, from some formation other than the Virden and Scallion members of the Lodgepole Formation of the Mississippian Age while this Plan is in force;
- (c) on the ultimate abandonment of said Well, to plug and abandon it in a workmanlike manner and in accordance with the applicable laws, rules, regulations and orders.

It is understood, however, that such Tract shall continue to have allocated to it a percentage share of the Unitized Substances produced and saved from the Unit Area in accordance with its Tract Participation despite the cessation of the production therefrom and the abandonment of any Unit Operated Well or all Wells thereon. In the event that the Working Interest

Owners of such Tract do not elect to take over such Well, Unit Operator shall proceed properly to plug and abandon the same, in accordance with the applicable laws, rules, regulations and orders, and shall salvage such casing and other equipment therefrom as is reasonably practicable, for the Investment Account.

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

#### PART XVIII

#### INSURANCE

- |                           |       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|---------------------------|-------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Workmen's<br>Compensation | 18.01 | Unit Operator shall comply with all laws relating to Workmen's Compensation in the Province of Manitoba.                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Insurance                 | 18.02 | Unit Operator shall carry, for the Common Account, such insurance as may be approved by the Operating Committee and shall notify each Working Interest Owner in writing currently as to the kind and amounts of such insurance. All costs of such insurance, together with actual expenditures incurred and paid by Unit Operator in settlement of any other expenses not covered by such insurance, shall be charged to the Common Account. Notwithstanding anything herein contained each Working Interest Owner shall |

have the right to be a self-insurer as to its interest in the Unit Facilities.

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|---------------------------|-------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Contractor's Insurance    | 18.03 | Unit Operator shall require all contractors employed by it to comply with all laws relating to Workmen's Compensation in the Province of Manitoba and to carry such insurance as may be from time to time approved by the Operating Committee.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Settlement of Claims      | 18.04 | Unit Operator may settle any claim arising out of unit operations and not discharged by insurance as herein provided, but no claim shall be settled by Unit Operator in an amount in excess of Two Thousand (\$2,000.00) Dollars unless Unit Operator first obtains the approval of the Operating Committee to such settlement.                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Unit Operator's Liability | 18.05 | Unit Operator, as such, shall not be liable to the Working Interest Owners for any loss or damage except for loss or damage resulting from gross negligence or wilful misconduct of Unit Operator or any of its employees exercising supervisory functions, and each Working Interest Owner proportionate to its Participating Interest herein, hereby indemnifies and holds harmless Unit Operator as such against any claim of, or liability to, any third person resulting from any act or omission of Unit Operator or its employees in acting upon instructions from the Operating Committee expressed or implied or otherwise in carrying out the provisions hereof; PROVIDED, HOWEVER, that Unit Operator shall not be indemnified or held harmless for any loss, damage, claim or liability resulting |

from the gross negligence or wilful misconduct of Unit Operator or any of its employees exercising supervisory functions, but no act or omission of Unit Operator shall, of itself, be deemed gross negligence or wilful misconduct if such act or omission is done or omitted at the instructions of, or with the concurrence of, the Operating Committee.

#### PART XIX

##### GENERAL

No Right of  
Partition

19.01 No Working Interest Owner or Royalty Owner shall claim the benefit of any laws or statutes of the Province of Manitoba relating to partitioning of real or personal property and no person shall resort to any action at law or in equity to partition the aforesaid Unit Facilities and lands affected by this Plan, including the Unitized Strata.

Force  
Majeure

19.02 All obligations hereunder shall be suspended while, but only so long as, any person is prevented from complying therewith, in whole or in part, by strikes, lockouts or other industrial disturbances, fire, explosion, war, civil disturbances, tempest, floods, acts of God or the Queen's enemies, unavoidable accidents, uncontrollable delays in transportation, Federal, Provincial or Municipal laws, rules, regulations or orders, inability to obtain necessary materials in open market, inadequate facilities for the transportation of materials or for the disposition of

production, or any other cause, whether similar or dissimilar to the foregoing, beyond the reasonable control of such person; PROVIDED, HOWEVER, that performance shall be begun or resumed within a reasonable time after such cause has been removed; and PROVIDED, FURTHER, that no person shall be required against its will to adjust or settle any labour dispute; and also PROVIDED FURTHER that lack of funds shall not be construed as a cause beyond the reasonable control of any person. This Plan shall not terminate while operations hereunder are prevented by reason of any of the aforesaid causes.

No Co-operative Marketing

19.03 Nothing herein shall be construed as providing directly or indirectly for any co-operative or joint sale or marketing of Unitized Substances.

Titles Unaffected by Unitization

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

Duties Separate not Joint or Collective

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

Individual Obligation

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

PART XX

TERM OF PLAN

- |                               |       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|-------------------------------|-------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Term of Plan                  | 20.01 | This Plan shall remain in full force and effect so long as Unitized Substances are produced or are capable of being produced from the Unitized Strata in paying quantities and as long as operations are conducted on the Unit Area, and thereafter until all Wells have been abandoned and plugged, or otherwise disposed of, and all personal property has been salvaged and all real estate has been disposed of by Unit Operator. Notwithstanding anything herein contained, this Plan shall, subject to the approval of the Conservation Board, terminate and be at an end upon the concurring vote of a majority of the Working Interest Owners owning at least Ninety-five (95%) per cent of the Participating Interests and such vote shall be binding upon all the Working Interest Owners and the Royalty Owners. |
| Rights on Termination of Plan | 20.02 | Upon the termination of this Plan, all rights in and to the Tracts shall revert to the owners and lessees thereof, and Unit Operator shall arrange for the salvaging, liquidation and other distribution of the Unit Facilities. The owner of the working interest in any such Tract desiring to take over and continue to operate a Unit Operated Well located thereon may do so by paying Unit Operator, for the benefit of all Working Interest Owners, the fair net salvage value of the                                                                                                                                                                                                                                                                                                                                |

equipment, including production casing referred to in Part X hereof, used in the operation of such Well and by agreeing to plug the Well in accordance with the applicable laws, rules, regulations and orders at his expense at such time as it is abandoned.

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

- |                                                                          |       |                                                                                                                                                                                                                                                                                                              |
|--------------------------------------------------------------------------|-------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Salvage Costs                                                            | 20.03 | The Working Interest Owners shall share the cost of salvaging, liquidation, or other distribution of assets and properties used in the development and operation of the Unitized Strata in proportion to their respective interests in the Unit Facilities.                                                  |
| On Termination of Plan -<br>Operation Shall<br>Cease                     | 20.04 | Upon termination of this Plan and further development and operation of the Unit Area as a unit shall be abandoned, unit operations shall cease, and thereafter the Working Interest Owners and the Royalty Owners shall be governed by the terms and provisions of the Leases affecting the separate Tracts. |
| Working Interest Owners<br>to Advise<br>Royalty Owners<br>of Termination | 20.05 | The Working Interest Owners shall advise their respective Royalty Owners of the termination of this Plan within Thirty (30) days of such termination.                                                                                                                                                        |
| Rehearing,<br>Amendments, etc.                                           | 20.06 | No application for a rehearing of the matters herein provided for, or for any amendments to this Plan in any                                                                                                                                                                                                 |



respect, shall be heard by the Conservation Board within Three (3) years of the Effective Date unless:

- (a) a majority of the Working Interest Owners, owning at least Seventy-five (75%) per cent of the Participating Interests have agreed in writing to such application for a rehearing of the matters herein provided for, or for amendments to this Plan, or
- (b) the Conservation Board, on its own motion, decides to hold a rehearing.

