COURT FILE NUMBER	1601 - 11552
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
PLAINTIFF	NATIONAL BANK OF CANADA IN ITS CAPACITY AS ADMINISTRATIVE AGENT UNDER THAT CERTAIN AMENDED AND RESTATED CREDIT AGREEMENT DATED JANUARY 15, 2016, AS AMENDED
DEFENDANT	TWIN BUTTE ENERGY LTD. IN THE MATTER OF THE RECEIVERSHIP OF TWIN BUTTE ENERGY LTD.
DOCUMENT	**AFFIDAVIT**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	Miles Davison LLP Barristers and Solicitors 900, 517 – 10th Avenue S.W. Calgary, Alberta T2R 0A8 Telephone: (403) 266-7627 Facsimile: (403) 263-6840 Attention: Predrag Anic File No. 35841 DKJ

AFFIDAVIT OF WILLIAM TOBMAN P. Geol
Sworn July 19, 2017

I, William Tobman, of the City of Calgary, in the Province of Alberta, MAKE OATH AND SAY THAT:

1. I am the President of GeoCap Energy Corporation ("GeoCap"), a Claimant in the within proceedings, and as such have personal knowledge of the matters hereinafter deposed to, except where stated to be based on information and belief, in which case I do verily believe the same to be true.

2. I am authorized by GeoCap to swear this Affidavit on its behalf.

3. I graduated from McGill University with a Bachelor of Science in Geology in 1966 and am a member of APEGA (Association of Professional Engineers and Geoscientists P.Geol designation). I have been involved in the oil and gas industry for the past 50

years, with extensive experience in every aspect of oil and gas, including at the most senior levels of responsibility.

Background

4. GeoCap and Sutton Energy Ltd. ("Sutton") are oil and gas exploration and production companies operating in Alberta and incorporated under Alberta's *Business Corporations Act*.

5. Pursuant to a Pooling and Farmout Agreement dated April 1, 2002, a Farmout and Option Agreement dated April 2, 2002, and a Participation Agreement dated December 4, 2002 (hereinafter collectively referred to as the "Agreements") GeoCap, Sutton, Twin Butte Energy Ltd. ("Twin Butte"), and two other parties (Penn West Petroleum Ltd. ("Penn West") and Euromax Resources Ltd. ("Euromax")) were working interest owners in a natural gas well known as Sawn Lake 102/01-35-090-13W5M (the "1-35 Well"). Attached hereto and marked respectively as **Exhibits "A" and "B" and "C"** are copies of the Agreements.

6. The 1-35 Well produced natural gas continuously since approximately January 2003 with cumulative natural gas production of 1.3 bcf (one point three billion cubic feet) until its demise that followed the Unloading Procedure conducted August 24, 2008 (as defined below). Twin Butte acquired its interest in the Agreements as successor to the 20% interest of the previous operator, E4 Energy Inc. GeoCap and Sutton each hold a 25% interest in the 1-35 Well.

7. Twin Butte agreed to be appointed Operator under the Participation Agreement. Twin Butte regularly reported at least on a monthly basis to both Sutton and GeoCap as to the ongoing production and operations at the 1-35 Well and more frequent when circumstances dictated.

8. Under the Agreements and accompanying elections, the parties agreed to be bound by the provisions of the 1990 CAPL Operating Procedure, a copy of which is attached hereto and marked as **Exhibit "D".**

9. In August, 2008, a production issue arose at the 1-35 Well due to fluid accumulating in the 1-35 Well wellbore. Greater particulars of the issues and actions of Twin Butte are set out later in my Affidavit, but can be summarized as follows:

    a. Twin Butte attempted to remedy the fluid accumulation in a highly unorthodox manner by injecting high pressure gas down the annulus (the space within the wellbore between the tubing and the production casing) by connecting the high pressure discharge from the compressor (sales line) into the 1-35 Well wellhead (these actions are hereinafter referred to as the "**Unloading Procedure**").

b. Twin Butte undertook this course of action without any consideration of either the high risk nature of this undertaking (including the fact that there already was a casing patch installed in the 1-35 Well) or the necessary prerequisites to carry out such an operation with respect to regulatory, safety and good production practice. In addition, Twin Butte proceeded with the Unloading Procedure without consultation with its working interest partners.

c. The action undertaken resulted in a catastrophic failure of the casing (the casing patch was breached) in the 1-35 Well which manifested itself in the form of an explosive release of natural gas at surface from the surface casing vent at the wellhead. The cause of this event was neither reported to the working interest owners nor to the Energy Resources Conservation Board (ERCB). Twin Butte did advise the ERCB of a surface casing vent flow (SCVF). It did not however disclose the high pressure Unloading Procedure associated with the SCVF but knowingly, falsely attributed the cause of the casing failure to further corrosion. (In this regard, I refer to the additional details provided in the Affidavit of Brent Gough to be filed in these proceedings).

d. In carrying out the Unloading Procedure in a remote area of north-central Alberta, Twin Butte contravened regulatory requirements to the extent of having unqualified personnel carry out a dangerous operation without proper supervision or safety preparedness (see Bissett Report). The operation was authorized by Twin Butte supervisory personnel (Mr. Chris Friedley and Mr. Greg Hodgson) conducted by an operator (Mr. Paul Juneau) on his own and who had neither the credentials to carry out a high pressure operation nor any experience whatsoever in doing so, at a remote northern Alberta location with no communication capability in the event of an emergency. Mr. Juneau was unable to report the catastrophic events of the Unloading Procedure to his Twin Butte supervisors until the following day.

e. Twin Butte did not apply any meaningful level of due diligence when considering the Unloading Procedure as an option, since the pressure that would have been required to actually lift the fluid in the wellbore (tubing) from the bottom of the 1-35 Well was greater than the compressor discharge was capable of providing. As outlined in the Bissett Report, in essence, there was no chance of success in unloading the well. Twin Butte would have been aware of this had it performed even the most basic engineering calculations, but it failed to do so.

f. As attested to by Mr. Gough in his Affidavit, Twin Butte then proceeded to mislead its working interest partners and other parties by failing to disclose its actions in the Unloading Procedure by implying that corrosion was the most likely cause. In addition to the statements made to Mr. Gough that the cause was corrosion, Mr. Friedley made similar suggestions to the ERCB. Attached hereto

and marked as **Exhibit "E"** is an e-mail from Mr. Friedley to the ERCB dated September 30, 2008.

g. It was not until some 6 months later that the nature of the Unloading Procedure was discovered by the working interest partners. The relevant details were only learned when Mr. Robert Weymouth, an independent consultant representing Euromax (a working interest partner as noted above), was given access to the internal records of Twin Butte at their offices.

h. Premised on its false representation that the casing failure was due to corrosion, Twin Butte proceeded to compound the problem by embarking on a remedial program that was inappropriate and not required; The Unloading Procedure and the casing patch failure were inextricably cause and effect. If the details of the Unloading Procedure had been disclosed, it would have been obvious to the various parties that the casing patch had been breached due to the high pressure Unloading Procedure; the casing patch could readily have been replaced as the breach was not due to further corrosion.

i. When the remedial operation ultimately failed, the ability to regain access to the productive Gilwood gas reservoir below was permanently terminated from the 1-35 Well wellbore.

j. Twin Butte as the only party that knew what had actually transpired after conducting the high pressure Unloading Procedure had a duty and an obligation not only to fully report the events of the Unloading Procedure but was derelict in proposing the remedial program with its full knowledge of what had caused the casing failure in the first place. The total costs of the remedial program was in the order of $920,000.