PART XXI

WELLS DELIVERED TO UNIT OPERATOR PURSUANT TO PART X

Calstan Scallion Prov. SWD 9-16-11-26	Calstan Scallion Prov. 4-11-11-26
Cdn-Sup Tapp Scallion SWD 2-22-11-26	Calstan Scallion Prov. 5-11-11-26
Cdn-Sup Whiteford Scallion SWD 3-28-11-26	Calstan Scallion Prov. 6-11-11-26
Dome Scallion SWD 13-26-11-26	Calstan Scallion Prov. 7-11-11-26
Fargo et al Scallion SWD 10-34-11-26	Calstan Scallion Prov. 8-11-11-26
Imperial Scallion SWD 7-33-11-26	Calstan Scallion Prov. 12-11-11-26
Shell Moir South Scallion SWD 15-21-11-26	Calstan Scallion 5-13-11-26
Shell Moir North Scallion SWD 6A-33-11-26	Calstan Scallion 6-13-11-26
Sun W.C. Tapp Scallion SWD 8-27-11-26	Calstan Scallion 7-13-11-26
B.A. Union Tapp Scallion 3-28-11-26	Calstan Scallion 10-13-11-26
B.A. Union Tapp Scallion 5-28-11-26	Calstan Scallion 11-13-11-26
B.A. Union Tapp Scallion 6-28-11-26	Calstan Scallion 12-13-11-26
B.A. Union Tapp Scallion 11-28-11-26	Calstan Scallion 13-13-11-26
B.A. Union Tapp Scallion 12-28-11-26	Calstan Scallion 14-13-11-26
B.A. Union Tapp Scallion 13-28-11-26	Calstan Scallion 15-13-11-26
B.A. Union Tapp Scallion 14-28-11-26	Calstan Scallion 1-15-11-26
B.A. Union Milne Scallion 2-34-11-26	Calstan Scallion 2-15-11-26
B.A. Union Milne Scallion 3-34-11-26	Calstan Scallion 3-15-11-26
B.A. Union Milne Scallion 4-34-11-26	Calstan Scallion 4-15-11-26
Calstan Scallion 6-2-11-26	Calstan Scallion 5-15-11-26
Calstan Scallion 11-2-11-26	Calstan Scallion 6-15-11-26
Calstan Scallion 13-2-11-26	Calstan Scallion 7-15-11-26
Calstan Scallion 14-2-11-26	Calstan Scallion 8-15-11-26
Calstan Scallion 9-9-11-26	Calstan Scallion 9-15-11-26
Calstan Scallion 15-9-11-26	Calstan Scallion 10-15-11-26
Calstan Scallion 16-9-11-26	Calstan Scallion 11-15-11-26
Calstan Scallion 1-10-11-26	Calstan Scallion 12-15-11-26
Calstan Scallion 2-10-11-26	Calstan Scallion 13-15-11-26
Calstan Scallion 3-10-11-26	Calstan Scallion 14-15-11-26
Calstan Scallion 5-10-11-26	Calstan Scallion 15-15-11-26
Calstan Scallion 6-10-11-26	Calstan Scallion 16-15-11-26
Calstan Scallion 7-10-11-26	Calstan Scallion Prov. 9-16-11-26
Calstan Scallion 8-10-11-26	Calstan Scallion Prov. 10-16-11-26
Calstan Scallion 9-10-11-26	Calstan Scallion Prov. 15-16-11-26
Calstan Scallion 10-10-11-26	Calstan Scallion Prov. 16-16-11-26
Calstan Scallion 11-10-11-26	Calstan Scallion 1-21-11-26
Calstan Scallion 12-10-11-26	Calstan Scallion 2-21-11-26
Calstan Scallion 13-10-11-26	Calstan Scallion 3-21-11-26
Calstan Scallion 14-10-11-26	Calstan Scallion 6-21-11-26
Calstan Scallion 15-10-11-26	Calstan Scallion 7-21-11-26
Calstan Scallion 16-10-11-26	Calstan Scallion 8-21-11-26
Calstan Scallion Prov. 1-11-11-26	Calstan Scallion 3-22-11-26
Calstan Scallion Prov. 2-11-11-26	Calstan Scallion 4-22-11-26
Calstan Scallion Prov. 3-11-11-26	Calstan Scallion 5-22-11-26

Calstan Scallion 6-22-11-26	Cdn-Sup Whiteford Scallion 8-28-11-26
Calstan Scallion 11-22-11-26	Cdn-Sup Whiteford Scallion 9-28-11-26
Calstan Scallion 12-22-11-26	Cdn-Sup Whiteford Scallion 10-28-11-26
Calstan Scallion 13-22-11-26	Cdn-Sup Whiteford Scallion 15-28-11-26
Calstan Scallion 14-22-11-26	Cdn-Sup Whiteford Scallion 16-28-11-26
Calstan Scallion 9-23-11-26	Dome Cdn Sup Scallion 7-14-11-26
Calstan Scallion 10-23-11-26	Dome Cdn Sup Scallion 8-14-11-26
Calstan Scallion 11-23-11-26	Dome Cox Scallion 1-16-11-26
Calstan Scallion 12-23-11-26	Dome Cdn Sup Scallion 3-24-11-26
Calstan Scallion 13-23-11-26	Dome Cdn Sup Scallion 4-24-11-26
Calstan Scallion 14-23-11-26	Dome Cdn Sup Scallion 5-24-11-26
Calstan Scallion 15-23-11-26	Dome Cdn Sup Scallion 6-24-11-26
Calstan Scallion 16-23-11-26	Dome Cdn Sup Scallion 11-26-11-26
Calstan Scallion Prov. 11-24-11-26	Dome Cdn Sup Scallion 12-26-11-26
Calstan Scallion Prov. 12-24-11-26	Dome Naco Scallion 1-28-11-26
Calstan Scallion Prov. 13-24-11-26	Dome Scallion 4-3-12-26
Calstan Scallion 4-25-11-26	Dome Scallion 5-3-12-26
Calstan Scallion 5-25-11-26	Dome Scallion 12-3-12-26
Calstan Scallion 3-27-11-26	Dome Cdn Sup Scallion 1-4-12-26
Calstan Scallion 4-27-11-26	Dome Cdn Sup Scallion 2-4-12-26
Calstan Scallion 5-27-11-26	Dome Cdn Sup Scallion 7-4-12-26
Calstan Scallion 6-27-11-26	Dome Scallion 8-4-12-26
Calstan Scallion 11-27-11-26	Fargo et al Scallion 9-14-11-26
Calstan Scallion 12-27-11-26	Fargo et al Scallion 10-14-11-26
Calstan Scallion 13-27-11-26	Fargo et al Scallion 15-14-11-26
Calstan Scallion 14-27-11-26	Fargo et al Scallion 16-14-11-26
Calstan North Scallion 3-4-12-26	Fargo et al Scallion 1-26-11-26
Calstan North Scallion 4-4-12-26	Fargo et al Scallion 2-26-11-26
Calstan North Scallion 5-4-12-26	Fargo et al Scallion 7-26-11-26
Calstan North Scallion 6-4-12-26	Fargo et al Scallion 8-26-11-26
Calstan North Scallion 11-4-12-26	Fargo et al Scallion 5-34-11-26
Calstan North Scallion 12A-4-12-26	Fargo et al Scallion 6-34-11-26
Calstan North Scallion 13-4-12-26	Fargo et al Scallion 7-34-11-26
Calstan North Scallion 14-4-12-26	Fargo et al Scallion 11-34-11-26
CEGO Scallion 1-5-12-26	Fargo et al Scallion 12-34-11-26
CEGO Scallion 7-5-12-26	Fargo et al Scallion 14-34-11-26
CEGO Scallion 8-5-12-26	Imperial Scallion 1-33-11-26
CEGO Scallion 9-5-12-26	Imperial Scallion 2-33-11-26
Cdn-Sup Veldhouse Scallion 2-16-11-26	Imperial Scallion 7-33-11-26
Cdn-Sup Veldhouse Scallion 7-16-11-26	Imperial Scallion 9-33-11-26
Cdn-Sup Veldhouse Scallion 8-16-11-26	Imperial Scallion 10-33-11-26
Cdn-Sup Tapp Scallion 1-22-11-26	Imperial Scallion 15-33-11-26
Cdn-Sup Tapp Scallion 7-22-11-26	Landa et al Drynan Scallion 7-2-11-26
Cdn-Sup Tapp Scallion 8-22-11-26	Landa et al Drynan Scallion 10-2-11-26
Cdn-Sup Whiteford Scallion 2-28-11-26	Landa et al Drynan Scallion 15-2-11-26
Cdn-Sup Whiteford Scallion 7-28-11-26	Landa et al Drynan Scallion 16-2-11-26

Landa Scallion 16-5-12-26	Sun T.L. Tapp Scallion 10-22-11-26
Shell Moir South Scallion 9-21-11-26	Sun T.L. Tapp Scallion 15-22-11-26
Shell Moir South Scallion 10-21-11-26	Sun T.L. Tapp Scallion 16-22-11-26
Shell Moir South Scallion 11-21-11-26	Sun E. Hutchison Scallion 5-23-11-26
Shell Moir South Scallion 14-21-11-26	Sun E. Hutchison Scallion 6-23-11-26
Shell Moir South Scallion 15-21-11-26	Sun W.C. Tapp Scallion 3-26-11-26
Shell Moir South Scallion 16-21-11-26	Sun W.C. Tapp Scallion 4-26-11-26
Shell Buker Scallion 16-32-11-26	Sun P.J. Tapp Scallion 5-26-11-26
Shell Moir North Scallion 3-33-11-26	Sun P.J. Tapp Scallion 6-26-11-26
Shell Moir North Scallion 4-33-11-26	Sun P.J. Tapp Scallion 10-26-11-26
Shell Moir North Scallion 5-33-11-26	Sun W.C. Tapp Scallion 1-27-11-26
Shell Moir North Scallion 6-33-11-26	Sun W.C. Tapp Scallion 2-27-11-26
Shell Moir North Scallion 11-33-11-26	Sun W.C. Tapp Scallion 7-27-11-26
Shell Moir North Scallion 12-33-11-26	Sun W.C. Tapp Scallion 8-27-11-26
Shell Moir North Scallion 13-33-11-26	Sun W.C. Tapp Scallion 9-27-11-26
Shell Moir North Scallion 14-33-11-26	Sun W.C. Tapp Scallion 10-27-11-26
Sun W. Milne Scallion 4-14-11-26	Sun W.C. Tapp Scallion 15-27-11-26
Sun W. Milne Scallion 5-14-11-26	Sun W. C. Tapp Scallion 16-27-11-26
Sun W. Milne Scallion 6-14-11-26	Vallat et al Scallion 16-33-11-26
Sun G. Braybrook Scallion 11-14-11-26	Vallat et al Scallion 13-34-11-26
Sun G. Braybrook Scallion 12-14-11-26	Vallat Scallion 9-4-12-26
Sun G. Braybrook Scallion 13-14-11-26	Vallat Scallion 10-4-12-26
Sun T.L. Tapp Scallion 9-22-11-26	Vallat Scallion 15-4-12-26

PART XXII

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

<u>TRACT NUMBER</u>	<u>LEGAL DESCRIPTION:</u> <u>TOWNSHIP 11 RANGE 26 WPM</u>	<u>TRACT NUMBER</u>	<u>LEGAL DESCRIPTION:</u> <u>TOWNSHIP 11 RANGE 26 WPM</u>
6 - 2	LSD. 6, SECTION 2	14 - 13	LSD. 14, SECTION 13
7 - 2	LSD. 7, SECTION 2	15 - 13	LSD. 15, SECTION 13
10 - 2	LSD. 10, SECTION 2	4 - 14	LSD. 4, SECTION 14
11 - 2	LSD. 11, SECTION 2	5 - 14	LSD. 5, SECTION 14
13 - 2	LSD. 13, SECTION 2	6 - 14	LSD. 6, SECTION 14
14 - 2	LSD. 14, SECTION 2	7 - 14	LSD. 7, SECTION 14
15 - 2	LSD. 15, SECTION 2	8 - 14	LSD. 8, SECTION 14
16 - 2	LSD. 16, SECTION 2	9 - 14	LSD. 9, SECTION 14
9 - 9	LSD. 9, SECTION 9	10 - 14	LSD. 10, SECTION 14
15 - 9	LSD. 15, SECTION 9	11 - 14	LSD. 11, SECTION 14
16 - 9	LSD. 16, SECTION 9	12 - 14	LSD. 12, SECTION 14
1 - 10	LSD. 1, SECTION 10	13 - 14	LSD. 13, SECTION 14
2 - 10	LSD. 2, SECTION 10	15 - 14	LSD. 15, SECTION 14
3 - 10	LSD. 3, SECTION 10	16 - 14	LSD. 16, SECTION 14
5 - 10	LSD. 5, SECTION 10	1 - 15	LSD. 1, SECTION 15
6 - 10	LSD. 6, SECTION 10	2 - 15	LSD. 2, SECTION 15
7 - 10	LSD. 7, SECTION 10	3 - 15	LSD. 3, SECTION 15
8 - 10	LSD. 8, SECTION 10	4 - 15	LSD. 4, SECTION 15
9 - 10	LSD. 9, SECTION 10	5 - 15	LSD. 5, SECTION 15
10 - 10	LSD. 10, SECTION 10	6 - 15	LSD. 6, SECTION 15
11 - 10	LSD. 11, SECTION 10	7 - 15	LSD. 7, SECTION 15
12 - 10	LSD. 12, SECTION 10	8 - 15	LSD. 8, SECTION 15
13 - 10	LSD. 13, SECTION 10	9 - 15	LSD. 9, SECTION 15
14 - 10	LSD. 14, SECTION 10	10 - 15	LSD. 10, SECTION 15
15 - 10	LSD. 15, SECTION 10	11 - 15	LSD. 11, SECTION 15
16 - 10	LSD. 16, SECTION 10	12 - 15	LSD. 12, SECTION 15
1 - 11	LSD. 1, SECTION 11	13 - 15	LSD. 13, SECTION 15
2 - 11	LSD. 2, SECTION 11	14 - 15	LSD. 14, SECTION 15
3 - 11	LSD. 3, SECTION 11	15 - 15	LSD. 15, SECTION 15
4 - 11	LSD. 4, SECTION 11	16 - 15	LSD. 16, SECTION 15
5 - 11	LSD. 5, SECTION 11	1 - 16	LSD. 1, SECTION 16
6 - 11	LSD. 6, SECTION 11	2 - 16	LSD. 2, SECTION 16
7 - 11	LSD. 7, SECTION 11	7 - 16	LSD. 7, SECTION 16
8 - 11	LSD. 8, SECTION 11	8 - 16	LSD. 8, SECTION 16
12 - 11	LSD. 12, SECTION 11	9 - 16	LSD. 9, SECTION 16
5 - 13	LSD. 5, SECTION 13	10 - 16	LSD. 10, SECTION 16
6 - 13	LSD. 6, SECTION 13	15 - 16	LSD. 15, SECTION 16
7 - 13	LSD. 7, SECTION 13	16 - 16	LSD. 16, SECTION 16
10 - 13	LSD. 10, SECTION 13	1 - 21	LSD. 1, SECTION 21
11 - 13	LSD. 11, SECTION 13	2 - 21	LSD. 2, SECTION 21
12 - 13	LSD. 12, SECTION 13	3 - 21	LSD. 3, SECTION 21
13 - 13	LSD. 13, SECTION 13	6 - 21	LSD. 6, SECTION 21