History of Litigation

10. Twin Butte commenced an action against Sutton and Penn West on February 17, 2010 (Action 1001-02577) seeking payment of their share of expenses in relation to the Unloading Procedure and subsequent unnecessary remedial actions. Sutton and Penn West defended and counterclaimed on the basis of Twin Butte's gross negligence and breach of its duties as Operator.

11. On May 6, 2010, GeoCap and Euromax commenced their own action (Action 1001-06764) seeking compensation from Twin Butte as a result of its gross negligence and breach of its duties as Operator.

12. The two court actions were consolidated under Court of Queen's Bench Action 1001-02577 by Order of the Honourable Justice Hawco on June 4, 2010.

13. Over the succeeding 8 year period, the consolidated action proceeded through a number of Questionings of various parties until a Receivership Order was granted against Twin Butte in September 2016, resulting in a stay of proceedings.

14. To the best of my information and belief, Euromax has not independently pursued its claim against Twin Butte through the Receivership process. Penn West settled with Twin Butte and accordingly no longer has an interest in this matter.

Receivership

15. Prior to the Claims Bar Date, GeoCap and Sutton provided a Proof of Claim to the Receiver with respect to their claims under the consolidated action. Attached hereto and marked as **Exhibit "F"** is a copy of the Proof of Claim (the expert reports have been redacted for the sake of volume, and are attached as Exhibits to the Affidavits of Mr. Joa and Mr. Bissett filed in this action).

16. On July 4, 2017, the Receiver issued a Notice of Disallowance to GeoCap and Sutton. Attached hereto and marked as **Exhibit "G"** is a copy of the Notice of Disallowance.

17. On July 18, 2017, Sutton and GeoCap delivered a Notice of Dispute to the Receiver. Attached hereto and marked as **Exhibit "H"** is a copy of the Notice of Dispute.

Well History

18. Mr. Richard Bissett of Bissett Resource Consultants Ltd. provided GeoCap and Sutton with an expert report dated December 9, 2015 (the "Bissett Report"), which I understand will be attached to an Affidavit sworn by Mr. Bissett. I have reviewed the details on the well history that can be found at section 2.1 (p.11-12) of the Bissett Report and I believe those details to be correct based on my own knowledge and recollection (including knowledge derived from documents produced and evidence given in Questioning during the course of the litigation).

19. In summary, and as outlined in the Bassett Report:

    a. The 1-35 Well was drilled in December 2002 and production began in December 2003. It was connected to a gas plant, compression facility and a pipeline, and continued to produce consistently until just before August 2008 when the Unloading Procedure was conducted.

    b. In or around October 2006 there had been an incident of corrosion in the 1-35 Well's casing, and a patch had been installed to seal the casing. The liner patch constituted a "weak link" in terms of future operations.

    c. On July 29, 2008, the natural gas compressor shut down as a result of "low gas flow", and an automated message was relayed to Twin Butte's contract field

operator, Paul Juneau. Twin Butte ultimately concluded that the problem was the wellbore becoming loaded with fluids (water and condensate).

d. A similar situation had occurred in the past when the wellbore became loaded with water as a result of corrosion causing a casing breach and exposing the well to a water source. Previous successful remedial response had been routine on the basis of conventionally swabbing the well (using a swabbing unit or service rig) and installing the patch. In my experience, swabbing would be the normal procedure for removing fluid from a well.

Details of the Unloading Procedure

20. As noted above, Twin Butte attempted to remedy the fluid accumulation by injecting high pressure gas down the annulus between the tubing and production casing. The idea was to create pressure that would force the fluid up the tubing and out of the well.

21. Twin Butte's field operator, Paul Juneau, was Questioned on March 2, 2012.

22. It appears that the Unloading Procedure was conceived by Twin Butte's contract field operator, Mr. Juneau. Attached hereto and marked as **Exhibit "I"** are excerpts from Mr. Juneau's Questioning transcript.

23. Mr. Juneau suggested the Unloading Procedure to Twin Butte's Production Engineer (Mr. Friedley) and Vice-President Operations (Mr. Hodgson), who gave him the clearance to go ahead with it. Attached hereto and marked as **Exhibit "J"** are excerpts from Mr. Juneau's Questioning transcript.

24. The Unloading Procedure was attempted despite the following facts:

a. Mr. Juneau had no high pressure gas experience and was a relatively inexperienced operator. Attached hereto and marked as **Exhibit "K"** are excerpts from Mr. Juneau's Questioning transcript.

b. Nobody at Twin Butte bothered to perform the basic engineering calculations to determine whether the Unloading Procedure had any chance to succeed.

c. There was no consultation with any of the working interest partners, including Sutton or GeoCap.

d. No written workover plan was provided to Mr. Juneau, and no safety or support personnel were provided onsite. Attached hereto and marked as **Exhibit "L"** are excerpts from Mr. Juneau's Questioning transcript.

e. Little thought or consideration was given to the pressure limitations created by the casing patch or risks associated with the Unloading Procedure. Mr. Juneau had not been advised of the existence of the patch, leading Mr. Bissett to reasonably infer that nobody bothered to review the well file before undertaking the Unloading Procedure. Attached hereto and marked as **Exhibit "M"** are excerpts from Mr. Juneau's Questioning transcript.

f. The standard practice, which had been employed successfully in the past, would be to bring in a service unit to swab the well. Twin Butte has claimed that it was too wet to bring in a service truck, but this has been shown to be incredulous. Attached hereto and marked as **Exhibit "N"** are excerpts from the Questioning of Mr. Juneau in which he acknowledges there was nothing unusual about the weather at the time that would have prevented bringing in a swab unit; rather, Twin Butte wanted to try the cheapest way first.

25. The Bissett Report notes that had the basic engineering calculations been done, it would have been clear that that the Unloading Procedure was doomed to fail.

26. I was not at all surprised by the conclusion in the Bissett Report that the Unloading Procedure is "definitely not industry standard" (p.51) and that "in essence, this [Unloading Procedure] technique was reckless, irresponsible and had no hope of reinstating gas production..." (p.55). In my 50 years of experience, I am not aware of any such Unloading Procedure being attempted by a gas well operator.

27. As a result of the Unloading Procedure, the casing patch was breached and contaminated formation water/natural gas and methanol escaped through the surface casing vent.

28. A surface casing vent flow is considered a serious issue, and was accordingly reported to the ERCB (as it was then known – since succeeded by the Alberta Energy Regulator ("AER")) by Twin Butte.

29. However, as noted above, Twin Butte never disclosed to its working interest partners or the ERCB that the surface casing vent flow had resulted from the Unloading Procedure and knowingly lied or misled the parties by suggesting corrosion as the cause.

30. On September 22, 2008, Mr. Friedley did make reference in an e-mail to Bob Sumner, a consultant working for GeoCap, that a "gas lift" had been conducted. However, at the time this did not provide us any understanding of what happened. It appeared to be an innocuous reference, and there was no reference to any high pressure activity or any details that led me to understand the true nature of what Twin Butte had done. It certainly did not lead me to understand that the cause of the SCVF was Twin Butte's conducting of the Unloading Procedure. Attached hereto and marked as **Exhibit "O"** is a copy of the e-mail correspondence between Mr. Sumner and Mr. Friedley.

31. This correspondence with Mr. Sumner occurred after he had followed up for information. Prior to the Unloading Procedure being conducted, GeoCap was provided regular reports. However, after the Unloading Procedure, there was no further communication from Twin Butte to GeoCap until Mr. Sumner's follow up.

32. Had Twin Butte communicated in the manner that I expected and believe was required of them, it would have been apparent that the breach of the casing patch was caused by exposure to high pressure gas and not the manufactured contention that it was caused by external casing corrosion. Had this been known, the result would have been a simple replacement of the casing patch which I believe would have satisfactorily addressed the issue. I further believe had this been the case, the 1-35 Well would still be producing today.

33. In the absence of proper information that would have identified exposure to high pressure as the cause of the casing patch breach, Twin Butte worked with the ERCB to develop a workover plan that was inappropriate given the true cause of the breach.

34. Twin Butte then simply issued an authorization for expenditures (AFE) to the working interest partners on an "information only" basis under the pretense that partner approval was not required due to regulatory compulsion to fix the breach.

35. Issues arose during the remedial workover, ultimately resulting in the ruination of the 1-35 Well as a producing gas well. The Bissett Report confirms that if a camera had been run down the well rather than blindly running a Chevron blade drag bit, much of the damage could have been avoided. Ultimately though, it was Twin Butte's desire to cover up their conduct that led to the unnecessarily extensive workover plan to begin with.

36. I have reviewed the Bissett Report and believe it provides a clear and convincing indictment of Twin Butte's reckless disregard of its obligations as Operator.

Quantum

37. To help confirm the losses associated with the gas reserves and the termination of production following the failed Unloading Procedure, GeoCap and Sutton commissioned an expert report authored by Bryan Joa P. Eng. at GLJ Petroleum Consultants Ltd., a copy of which is attached to the Affidavit of Bryan Joa sworn July 17, 2017.

38. Had Twin Butte not undertaken the Unloading Procedure, I can think of no reason why the 1-35 Well would not have continued producing since and would likely continue to be producing today.

39. The ultimate result of the Unloading Procedure was the ruination of the 1-35 Well. Accordingly, the reserves that were to be produced by the 1-35 Well can no longer be accessed without drilling a new well at a prohibitive cost (further details on this point are set out below).

40. But for the actions of Twin Butte, the 1-35 Well would have continued to produce and GeoCap and Sutton would have received their proportionate share of profits (attributable to their combined 50% working interest) from the production. Sutton and GeoCap have therefore suffered damages equivalent to their share of production valued at actual historical pricing to date plus the additional forecasted value of production into the future.

41. As noted in the summary to the historical portion of the GLJ Report (p.8), the historical reserve value (which represents value net of normal production and abandonment costs, etc.) for the interests of Sutton and GeoCap at an undiscounted value equates to $1,092,000 from August 2008 through May 31, 2017.

42. Forecast production values of remaining reserves are $501,000 based upon an 8% discounted value on proved plus probable reserves (see summary at p.25 of the GLJ Report).

43. Based on the above numbers, lost profit or net cash flow that would have been generated by the 1-35 Well net to the 50% Sutton / GeoCap working interest totals $1,593,000.

44. It appears clear that there is no mitigation value attributable to the ongoing interest of Sutton and GeoCap in these reserves, as the cost to place the reserves back on production is prohibitive and uneconomic. A new well would need to be drilled and completed in order to resume production and all facilities would have to be recertified. In accordance with the more detailed figures compiled by Mr. Gough of Sutton (and attached as an Exhibit to his Affidavit), these costs are estimated as follows:

(i)	Drilling of new well	$1,040,110
(ii)	Completion	$ 152,175
(iii)	Re-certify facilities (gas plant) and pipeline	$ 350,000
(iv)	Estimated (future) abandonment costs for second well	$ 100,000
	TOTAL	$1,642,285

While these numbers were compiled by Mr. Gough, I believe they are reasonable based upon my own knowledge and experience in the industry.

45. In addition to the production losses, the actions of Twin Butte have significantly increased the abandonment liability associated with the 1-35 Well. Had Twin Butte not conducted the Unloading Procedure which ultimately led to the ruination of the 1-35 Well, Sutton and GeoCap would have been responsible for their working interest share of the costs to conduct a conventional abandonment of a well. These costs have already been included in the Forecast Section of the GLJ Report (bottom of page 38 under "Abnd. & Recl. Costs"). Given that the value of the claim has already been

reduced to account for the abandonment of a well, Sutton and GeoCap should be insulated from their net share of costs to abandon the 1-35 Well.

46. Under normal circumstances, cost estimates (as published AER) to abandon a well in the Sawn area are approximately $70,000 – 100,000 ($78,866 is the current AER estimate for the 1-35 Well).

47. However, due to the vent flow issue, Twin Butte has caused the abandonment of the 1-35 Well to be far more complicated. According to estimates published by AER, an additional $169,309 is the average incremental cost associated with properly abandoning a well that has a surface casing vent flow and/or cement integrity issues. Half (50%) of these abandonment costs ($124,088) will fall on the shoulders of Sutton and GeoCap.

48. It should be noted that Twin Butte has undertaken to re-cement the casing at abandonment if required which would amount to significantly more abandonment costs of the existing wellbore. This remains the liability of Sutton and GeoCap as continuing owners of the suspended 1-35 well. The current abandonment estimate discussed above likely represents the minimum claim possible for the extra abandonment costs.

49. In addition to the damages set out above, Sutton and GeoCap are claiming the following as part of the quantification of their claim against Twin Butte:

    a. Expert fees for the Bissett Report in the sum of $134,830.25 excluding GST. Attached hereto and marked as **Exhibit "P"** is a summary of the charges incurred by Sutton and GeoCap for Mr. Bissett's services.

    b. Expert fees for the GLJ Report in the sum of $6,673.06 excluding GST. Attached hereto and marked as **Exhibit "Q"** is a copy of the invoice for the GLJ Report.

    c. Legal Fees and disbursements on a solicitor and his own client (full indemnity basis).

    d. Pre-Judgment Interest, as calculated in the Proof of Claim

50. I swear this Affidavit in support of an Application Disputing the Receiver's Notice of Disallowance.

SWORN BEFORE ME at Calgary, Alberta,)
this 19th day of July, 2017.)