PART XXII CONT'D

<u>TRACT NUMBER</u>	<u>LEGAL DESCRIPTION:</u> <u>TOWNSHIP 11 RANGE 26 WPM</u>	<u>TRACT NUMBER</u>	<u>LEGAL DESCRIPTION:</u> <u>TOWNSHIP 11 RANGE 26 WPM</u>
7 - 21	LSD. 7, SECTION 21	3 - 26	LSD. 3, SECTION 26
8 - 21	LSD. 8, SECTION 21	4 - 26	LSD. 4, SECTION 26
9 - 21	LSD. 9, SECTION 21	5 - 26	LSD. 5, SECTION 26
10 - 21	LSD. 10, SECTION 21	6 - 26	LSD. 6, SECTION 26
11 - 21	LSD. 11, SECTION 21	7 - 26	LSD. 7, SECTION 26
14 - 21	LSD. 14, SECTION 21	8 - 26	LSD. 8, SECTION 26
15 - 21	LSD. 15, SECTION 21	10 - 26	LSD. 10, SECTION 26
16 - 21	LSD. 16, SECTION 21	11 - 26	LSD. 11, SECTION 26
1 - 22	LSD. 1, SECTION 22	12 - 26	LSD. 12, SECTION 26
3 - 22	LSD. 3, SECTION 22	1 - 27	LSD. 1, SECTION 27
4 - 22	LSD. 4, SECTION 22	2 - 27	LSD. 2, SECTION 27
5 - 22	LSD. 5, SECTION 22	3 - 27	LSD. 3, SECTION 27
6 - 22	LSD. 6, SECTION 22	4 - 27	LSD. 4, SECTION 27
7 - 22	LSD. 7, SECTION 22	5 - 27	LSD. 5, SECTION 27
8 - 22	LSD. 8, SECTION 22	6 - 27	LSD. 6, SECTION 27
9 - 22	LSD. 9, SECTION 22	7 - 27	LSD. 7, SECTION 27
10 - 22	LSD. 10, SECTION 22	8 - 27	LSD. 8, SECTION 27
11 - 22	LSD. 11, SECTION 22	9 - 27	LSD. 9, SECTION 27
12 - 22	LSD. 12, SECTION 22	10 - 27	LSD. 10, SECTION 27
13 - 22	LSD. 13, SECTION 22	11 - 27	LSD. 11, SECTION 27
14 - 22	LSD. 14, SECTION 22	12 - 27	LSD. 12, SECTION 27
15 - 22	LSD. 15, SECTION 22	13 - 27	LSD. 13, SECTION 27
16 - 22	LSD. 16, SECTION 22	14 - 27	LSD. 14, SECTION 27
5 - 23	LSD. 5, SECTION 23	15 - 27	LSD. 15, SECTION 27
6 - 23	LSD. 6, SECTION 23	16 - 27	LSD. 16, SECTION 27
9 - 23	LSD. 9, SECTION 23	1 - 28	LSD. 1, SECTION 28
10 - 23	LSD. 10, SECTION 23	2 - 28	LSD. 2, SECTION 28
11 - 23	LSD. 11, SECTION 23	3 - 28	LSD. 3, SECTION 28
12 - 23	LSD. 12, SECTION 23	5 - 28	LSD. 5, SECTION 28
13 - 23	LSD. 13, SECTION 23	6 - 28	LSD. 6, SECTION 28
14 - 23	LSD. 14, SECTION 23	7 - 28	LSD. 7, SECTION 28
15 - 23	LSD. 15, SECTION 23	8 - 28	LSD. 8, SECTION 28
16 - 23	LSD. 16, SECTION 23	9 - 28	LSD. 9, SECTION 28
3 - 24	LSD. 3, SECTION 24	10 - 28	LSD. 10, SECTION 28
4 - 24	LSD. 4, SECTION 24	11 - 28	LSD. 11, SECTION 28
5 - 24	LSD. 5, SECTION 24	12 - 28	LSD. 12, SECTION 28
6 - 24	LSD. 6, SECTION 24	13 - 28	LSD. 13, SECTION 28
11 - 24	LSD. 11, SECTION 24	14 - 28	LSD. 14, SECTION 28
12 - 24	LSD. 12, SECTION 24	15 - 28	LSD. 15, SECTION 28
13 - 24	LSD. 13, SECTION 24	16 - 28	LSD. 16, SECTION 28
4 - 25	LSD. 4, SECTION 25	16 - 32	LSD. 16, SECTION 32
5 - 25	LSD. 5, SECTION 25	1 - 33	LSD. 1, SECTION 33
1 - 26	LSD. 1, SECTION 26	2 - 33	LSD. 2, SECTION 33
2 - 26	LSD. 2, SECTION 26	3 - 33	LSD. 3, SECTION 33

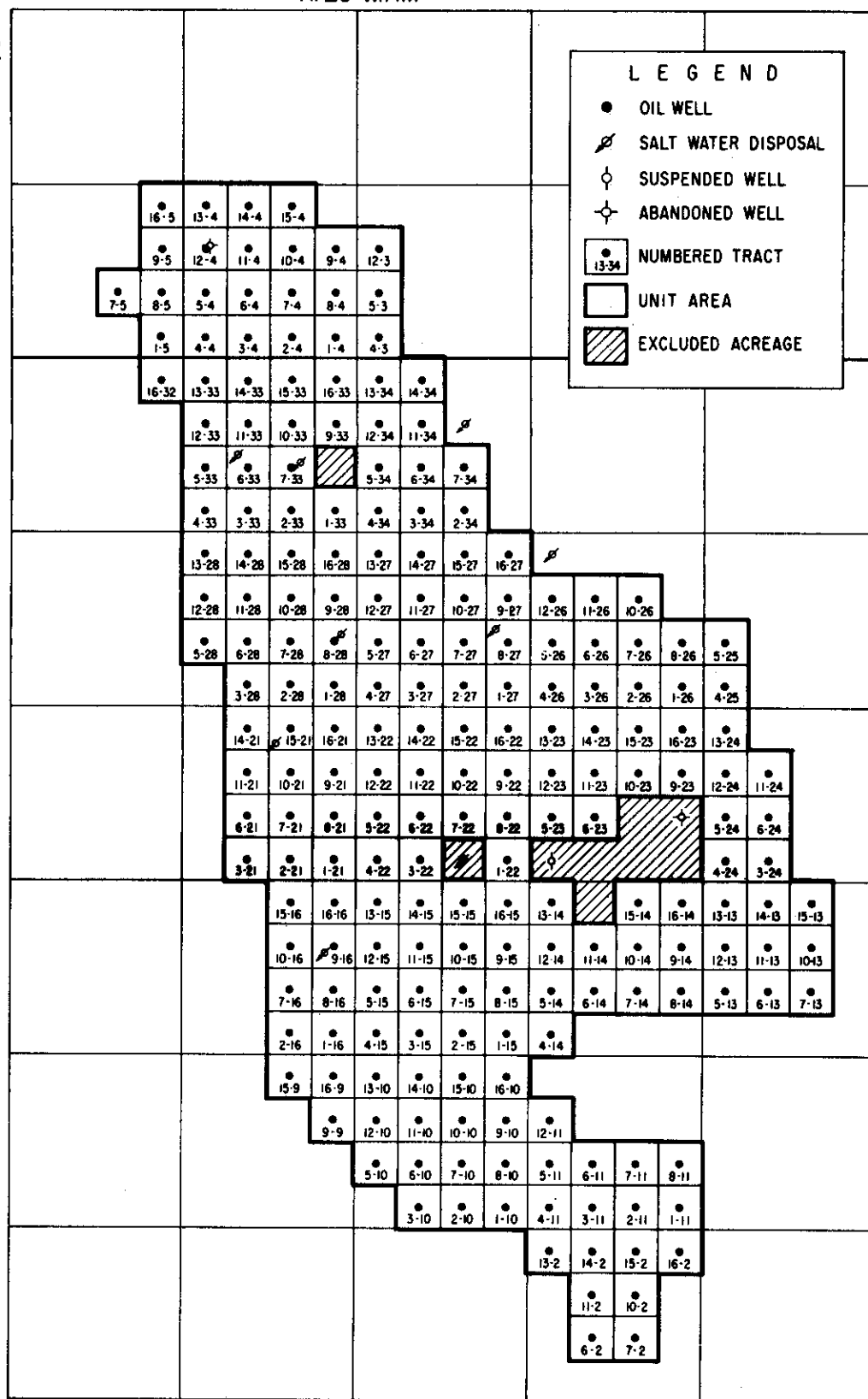
PART XXII CONT'D

<u>TRACT NUMBER</u>	<u>LEGAL DESCRIPTION:</u> <u>TOWNSHIP 11 RANGE 26 WPM</u>	<u>TRACT NUMBER</u>	<u>LEGAL DESCRIPTION:</u> <u>TOWNSHIP 12 RANGE 26 WPM</u>
4 - 33	LSD. 4, SECTION 33	4 - 3	LSD. 4, SECTION 3
5 - 33	LSD. 5, SECTION 33	5 - 3	LSD. 5, SECTION 3
6 - 33	LSD. 6, SECTION 33	12 - 3	LSD. 12, SECTION 3
7 - 33	LSD. 7, SECTION 33	1 - 4	LSD. 1, SECTION 4
9 - 33	LSD. 9, SECTION 33	2 - 4	LSD. 2, SECTION 4
10 - 33	LSD. 10, SECTION 33	3 - 4	LSD. 3, SECTION 4
11 - 33	LSD. 11, SECTION 33	4 - 4	LSD. 4, SECTION 4
12 - 33	LSD. 12, SECTION 33	5 - 4	LSD. 5, SECTION 4
13 - 33	LSD. 13, SECTION 33	6 - 4	LSD. 6, SECTION 4
14 - 33	LSD. 14, SECTION 33	7 - 4	LSD. 7, SECTION 4
15 - 33	LSD. 15, SECTION 33	8 - 4	LSD. 8, SECTION 4
16 - 33	LSD. 16, SECTION 33	9 - 4	LSD. 9, SECTION 4
2 - 34	LSD. 2, SECTION 34	10 - 4	LSD. 10, SECTION 4
3 - 34	LSD. 3, SECTION 34	11 - 4	LSD. 11, SECTION 4
4 - 34	LSD. 4, SECTION 34	12 - 4	LSD. 12, SECTION 4
5 - 34	LSD. 5, SECTION 34	13 - 4	LSD. 13, SECTION 4
6 - 34	LSD. 6, SECTION 34	14 - 4	LSD. 14, SECTION 4
7 - 34	LSD. 7, SECTION 34	15 - 4	LSD. 15, SECTION 4
11 - 34	LSD. 11, SECTION 34	1 - 5	LSD. 1, SECTION 5
12 - 34	LSD. 12, SECTION 34	7 - 5	LSD. 7, SECTION 5
13 - 34	LSD. 13, SECTION 34	8 - 5	LSD. 8, SECTION 5
14 - 34	LSD. 14, SECTION 34	9 - 5	LSD. 9, SECTION 5
		16 - 5	LSD. 16, SECTION 5

R. 26 W.P.M

T. 12

T. 12



R. 26 W.P.M.

PART XXIII

MAP OF UNIT AREA



PART XXIV

<u>TRACT NUMBER</u>	<u>TRACT PARTICIPATION</u>	<u>TRACT NUMBER</u>	<u>TRACT PARTICIPATION</u>
6 - 2	.00102	4 - 11	.26233
7 - 2	.00157	5 - 11	.15100
10 - 2	.05786	6 - 11	.15396
11 - 2	.13133	7 - 11	.20152
13 - 2	.25292	8 - 11	.07882
14 - 2	.18725	12 - 11	.19036
15 - 2	.08363	5 - 13	.31773
16 - 2	.03146	6 - 13	.14671
9 - 9	.37796	7 - 13	.27484
15 - 9	.00846	10 - 13	.46194
16 - 9	1.28594	11 - 13	.65098
1 - 10	.22998	12 - 13	.87313
2 - 10	.30088	13 - 13	.16025
3 - 10	.00752	14 - 13	.44258
5 - 10	.34099	15 - 13	.12478
6 - 10	.42969	4 - 14	.04379
7 - 10	.41643	5 - 14	.43204
8 - 10	.54667	6 - 14	.53274
9 - 10	.52965	7 - 14	.50405
10 - 10	.89957	8 - 14	.50001
11 - 10	.97841	9 - 14	.47744
12 - 10	.56197	10 - 14	.15943
13 - 10	.72635	11 - 14	.00212
14 - 10	.89163	12 - 14	.11114
15 - 10	.72503	13 - 14	.11673
16 - 10	.34869	15 - 14	.40868
1 - 11	.24795	16 - 14	.16378
2 - 11	.15386	1 - 15	.39212
3 - 11	.26711	2 - 15	1.37490