(A Commissioner for Oaths in and for Alberta)

DANIEL K. JUKES
Barrister & Solicitor

WILLIAM TOBMAN

Exh. B, 4½"

POOLING AND FARMOUT AGREEMENT

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THIS IS EXHIBIT " A "
Referred to in the Affidavit of
WILLIAM TOBMAN
Sworn before me this 19
day of July A.D. 2017

A Commissioner for Oaths
in and for Alberta

DANIEL K. JUKES
Barrister & Solicitor

POOLING AND FARMOUT AGREEMENT

THIS AGREEMENT made as of the 1st day of April, 2002

BETWEEN:

National Fuel Exploration Corp., a body corporate, having an office at the City of Calgary, in the Province of Alberta
(herein referred to as "NFEx")

- and -

NCE Petrofund Corp., a body corporate, having an office at the City of Calgary in the Province of Alberta
(herein referred to as "NCE")

(NFEx & NCE herein collectively referred to as "Farmor")

Crossbill Exploration Inc., a body corporate, having an office at the City of Calgary, in the Province of Alberta
(herein referred to as "Crossbill" or "Farmee")

WHEREAS NFEx is the holder, or is entitled to become the holder, of the Title Documents covering the lands described as Part I Lands in Schedule "A";

AND WHEREAS NCE is the holder, or is entitled to become the holder, of the Title Documents covering the lands described as Part II Lands in Schedule "A";

AND WHEREAS NCE and NFEx have agreed to pool their respective interests in the Pooled Substances in the Pooled Lands in accordance with the terms and conditions of this Agreement;

AND WHEREAS the Farmor has agreed to farmout its Pooled Interest in the Farmout Lands to the Farmee under the terms of this Agreement.

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the mutual covenants and agreements contained herein, and subject to the terms and conditions hereinafter set out, the Parties agree as follows:

1. DEFINITIONS

In this Head Agreement including the recitals, unless the context otherwise requires, the terms and expressions as used herein shall have the meanings ascribed to them in Schedule "B" hereto (hereinafter referred to as the "Farmout & Royalty Procedure") and the following terms and expressions shall have the following meanings, namely:

(a) "Contract Depth" means a depth sufficient to penetrate 15 metres into the Precambrian or to a depth of 1800 metres subsurface whichever shall first occur;

(b) "Farmor" means NFEx and NCE, each as to fifty percent (50%) interest;

(c) "Part I Lands" means the lands set forth and described as Part I Lands in Schedule "A";

(d) "Part II Lands" means the lands set forth and described as Part II Lands in Schedule "A";

(e) "Pre Pooled Interests" as set forth and described under the heading Pre Pooled Interests in Schedule "A" hereto;

(f) "Pooled Lands" means the Part I Lands and the Part II Lands, insofar they include and apply to the Pooled Substances, together with the right to explore for and recover same;

(g) "Pooled Substances" means the Natural Gas Rights below the base of the Slave Point formation and all fluids and substances produced in association therewith, which may be produced from the Pooled Lands in which an interest or the right to produce is granted or acquired under the Title Documents;

2. SCHEDULES

The following Schedules are attached hereto, form part of and are incorporated into this Agreement:

(a) Schedule "A" which describes the Title Documents, Encumbrances, the Pooled Lands and the Farmout Lands;

(b) Schedule "B" which is the Farmout & Royalty Procedure elections;

(c) Schedule "C" which is the NFEx and NCE well information pursuant to clause 9.01 of Schedule B.

3. LETTER OF CREDIT

Within 48 hours prior to the spudding in the Test Well or October 15, 2002, whichever shall first occur, Farmee shall provide Farmor with a letter of credit, acceptable to Farmor and irrevocable by Farmee, from a Canadian chartered bank, for the sum of Two Hundred Fifty Thousand Dollars ($250,000.00) {"Letter of Credit"}. In the event Farmee fails to provide Farmor with the Letter of Credit as herein provided, Farmee shall forfeit its right to drill the Test Well and earn an interest hereunder. As between Farmor and Farmee, it is agreed that Farmor will only exercise on the Letter of Credit in the event that Farmee fails to remedy a

default notice within 30 days of being served the default notice by Farmor pertaining to the failure by Farmee of any of its obligations in this Agreement relating to the drilling, completion and or abandonment of the Test Well. Notwithstanding anything else in this Agreement, Farmee and Farmor agree that the default provisions of this Agreement will apply to drilling, completing and abandoning of the Test Well.

4. OPERATOR

Notwithstanding anything else herein, NFEx and NCE each have the right, in their sole discretion, to approve of the Operator for all operations hereunder including but not limited to drilling, completing, equipping and tie-ing in of any well drilled hereunder. Farmee shall not commence any operations and shall not earn any interest hereunder without such approval, in writing, from both NFEx and NCE.

5. POOLING

(a) As of the Effective Date, NFEx & NCE hereby pool their respective interests in and to the Pooled Lands, and the Pooled Substances so that all operations on and production from the Pooled Lands may be conducted without regard to the boundary line of the separate documents and so that, except as otherwise provided in this Agreement, the parties shall bear all costs, rights and liabilities incurred with respect to the same and shall own the Pooled Substances, and all property acquired for the joint account as follows:

NFEx 50% NCE 50%

(hereinafter referred to as "Pooled Interests")

Notwithstanding the foregoing, as of the Effective Date, each Party shall, except as otherwise provided in this Agreement, for its own account pay all Encumbrances and other burdens with respect to the Title Documents and lands such Party contributes to the pooling under this subclause 5(a) and perform all provisions (including, without limitation, rental and lessor royalty provisions) of each of such Title Documents so as to maintain them in full force and good standing with the relevant lessors. Nothing in this Agreement is to be construed as a cross-conveyance of any interest, legal or equitable, in and to the Pooled Lands, the Title Documents or the Pooled Substances.

(b) The pooling herein created shall terminate upon the earliest of:

(i) Farmee failing to Spud the Test Well pursuant to Clause 6.0;

(ii) expiration of ninety (90) days from the date of abandonment of the Test Well unless:

on or before the expiration of such ninety (90) day period, a subsequent well is being or has been drilled on the Pooled Lands in which case the pooling shall remain in effect for so long as the drilling is continuously and diligently pursued and for ninety (90) days following the abandonment of such subsequent well; or

negotiations for inclusion of the Pooled Lands in a unit are being carried on at the expiry of the aforesaid ninety (90) days, the pooling effected by the Agreement shall remain in full force and effect for a further period of ninety (90) days and if the Pooled Lands are included in such unit, so long thereafter as the lands remain unitized, with respect only to the unitized zone and unitized substance.

(c) Upon termination of the pooling, the working interests of NCE and NFEx shall be adjusted accordingly to reflect their respective working interests in the Pooled Lands immediately prior to the pooling. The parties shall adjust accounts effective as of the date the pooling terminated. All future rights and obligations of the parties or their successors and assigns shall be the same as those which existed prior to the pooling effected by this Agreement, provided however that each party shall, until settlement of all its outstanding accounts, continue to be liable for its proportionate share of all liabilities, costs and expenses incurred for the joint account including, without limitations, the cost of proper abandonment and reclamation of any well located on the Pooled Lands and shall be entitled to its participating share of the salvage value of any equipment less any and all salvage costs.

(d) NFEx and NCE each reserve all rights and interests which it holds under its Title Documents in all substances and formations other than those included in the Pooled Substances, together with the right to use the reserved formations covered by such Title Documents for the purpose of unitizing, exploring, drilling for, winning, taking, removing, storing and disposing of any substances from formations hereby reserved and for conducting any other operations incidental thereto or in connection therewith, provided only that such operations must not materially interfere with the operations on the Pooled Lands which are conducted under the provisions of this Agreement.

Any Party carrying on such operations shall:

(i) be liable to the other Parties for all losses, costs, damages and expenses whatsoever which they may suffer, sustain, pay or incur by reason of any matter or thing arising out of or in any way attributable to or connected with the other operations; and indemnify and save the other Parties harmless from and against all claims, liabilities, actions, causes of action, proceedings, demands, losses, costs, damages and expenses whatsoever which may be

brought against or suffered by the other Parties, or which they may suffer, sustain, pay or incur by reason of any matter or thing arising out of or in any way attributable to or connected with the other operations.

6. FARMOUT

(a) On or before November 15th, 2002, subject to regulatory approval and surface accessibility, Farmee shall Spud the Test Well at a location of Farmee's choice on Part II of the Farmout Lands;

(b) Subject to Article 3.00 of the Farmout and Royalty Procedure, the Farmee will earn 100% of the Farmor's Interest in the Farmout Lands, subject to the non convertible Overriding Royalty; and

(c) Notwithstanding any other provisions herein contained, should Clause 13.01 of the Farmout and Royalty Procedure apply as a result of the failure of Farmee to Spud the Test Well, within 15 days of Farmee's rights to conduct the Operation being terminated, Farmee will pay to Farmor a penalty of Two Hundred Fifty Thousand Dollars (Cdn $250,000.00) as liquidated damages ("Penalty"). In the event Farmee has provided Farmor with a Letter of Credit pursuant to Clause 3 hereof and Farmee is in default as provided herein, then Farmor may exercise on the Letter of Credit to secure payment of the Penalty. It is specifically understood and agreed that in this event, Farmor shall not be entitled to a cash payment of the Penalty in addition to exercising on the Letter of Credit.

7. WELL INFORMATION

Notwithstanding Article 9.03 of the Farmout & Royalty Procedure, Farmee will provide Farmor with well information from every Royalty Well on the Farmout Lands on the same basis as if the Royalty Well was an Earning Well.

8. INSURANCE

Farmee shall carry well insurance which is satisfactory to Farmor and provide Farmor with proof acceptable to Farmor prior to spudding the Test Well.

9. NOTICES

The address for service of the Parties in this Agreement are as follows:

National Fuel Exploration Corp.
1000, 550 – 6th Avenue S.W.
Calgary, Alberta T2P 0S2
Attention: Land Manager

NCE Petrofund Corp.
600, 444 – 7th Avenue SW
Calgary, Alberta T2P 0X8
Attention: Land Manager

Crossbill Exploration Inc.
500, 707 – 7th Avenue SW
Calgary, Alberta T2P 3H6
Attention: President

10. MISCELLANEOUS

The terms of this Agreement express and constitute the entire Agreement among the Parties. No implied covenant or liability is created or shall arise by reason of this Agreement or anything herein contained.

(i) All terms and provisions of this Agreement shall run with and be binding upon the Pooled Lands and the Farmout Lands during the term hereof.

(ii) The Parties each covenant with the other that it has the authority to enter into this Agreement and to perform the obligations to which it hereby becomes subject.

(iii) The Parties agree that this Agreement shall for all purposes be construed and interpreted according to the laws of the Province of Alberta, and that the courts having jurisdiction with respect to matters relating to this Agreement shall be the courts of said Province, to the jurisdiction of which courts the Parties by their execution of this Agreement do hereby submit.

(iv) This Agreement shall be binding upon and enure to the benefit of the Parties hereto and their respective successors and assigns.

(v) The headings of the clauses of this Agreement and the Schedules are inserted for convenience of reference only and shall not affect the meaning or construction thereof.

11. EXECUTION

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

IN WITNESS WHEREOF the Parties have executed this Agreement.

National Fuel Exploration Corp.	NCE Petrofund Corp.	Crossbill Exploration Inc.
		M. BRENT GOUGH

10. MISCELLANEOUS

The terms of this Agreement express and constitute the entire Agreement among the Parties. No implied covenant or liability is created or shall arise by reason of this Agreement or anything herein contained.

(i) All terms and provisions of this Agreement shall run with and be binding upon the Pooled Lands and the Farmout Lands during the term hereof.

(ii) The Parties each covenant with the other that it has the authority to enter into this Agreement and to perform the obligations to which it hereby becomes subject.

(iii) The Parties agree that this Agreement shall for all purposes be construed and interpreted according to the laws of the Province of Alberta, and that the courts having jurisdiction with respect to matters relating to this Agreement shall be the courts of said Province, to the jurisdiction of which courts the Parties by their execution of this Agreement do hereby submit.

(iv) This Agreement shall be binding upon and enure to the benefit of the Parties hereto and their respective successors and assigns.

(v) The headings of the clauses of this Agreement and the Schedules are inserted for convenience of reference only and shall not affect the meaning or construction thereof.

11. EXECUTION

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

IN WITNESS WHEREOF the Parties have executed this Agreement.

National Fuel Exploration Corp.	NCE Petrofund Corp.	Crossbill Exploration Inc.
_____	_____	_____
_____	_____	_____

SCHEDULE "A"

This is Schedule "A" to the Pooling and Farmout Agreement made between National Fuel Exploration Corp., NCE Petrofund Corp. and Crossbill Exploration Inc., dated April 1, 2002.

Title Documents	Encumbrances	Pre Pooled Interest	
Part I Lands			
AB CR Licence #5495050149 (Portion) T90R13W5M: W35 NG Below Slave Point m117	Crown Royalty	NFEx	100%
Part II Lands			
AB CR Lease #0593110764 (Portion) T90R13W5M: E35 NG Below Slave Point m116	Crown Royalty	NCE	100%

Pooled Lands	Pooled Interest	
T90R13W5M: 35 NG Below Slave Point	NFEx	50%
	NCE	50%

Farmout Lands
T90R13W5M: 35 NG Below Slave Point

SCHEDULE "B"

This is Schedule "B" to the Pooling and Farmout Agreement made between National Fuel Exploration Corp., NCE Petrofund Corp. and Crossbill Exploration Inc., dated April 1, 2002

1997 CAPL Farmout & Royalty Procedure	Elections and Amendments
1.01 (f) Effective Date	April 1, 2002
1.01 (t) Payout (if Article 6 applies)	Na
1.02 Incorporation of Clauses	Insurance (311) A
4.00 Option Wells	X Will not apply
5.00 Overriding Royalty	X Will apply
5.01A Quantification of Overriding Royalty	(a) Crude Oil X Alternate 2 1/23.8365 min. 5% max 15% (b) Other X Alternate 2 (i) 15% ; (ii) 15 %
5.04 B Permitted Deductions if applicable	1 and 2 30%
6.00 Conversion of Overriding Royalty	X will not apply
8.00 Area of Mutual Interest	X will not apply
11.02 Reimbursement of Land maintenance costs	X will apply, $ 896.00

SCHEDULE "C"

This is Schedule "C" to the Pooling and Farmout Agreement made between National Fuel Exploration Corp., NCE Petrofund Corp. and Crossbill Exploration Inc., dated April 1, 2002.