PART XXIV CONT'D

<u>TRACT NUMBER</u>	<u>TRACT PARTICIPATION</u>	<u>TRACT NUMBER</u>	<u>TRACT PARTICIPATION</u>
3 - 15	1.22455	10 - 21	.43281
4 - 15	1.76356	11 - 21	.03404
5 - 15	.97238	14 - 21	.44506
6 - 15	1.50972	15 - 21	.18504
7 - 15	1.26276	16 - 21	.83964
8 - 15	1.00225	1 - 22	.02926
9 - 15	.14966	3 - 22	.49008
10 - 15	.61606	4 - 22	.69709
11 - 15	1.09060	5 - 22	.79007
12 - 15	1.43421	6 - 22	.73097
13 - 15	.45819	7 - 22	.54382
14 - 15	.21822	8 - 22	.47378
15 - 15	.14428	9 - 22	.55255
16 - 15	.07135	10 - 22	.56006
1 - 16	.17401	11 - 22	1.31160
2 - 16	.40418	12 - 22	1.33410
7 - 16	.58834	13 - 22	.88138
8 - 16	.36012	14 - 22	.42125
9 - 16	.78014	15 - 22	.19095
10 - 16	.11683	16 - 22	.13656
15 - 16	.49622	5 - 23	.34158
16 - 16	1.78769	6 - 23	.06036
1 - 21	1.94851	9 - 23	.16509
2 - 21	1.71996	10 - 23	.02560
3 - 21	1.67661	11 - 23	.09134
6 - 21	.24330	12 - 23	.54182
7 - 21	1.03763	13 - 23	.22075
8 - 21	1.08509	14 - 23	.22179
9 - 21	1.23553	15 - 23	.13462

PART XXIV CONT'D

<u>TRACT NUMBER</u>	<u>TRACT PARTICIPATION</u>	<u>TRACT NUMBER</u>	<u>TRACT PARTICIPATION</u>
16 - 23	. 17017	9 - 27	. 53092
3 - 24	. 50652	10 - 27	. 41436
4 - 24	. 00331	11 - 27	. 41829
5 - 24	. 00451	12 - 27	. 61659
6 - 24	. 15461	13 - 27	. 42723
11 - 24	. 13920	14 - 27	. 59188
12 - 24	. 46465	15 - 27	. 60606
13 - 24	. 23712	16 - 27	. 18598
4 - 25	. 69593	1 - 28	. 35779
5 - 25	. 24208	2 - 28	. 65033
1 - 26	. 15281	3 - 28	. 46440
2 - 26	. 31881	5 - 28	. 06751
3 - 26	. 04223	6 - 28	. 34805
4 - 26	. 34890	7 - 28	. 52289
5 - 26	. 11246	8 - 28	. 30140
6 - 26	. 51683	9 - 28	. 59132
7 - 26	. 72965	10 - 28	. 65880
8 - 26	. 45367	11 - 28	. 52977
10 - 26	. 47875	12 - 28	. 15086
11 - 26	. 24047	13 - 28	. 27550
12 - 26	. 29519	14 - 28	. 13700
1 - 27	. 27529	15 - 28	. 44902
2 - 27	. 21503	16 - 28	. 54216
3 - 27	. 40576	16 - 32	. 04685
4 - 27	. 69145	1 - 33	. 08627
5 - 27	. 43123	2 - 33	. 47619
6 - 27	. 40801	3 - 33	. 71973
7 - 27	. 13845	4 - 33	. 18069
8 - 27	. 36094	5 - 33	. 09629

PART XXIV CONT'D

<u>TRACT NUMBER</u>	<u>TRACT PARTICIPATION</u>	<u>TRACT NUMBER</u>	<u>TRACT PARTICIPATION</u>
6 - 33	.81970	7 - 4	.16840
7 - 33	.38399	8 - 4	.50557
9 - 33	.09272	9 - 4	.71312
10 - 33	.61299	10 - 4	.80665
11 - 33	.51711	11 - 4	1.00623
12 - 33	.41234	12 - 4	1.29982
13 - 33	.55681	13 - 4	.51708
14 - 33	.94855	14 - 4	1.15753
15 - 33	.48665	15 - 4	.41414
16 - 33	.14792	1 - 5	.55183
2 - 34	.00017	7 - 5	.01693
3 - 34	.39494	8 - 5	.28510
4 - 34	.00965	9 - 5	.20946
5 - 34	.05613	16 - 5	.24146
6 - 34	.09184		
7 - 34	.19888		
11 - 34	.19900		
12 - 34	.11166		
13 - 34	.75608		
14 - 34	.09346		
4 - 3	1.49234		
5 - 3	.34302		
12 - 3	.01653		
1 - 4	.33967		
2 - 4	.52285		
3 - 4	.90618		
4 - 4	.70212		
5 - 4	.73527		
6 - 4	.29326		

PART XXV

PARTICIPATING INTERESTS

Provision for  
Schedule of Working  
Interest Owners and  
Participating  
Interests

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

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

PART XXVI

## ACCOUNTING PROCEDURE

Definitions 26.01 In this Part:

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

"major material" (b) "major material" means:

Tubing - 1000 feet and over in 'B' condition  
Sucker Rods - plain and scraped - 1500 feet and over  
in 'B' condition

Pumping Unit  
Pumping Motor  
Automatic Controls  
Separators  
Heaters  
Treaters  
Tanks complete with

and any other material the current replacement cost of which exceeds one thousand (\$1,000.00) dollars.

(c) with respect to classification of material:

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

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

(a) at seventy-five (75%) per cent of current new price if material was charged to Common Account as new; or

(b) at seventy-five (75%) per cent of current new price less depreciation consistent with its usage on and service to the Joint Property, if material was originally charged to the Common Account as good secondhand at seventy-five (75%) per cent of new price.