WELL DATA REQUIREMENT SHEET FOR NFEx

Information required prior to drilling	
Drill Program and Geological Prognosis	1
Survey plat	1
Application for well licence	1
Approved Well Licence	1

Information required during drilling operations	
Daily Drilling Reports	1
Sample Description	1
Core Description	1
Core Analysis	1
Logs and Surveys (Field & Final Prints)	1
Drill Stem Test Reports and Charts	1

Information required after drilling completed	
Application to Abandon	1
Casing and Cementing Reports	1
Tubing Reports	1
Perforating Reports	1
Fluid/Gas Analysis	1
Government Completion Forms	1
I.P. of A.O.F. Test Reports	1
Well Treatment Reports	1

Samples

Access to Operator's Set of Samples and Core

Notices to be Given as Follows
12 hours notice prior to coring and testing
24 hours notice prior to abandonment or completions

Daily Telephone and Written Reports to

National Fuel Exploration Corp.
1000, 550 – 6th Avenue SW
Calgary, Alberta T2P 0S2

Attention: John Leeson
Phone 716-3332
Fax: 265-0892
All to be provided at time of notice to spud

For Information on Operations Contact the Following

To be provided at time of notice to spud

NCE RESOURCES GROUP INC
600, 444 - 7TH Avenue S.W.
CALGARY, ALBERTA
T2P 0X8

WELL REQUIREMENT SHEET

DATE:

TO:

ATTN:

FAX:

WELL:

INFORMATION REQUIRED BEFORE DRILLING:	COPIES REQUIRED	RECEIVED
Geological Prognosis/Survey Plat	1	_____
Drilling & Testing Program	1	_____
Well Cost Estimate	1	_____
Application for Well Licence/Well Licence	1	_____
Spud Notice	phone	
Surface Lease/MSL-LOC	1	_____

INFORMATION REQUIRED DURING DRILLING:		
Daily Drilling (Faxed) & Geological Reports (prior to 9:00 am)	1	DAILY (VERY IMPORTANT)
Prelim Core Description & Fluid Analysis	1	_____
Field Sample & Mud Logs	1	_____
Field Prints of all Mechanical Logs	1	_____
Samples - Bags, Vials	access	_____
DST Reports & Access to Charts	1	_____
Completion or Abandonment Reports (prior to 9:00 am)		DAILY (VERY IMPORTANT)

INFORMATION REQUIRED AFTER DRILLING:		
Completion Program	1	_____
Application to Abandon (EUB forms)	1	_____
New Well Reports (EUB forms)	1	_____
Production Test Data	1	_____
Final Prints of Logs	1	_____
LAS Diskette	1	_____
Final analysis: core, oil, gas & water	1	_____
DST Reports and Charts	1	_____
Core and/or Sample Descriptions	1	_____
Consultant Post Drilling Complete Report	1	_____

CONTACTS:		Work Ph.	Work Fax	Home Ph.	Home Fax	Cell
Geology:	Keith Bohlken	218-8662	264-8751	729-2372	206-7021	816-7414
Alternate:	Pat Ward	218-8716	269-5858	238-0891	x	809-8716
Operations:	Joanne Nemeth	218-84194	264-1256	283-7055	x	710-0475
Alternate:	Don VanTetering	218-8717	264-1256	275-0106	x	804-5959

Weekday well reports can be faxed to (403) 218-4191
E-Mailed to lawn@ncecalgary.com ATTN: Natalie Law

Information mailed should be to the attention of Natalie Law

EXHIBIT "2"

Land file

NCE PETROFUND CORP.

600, 444-7th AVE. S.W., CALGARY, ALBERTA, CANADA T2P 0X8 TELEPHONE (403) 218-8625 FAX (403) 269-5858

April 2, 2002

THIS IS EXHIBIT "B"
Referred to in the Affidavit of
WILLIAM TOBMAN
Sworn before me this 19
day of JULY A.D. 2017
A Commissioner for Oaths
in and for Alberta
DANIEL K. JUKES
Barrister & Solicitor

Crossbill Exploration Inc.
500, 707 – 7th Ave. S.W.
Calgary, Alberta
T2P 3H6

Attn: Brent Gough

Re: Farmout and Option Agreement
Twp 90 Rge 12&13 W5M
Sawn Lake Area, Alberta

The following sets forth the agreement reached between Crossbill Exploration Inc. ("Crossbill" or "Farmee") and NCE Petrofund Corp. ("NCE" or "Farmor"):

1. Definitions

Each capitalized term used in this Head Agreement will have the meaning given to it in the Farmout & Royalty Procedure, and in addition:

(a) "Contract Depth" means a depth sufficient to penetrate fifteen meters (15m) into the Precambrian or to a subsurface depth of 1800 meters, whichever shall first occur.
(b) "Block I Farmout Lands" means that portion of the Farmout Lands as further described in Schedule "A".
(c) "Block II Farmout Lands" means that portion of the Farmout Lands as further described in Schedule "A".
(d) "NFE/NCE Agmt" means the Pooling and Farmout Agreement dated April 1, 2002 between National Fuel Exploration Corp., NCE Petrofund Corp. and Crossbill Exploration Inc.
(e) "NFE/NCE Test Well" means the well defined as 'Test Well' in the NFE/NCE Agmt.
(f) "Seismic Data" means all seismic data owned by Farmor and provided to Farmee pursuant to Clause 2 of this Agreement.

2. Schedules

The following schedules are attached hereto and made part of this Agreement:

(a) Schedule "A" which describes the Title documents and the Farmout Lands.
(b) Schedule "B" which describes the Farmout & Royalty Procedure.

(c) Schedule "C" which describes the Operating Procedure.
(d) Schedule "D" which describes the Well Requirement Sheet.

3. Seismic

(a) Upon execution of this Agreement, Farmor shall make available to the Farmee, at Farmee's cost, and at a 3rd party location of Farmor's choice, the non-interpretative Seismic Data in Farmor's possession on or within 1 mile of the Farmout Lands. Farmee shall have access to such data until Farmee no longer has a right to earn an interest in the Farmout Lands or, in the event Farmee drills a Test Well or Option Well, 6 months following rig release of such well. Farmee agrees to keep such information confidential.

(b) All Seismic Data shall be subject to the CSEG Master Licencing Agreement.

4. Test Well

(a) Farmee shall, prior to November 15, 2002 spud the Test Well (which is also the 'NFE/NCE Test Well').

(b) Subject to Article 3.00 of the Farmout & Royalty Procedure, the Farmee will earn 100% of Farmor's Working Interest in Block I Farmout Lands subject to the Overriding Royalty.