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

- (a) after reconditioning will be further serviceable for original function as good secondhand material (Condition 'B'), or
  - (b) is serviceable for original function but substantially not suitable for reconditioning,

shall be at fifty (50%) per cent of current new price.
- "Condition 'D'"
  - (iv) Used material (Condition 'D'), being material which cannot be classified as Condition 'B' or Condition 'C' shall be priced at a value commensurate with its use.
- "Condition 'E'"
  - (v) Junk (Condition 'E'), being obsolete and unserviceable material, at prevailing junk prices in the district.
- "Temporarily Used Equipment"
  - (vi) When the use of certain items of equipment for the unit operations is only temporary, and the time of actual use does not justify the reduction in price as provided under paragraph (c) (ii) (b) such equipment shall be priced on a basis that will leave a net charge to the Common Account consistent with the value of the services rendered and adequate for the time the equipment was in use.
- "Current New Price"
  - (d) "Current New Price" means the current cost of material purchased at the nearest store of a reputable dealer or delivered by a reputable dealer at the railway receiving point nearest the Joint Property; tubular goods (2" and over) shall be priced on carload basis regardless of quantity purchased and all other material shall be priced on the basis of a reputable supply company's preferential price list.
- Fixed Asset Records
  - 26.02 Fixed Asset records shall be maintained for all equipment units outlined in Section 10.03 and any other tangible equipment which is included in the Investment Account.
- Statements and Billings
  - 26.03 Unit Operator shall bill each of the Other Working Interest Owners on or before the last day of each month for their proportionate share of charges and credits in respect of unit operations during the preceding month. Such bills shall be accompanied by the following statements:
    - (a) Detailed statement of purchased or acquired equipment ordinarily considered controllable by operators of oil and gas properties.
    - (b) Statement of all ordinary charges and credits to the Common Account summarized by appropriate classification indicative of the nature thereof.

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

Payments by  
Working Interest  
Owners

26.04 See Sections 8.03, 8.05 and 8.06.

Adjustments

26.05 Payments during any calendar year of any statement rendered by the Unit Operator shall not prejudice the right of any Working Interest Owner to take exception to all or any part of such statements within two (2) years following such calendar year, provided such exceptions are made in writing to the Unit Operator; if no exception is made within such time then such statement shall preclude such Working Interest Owner from subsequently protesting or questioning the correctness thereof. All payments made are subject to adjustments when proper, if objections to statements rendered are made within the period hereinabove provided. However, the provisions of this paragraph shall not prevent adjustments resulting from physical inventory of property as provided for in Section 26.13 hereof.

Audits

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

Charges to  
Common Account

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

(a) Salaries, wages and related expense of Unit Operator's personnel directly employed on the Joint Property in other than pumping, gauging and switching operations.

(b) Unit Operator's cost of vacation and expenditures or contributions imposed or assessed by any governmental



body having jurisdiction with respect to such salaries and wages referred to in paragraph (a) of Section 26.07.

- (c) Unit Operator's current cost of established plans for employees' group life insurance, sickness and disability benefits, hospitalization, pension, retirement, stock purchases, thrift, bonus and other benefit plans of like nature, applicable to such salaries and wages provided for in paragraph (a) of Section 26.07, and provided further that the charges under this paragraph (c) shall not exceed twelve (12%) per cent of the total of the salaries and wages charged under paragraph (a) of Section 26.07. It is agreed however, that if this limitation of twelve (12%) per cent shall be found to be insufficient, the same may be increased from time to time when authorized by a vote of the Operating Committee, save that such changes shall not be made more often than once in any calendar year and shall not be applied retroactively to any period.
- (d) (i) Material, equipment and supplies purchased or furnished by Unit Operator for use in connection with the operation of the Joint Property. So far as it is reasonably practical and consistent with efficient and economical operation, only such material shall be purchased for or transferred to the Unit Area as is required for immediate use, and the accumulation of surplus stocks shall be avoided whenever possible.
- (ii) Moving material to the Joint Property from vendor's or from Unit Operator's warehouse in the district or from the other properties of the Unit Operator, but in either of the last two events no charge shall be made to the Common Account for a distance greater than the distance from the nearest reliable supply store or railway receiving point where such material is available except by specific approval of the Operating Committee.
- (iii) Moving surplus material from the Joint Property to outside vendees, if sold f.o.b. destination, or minor returns to Unit Operator's warehouse or other storage point. No charge shall be made to the Common Account for moving surplus major material to Unit Operator's warehouse or other storage point for a distance greater than the distance to the nearest reliable supply store or railway receiving point, except by specific approval of the Operating Committee, and no charge shall be made to the Common Account for moving material to other properties belonging to Unit Operator, except by specific approval of the Operating Committee.

- (e) Cost of contract services and utilities procured from outside sources and use of and service by Unit Operator's exclusively owned equipment and facilities as provided in Section 26.11.
- (f) Costs or expenses necessary to replace or repair Joint Property damaged or lost through fire, flood, storm or any other cause not controllable by Unit Operator through the exercise of reasonable diligence. Unit Operator shall furnish the Working Interest Owners with written notice of damage or losses incurred by fire, flood, storm or other natural or accidental causes as soon as practical but not later than fifteen (15) days after report of same has been received by Unit Operator.
- (g) All costs and expenses of litigation or legal services otherwise necessary or expedient for the protection of the Joint Property, including Counsel fees and expenses as hereinafter provided, together with all judgments obtained against or chargeable to the Common Account or the Joint Property; actual expenses incurred by any Working Interest Owners in securing evidence for the purpose of defending any action or claim prosecuted or urged against the Common Account or the Joint Property.
  - (i) If the Operating Committee agrees, actions or claims affecting the Common Account or the Joint Property hereunder may be handled by the legal staff of one or more of the Working Interest Owners. A charge commensurate with the services rendered may be made against the Common Account but no such charge shall be made until approved by the Operating Committee.
  - (ii) Fees and expenses of outside Counsel shall not be charged to the Common Account except where the employment of such outside Counsel is authorized by the Operating Committee.
- (h) All taxes of every kind and nature (other than income taxes) assessed upon or in connection with the Joint Property, the operation thereof or the products derived therefrom, and which taxes have been paid by the Unit Operator for the benefit of the Working Interest Owners.
- (i) Insurance as provided for in Section 18.02.
- (j) District and administrative overhead:

The rates set forth below shall be charged to the Common Account in lieu of a proportionate share of

the costs incurred by the Unit Operator under subparagraphs (i) (ii) (iii) and (iv) of paragraph (j) of Section 26.07.

Such rates are subject to revision annually as set forth in paragraph (j) of Section 6.03. These costs include, but are not limited to the following:

- (i) Salaries and expenses of the Unit Operator's district superintendent and other general district or field employees, managing officers and employees of the division and/or principal office other than those who are directly engaged on the Joint Property and whose salaries are chargeable to the Common Account under the provisions of paragraph (a) of Section 26.07.
- (ii) Cost of maintaining and operating a district office and all necessary camps, including housing facilities for employees if necessary. The expense of, less any revenue from, these facilities shall include depreciation or a fair monthly rental in lieu of depreciation on investment.
- (iii) Any other costs of operating the division and/or principal office of the Unit Operator.
- (iv) Salaries, wages, employee benefits as outlined in paragraphs (b) and (c) of Section 26.07 and related expenses of Unit Operator's personnel directly employed on the Joint Property in pumping, gauging, and switching operations.