5. Option

(a) Provided Farmee has drilled the Test Well to Contract Depth and is not otherwise in default under either this Agreement or the NFE/NCE Agmt, Farmee will have the option for a period of 30 days from rig release of the Test Well, to elect in writing to Farmor to drill an Option Well at a location of its choice on the Block II Farmout Lands. Such well must spud on either of 2 contiguous preselected sections of Block II Farmout Lands within 60 days of such election, subject to surface access and regulatory approvals. Farmee will earn 100% of Farmor's working interest in the Option Well Spacing Unit subject to the Overriding Royalty and the right of conversion in Article 6.00 of the Farmout & Royalty Procedure and 60% of Farmor's working interest in the balance of the 2 sections of preselected Block II Farmout Lands.

(b) Provided Farmee has drilled the Option Well as set forth in 5.(a) to Contract Depth and is not otherwise in default, Farmee will have a further similar option on the remaining 2 sections of Block II Farmout Lands.

(c) The Farmee's right to drill an Option Well on the Block II Farmout Lands shall terminate insofar as it relates to any lands 90 days prior to their expiry date unless Farmee has elected to drill an Option Well which will spud within such 90 day period.

6. Area of Mutual Interest

Article 8.00 of the Farmout & Royalty Procedure will be in effect from the Effective Date until 1 year following rig release of the last earning well drilled hereunder or the termination of the Farmee's right to earn any further interest. The Area of Mutual Interest will include all lands within 1 mile of the Farmout Lands and all lands within 1 mile of Seismic Data. Subject to Article 8.00, the Parties will have the right to participate in an acquisition of Mutual Interest Lands in the following percentages:

Farmee	60%
Farmor	40%

7. Restriction on Additional Drilling During Earning Phase

No Party may propose the drilling of an additional well on the Farmout Lands earned as a result of the Test Well(s) or Option Well(s) until such time as the Farmee has earned an interest for drilling all Option Well(s) possible or the Farmee's right to earn that interest has terminated.

8. Operating Procedure

Farmee will be the initial Operator under the Operating Procedure. Subject to the rights of conversion in Article 6.00 of the Farmout & Royalty Procedure, the Parties' initial Working Interests in any Block II Farmout Lands earned by the Farmee hereunder will be Farmee 60% Farmor 40%.

9. Well Information

Nothwithstanding Article 9.03 of the Farmout & Royalty Procedure, Farmee will provide Farmor with well information from every Royalty Well on the Farmout Lands on the same basis as if the Royalty Well was an Earning Well.

10. Assignment

Farmee shall not assign all or any portion of its interest prior to earning or termination of its right to earn pursuant to this Agreement, unless the Farmor's prior written consent is obtained. Farmee may have partners participating with Farmee in the Test Well and Option Well (if drilled) and Farmor, at its sole discretion, may look solely to Farmee, or may look to Farmee and any of its partners, for performance herein. After earning, Farmor under this Agreement including the Operating Procedure, shall not be obligated to recognize greater than 4 partners (including Crossbill).

11. Environmental Impact

The Parties agree that, for the purposes of clause 2901 of the Operating Procedure, the phrase "all wells on the Joint Lands have been abandoned" shall be deemed to include the requirement for remediation of any environmental damage or problems arising due to operations of any nature whatsoever carried out under this Agreement, with such remediation occurring to the standard required by the Regulations and by good industry practice. Subject to Article IV of the Operating Procedure, where any such environmental damage or problem arises after termination of this Agreement, the Parties shall remain liable for remedial costs and expenses so incurred in accordance with their respective Working Interests and each Party shall indemnify the other Parties with respect to the indemnifying Party's share thereof. This clause shall survive termination of this Agreement.

12. Limitations Act

The 2 year period for seeking a remedial order under section 3(1)(a) of the *Limitations Act*, S.A. 1996 c. L-15.1, as amended (the "Act"), for any claim (as defined in the Act) arising in connection with this Agreement is extended to:

(a) for claims disclosed by an audit, 2 years after the time thisAgreement permitted that audit to be performed; or
(b) for all other claims, 4 years.

14. Operator

Notwithstanding anything else herein, Farmor has the right, in its sole discretion, to approve of the Operator for all operations hereunder including but not limited to drilling, completing, equipping and tie-ing in of any wells drilled pursuant to the Agreement. The Operating Procedure will be deemed to have been amended to include this same provision. Farmee shall not commence any operations without such approval.

13. Insurance

Farmee shall carry well insurance satisfactory to Farmor and provide Farmor with acceptable proof of same prior to spudding any well hereunder.

14. Prospect Fee

In the event Farmee does not earn pursuant to this Agreement or the NFE/NCE Agmt, Farmee will immediately pay to Farmor $15,000 which shall represent a prospect fee.

Provided you are in agreement, please sign and return the attached copy of this letter.

This offer is open for acceptance until September 13, 2002 at which time it automatically terminates.

Yours truly,
NCE Petrofund Corp.

Griff Witcher

Agreed to and accepted this 12th day of September 2002.

Crossbill Exploration Inc.

Per: _____

This is the execution page to a Farmout and Option Agreement dated April 2, 2002 between Crossbill Exploration Inc. and NCE Petrofund Corp.

SCHEDULE "A"

Attached to and forming part of a Farmout and Option Agreement dated the 2nd day of April, 2002, between NCE Petrofund Corp., as Farmor and Crossbill Exploration Inc., as Farmee.

LAND SCHEDULE

Farmout Lands

Block I Farmout Lands and Block II Farmout Lands as attached.

Report Date: Sep 12, 2002
Page Number: 1
REPORTED IN HECTARES

BLOCK I FARMOUT LANDS

NCE Resources
Mineral Property Report

File Number / File Status / Mineral Int	Lse Type Lessor Type / Lease No/Name / Operator / Payor		Exposure Gross / Net	Oper.Cont. ROFR / Dol Partner(s)	DOI Code	Lease Description / Rights Held
M-05136	PNG CR	Eff: Nov 30, 1993	384.000		WI	Area : OGSTON
Sub: A	0593110764	Exp: Nov 29, 1998	384.000	NCE PETROFUND	100.00000000	TWP 090 RGE 13 W5M
A		Ext: 8(1)(H)	384.000			NW25,NE26,[redacted],W36
	NCE PETROFUND	Ext: Nov 29, 2003		Total Rental: 1344.00		PNG BELOW BASE SLAVE POINT
100.00000000	NCE PETROFUND					E 35 Petroleum below base Slave Point
						---------- Related Contracts ----------
						AD-00795 A PUR Apr 18, 2000

Status		Hectares	Net		Hectares	Net
NonProducing	Prod:	0.000	0.000	NProd:	384.000	384.000
Undeveloped	Dev:	0.000	0.000	Undev:	384.000	384.000

Royalty / Encumbrances

Royalty Type	Product Type	Sliding Scale	Convertible	% of Prod/Sales
CSS	ALL	Y	N	100.00000000 % of PROD

Roy Percent:
Gas: Royalty: Min Pay: Prod/Sales:
S/S OIL: Min: Max: Div: Prod/Sales:
Other Percent: Min: Prod/Sales:

Paid to:	LESSOR (M)	Paid by:	WI (M)
DEPT OF ENERGY	100.00000000	NCE PETROFUND	100.00000000