The rates are as follows:

- (a) One hundred (\$100.00) dollars per well per month for all Unit Operated Wells.
- (b) Forty-five (\$45.00) dollars per day for each drilling well, wells being plugged back, drilled deeper or converted to source or input wells; charges to commence on the date the well is spudded and terminate when the well is on production, or on injection, plugged or capped as the case may be, except that no charge should be made during the suspension of drilling operations for fifteen (15) or more consecutive days.
- (c) An amount to cover the Unit Operator's indirect costs applicable to construction projects and/or special studies other than those mentioned in subparagraph (b) of paragraph (j) of Section 26.07 above, shall be determined by the Unit Operator

and identified as such on the Approval for Expenditure form presented to the Operating Committee for approval.

- (k) A charge to cover the cost of handling material into and in Unit Operator's warehouse shall be assessed on new and used materials and equipment furnished from the warehouse on the basis of two and one-half (2½%) per cent of the cost of tubular goods and major equipment such as tanks, separators, engines, etc., and five (5%) per cent of the cost of all other material which shall in each case be deemed to be the actual cost thereof to Unit Operator.
- (1) Any other expenditures incurred by Unit Operator except that no charge shall be made for any interest or financing charges incurred by Unit Operator except where incurred with the approval of the Operating Committee.

Basis of  
Charges to  
Common Account

26.08 (i) Outside Purchases

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

(ii) Material Furnished by Unit Operator

Material required for unit operations shall be purchased for direct charge to the Common Account whenever practicable except that Unit Operator may furnish such material from Unit Operator's stocks under the following conditions:

(a) New Material - Condition 'A'

- (1) New material transferred from Unit Operator's warehouse or other properties shall be priced f.o.b. the nearest reputable supply store or railway receiving point where such material is available, at current replacement cost of the same kind of material. This will include material such as tanks, rigs, pumps, sucker rods, boilers and engines. Tubular goods (2" and over) shall be charged on the basis of carload price effective at date of transfer and f.o.b. railway receiving point nearest the Joint Property, regardless of quantity transferred.
- (2) Other material shall be priced on the basis of a reputable supply company's preferential price list effective at date of transfer and f.o.b.

the store or railway receiving point nearest the Joint Property where such material is available.

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

- (1) Material which is in sound and serviceable condition and is suitable for re-use without reconditioning shall be classed as Condition 'B' and priced at seventy-five (75%) per cent of current new price.
- (2) Material which cannot be classified as Condition 'B' but which
  - (i) after reconditioning will be further serviceable for original function as good secondhand material (Condition 'B'), or
  - (ii) is serviceable for original function but substantially not suitable for reconditioning,shall be classed as Condition 'C' and priced at fifty (50%) per cent of current new price.
- (3) Material which cannot be classified as Condition 'B' or Condition 'C' shall be priced at a value commensurate with its use.
- (4) Any equipment involving erection costs will be charged on a basis not to exceed seventy-five (75%) per cent of new price for similar materials in a dismantled state.

Premium Price	26.09	Whenever materials and equipment are not readily obtainable at the customary supply point and at prices specified in Section 26.08 because of national emergencies, strikes or other unusual causes over which Unit Operator has no control, Unit Operator may charge the Common Account for the required materials and/or equipment on the basis of Unit Operator's direct cost and expense incurred in procuring such materials and/or equipment, in making it suitable for use, and in moving it to the Joint Property; PROVIDED, HOWEVER, that each Working Interest Owner is notified in writing prior to the acquisition of the material and/or equipment acquired pursuant to this provision, whereupon each Working Interest Owner shall have the right by so electing and notifying Unit Operator within forty-eight (48) hours after receiving notice from the Unit Operator, to furnish in kind or in tonnage as may be agreed, at the location, nearest railway point, or Unit Operator's storage point, within a comparable
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distance, all or part of his share of material and/or equipment suitable for use and acceptable to Unit Operator. Transportation costs on any such material furnished by a Working Interest Owner at any point other than at the location, shall be borne by such Working Interest Owner. If, pursuant to the provisions of this paragraph, a Working Interest Owner furnishes material and/or equipment in kind, Unit Operator shall make appropriate credits therefor to the account of the Working Interest Owner.

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

Unit Operator's Exclusively Owned Facilities                      26.11    The Unit Operator shall charge the Common Account for services rendered by facilities and equipment owned exclusively by Unit Operator. The rates charged shall be commensurate with the cost of ownership and operation and shall not be in excess of current prevailing rates of like services and equipment available in the area.

Whenever requested, Unit Operator shall inform the Working Interest Owners in advance of rates it proposes to charge. Rates shall be revised from time to time when found to be either excessive or insufficient.

Disposal of Lease Equipment                      26.12    (a) Unit Operator shall be under no obligation to purchase the interest of any Working Interest Owner in jointly owned surplus new or secondhand material and equipment.

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

(c) Unit Operator may dispose of any item of major material which it deems to be surplus to the unit operations hereunder. A continuing basis for establishing the sales price of such surplus material shall be determined by resolution at a meeting of the Operating Committee. The Unit Operator will supply to each Working Interest Owner details of surplus major material at least every six (6) months.

(d) Surplus material and equipment purchased by Unit Operator shall be credited to the Working Interest Owners in

accordance with Section 10.09 and included in the monthly statement of unit operations for the month in which the purchase was made.

- (e) Surplus material and equipment purchased by the Working Interest Owners shall be invoiced by Unit Operator and paid for by the Working Interest Owners to Unit Operator immediately following receipt of invoice. Unit Operator shall credit the Working Interest Owners in accordance with Section 10.09 and include the same in the monthly statement of unit operations.
- (f) Division of surplus material in kind, if made between Unit Operator and the Working Interest Owners shall be in accordance with Section 10.09. Each Working Interest Owner will thereupon be charged individually with the value of the material received or receivable by each Working Interest Owner and corresponding credits will be made by Unit Operator in the monthly statement of unit operations.
- (g) Sales to outsiders of surplus material shall be credited by Unit Operator to the Working Interest Owners in accordance with Section 10.09 at the net amount collected by Unit Operator from Vendee.
- (h) Jointly owned surplus material sold to either Unit Operator or the Working Interest Owners, or divided in kind among them, unless otherwise agreed, shall be valued on a condition basis as defined herein.

## Inventories

26.13

- (a) Regular inventories of controllable material and equipment shall be taken by an Inventory Committee appointed by the Operating Committee and at intervals specified by the Operating Committee; PROVIDED, HOWEVER, that construction projects as outlined in the budget shall be inventoried by the Inventory Committee upon completion and a copy of any such inventory shall be furnished to any Working Interest Owner on request.
- (b) Reconciliation of inventory with the Investment Account shall be made by the Inventory Committee, and a list of overages and shortages shall be submitted to the Working Interest Owners within sixty (60) days from the taking of such inventory.
- (c) Inventory adjustments shall be made by Unit Operator with the Investment Account for overages and shortages but Unit Operator shall only be held accountable to the Working Interest Owners hereto for shortages resulting from lack of reasonable diligence.

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



PART XXVII  
ELECTRICAL LOG  
Calstan Scallion Prov. SWD 9-16-11-26  
K. B. Elevation 1506'