Remarks

Type	Date	Description
GEN		UPRI FILE: AC 0010573-1; LEASE SELECTED OUT OF PNG LIC 5489110086
PROJECT		PRODUCING W0170666

Block II For. Lost Lands

Report Date: Sep 12, 2002
Page Number: 1
REPORTED IN HECTARES

NCE Resources
Mineral Property Report

File Number / File Status / Mineral Int	Lse Type / Lessor Type / Lease No/Name / Operator / Payor		Exposure Gross / Net	Oper.Cont. / Doi Partner(s)	ROFR / DOI Code	Lease Description / Rights Held
M-05134 Sub: A A 100.00000000	PNG CR 0594050764 NCE PETROFUND NCE PETROFUND	Eff: May 03, 1994 Exp: May 02, 1999 Ext: 8(1)(H) Ext: May 02, 2003	512.000 512.000 512.000	NCE PETROFUND Total Rental: 1792.00	WI 100.00000000	Area : OGSTON TWP 090 RGE 12 W5M 17,20 ALL PNG Related Contracts AD-00795 B PUR Apr 18, 2000

Status		Hectares	Net		Hectares	Net
NonProducing	Prod:	0.000	0.000	NProd:	512.000	512.000
Undeveloped	Dev:	0.000	0.000	Undev:	512.000	512.000

Royalty / Encumbrances

Royalty Type	Product Type	Sliding Scale	Convertible	% of Prod/Sales
CSS	ALL	Y	N	100.00000000 % of PROD

Roy Percent:
Gas: Royalty:
S/S OIL: Min:
Other Percent:

Max:

Min Pay: Prod/Sales:
Div: Prod/Sales:
Min: Prod/Sales:

Paid to: LESSOR (M)
DEPT OF ENERGY 100.00000000

Paid by: WI (M)
NCE PETROFUND 100.00000000

Remarks

Type	Date	Description
GEN		UPRI FILE: AC 0010656-1; SELECTED OUT OF P&NG LICENCE NO. 5490050038 (UPRI FILE: AP 439)
PROJECT		PRODUCING W0170666

M-05135	PNG	CR	Eff: May 03, 1994	512.000	WI	Area : OGSTON

NCE Resources
Mineral Property Report

File Number	Lse Type	Lessor Type	Exposure	Oper.Cont.	ROFR	DOI Code	
File Status	Lease No/Name		Gross				
Mineral Int	Operator / Payor		Net	DoI Partner(s)			Lease Description / Rights Held

(cont'd)

M-05135
Sub: A 0594050765 Exp: May 02, 1999 512.000 NCE PETROFUND 100.00000000 TWP 090 RGE 12 W5M 29,30
A Ext: 8(1)(H) 512.000 ALL PNG
NCE PETROFUND Ext: May 02, 2003 Total Rental: 1792.00
100.00000000 NCE PETROFUND

---------- Related Contracts ----------
AD-00795 B PUR Apr 18, 2000

Status		Hectares	Net		Hectares	Net
NonProducing	Prod:	0.000	0.000	NProd:	512.000	512.000
Undeveloped	Dev:	0.000	0.000	Undev:	512.000	512.000

Royalty / Encumbrances

Royalty Type	Product Type	Sliding Scale	Convertible	% of Prod/Sales
CSS	ALL	Y	N	100.00000000 % of PROD

Roy Percent:
Gas: Royalty: Min Pay: Prod/Sales:
S/S OIL: Min: Max: Div: Prod/Sales:
Other Percent: Min: Prod/Sales:

Paid to: LESSOR (M) Paid by: WI (M)
DEPT OF ENERGY 100.00000000 NCE PETROFUND 100.00000000

Remarks

Type	Date	Description
GEN		UPRI FILE: AC 0010657-1
PROJECT		PRODUCING
		W0170666

SCHEDULE "B"

Attached to and forming part of a Farmout and Option Agreement dated the 2nd day of April, 2002, between NCE Petrofund Corp., as Farmor and Crossbill Exploration Inc., as Farmee.

Farmout & Royalty Procedure Elections and Amendments

1. Effective Date (Subclause 1.01(f) – April 2, 2002.

2. Payout (Subclause 1.01(t), if Article 6.00 applies) – Alternate A

3. Incorporation of Clauses from 1990 CAPL Operating Procedure (Clause 1.02)
   (I) Insurance (311) Alternate A - X Alternate B - _____

4. Article 4.00 (Option Wells) will X /will not ___apply.

5. Article 5.00 (Overriding Royalty) will ___X___/will not ___ apply.

6. Quantification of Overriding Royalty (Subclause 5.01 A, if applicable).

   (i) Crude Oil (a) - Alternate -2
   - If Alternate 1 applies - ___%
   - If Alternate 2 applies – 23.8365 min 5% ____, max. 15 %.

   (i) Other (b) - Alternate - 2
   - If Alternate 1 applies - ___%
   - If Alternate 2 applies - —15 % in (i), and 15 % in (ii)

7. Permitted Deductions (Subclause 5.04B, if applicable) - Alternate –1&2, not to exceed 40%

8. Article 6.00 (Conversion of Overriding Royalty) - will not apply to Block I Lands but will apply to Block II Lands
   - If Article 6.00 applies, conversion to 40% working Interest in Subclause 6.04 A.

9. Article 8.00 (Area of Mutual Interest) - will ___X___/will not ___ apply.

10. Reimbursement of Land Maintenance Costs (Clause 11.02) will ___X___/will not___ apply. If applies, reimbursement of $4.928.

SCHEDULE "C"

Attached to and forming part of a Farmout and Option Agreement dated the 2nd day of April, 2002, between NCE Petrofund Corp., as Farmor and Crossbill Exploration Inc., as Farmee.

1990 CAPL Operating Procedure

I. Clause 311 - Insurance Election: A X or B__
II. Clause 604 - Marketing Fee: A X or B __
III. Clause 903 - Casing Point Election: A X or B __
IV. Clause 1007 - Penalty for Independent Operations:
1. Development Wells: 300 %
2. Exploratory Wells: 500 %
V. Clause 1010 - Title Preserving Well- 365 days
VI. Clause 2202 - Address for Notices:

Crossbill Exploration Inc.
500, 707 – 7th Ave. S.W.
Calgary, Alberta T2P 3H6

Attention: Land Manager

NCE Petrofund Corp.
600, 444 – 7th Avenue S.W.
Calgary, Alberta, T2P 0X8

Attention: Land Manager

VII. Clause 2401 - Disposition of Interests: A X or B __
VII. Clause 2404 - Replaced by 1993 CAPL Assignment Procedure

1988 PASC Accounting Procedure
(Revised February 1991)

I. Clause 105 - Operating Advances: 10 %
Clause 110 - Approvals: 2 Parties totalling 65 %
II. Clause 202(b) - Labour:
1. 2nd Level Supervisors . . . . shall not be chargeable
2. Technical Employees . . . . shall not be chargeable
Clause 203(b) - Employee Benefits - Non Compulsory: 25 %
Clause 217(a) - (1) Warehouse Handling:
2-1/2% for tubular goods 50.8 mm (2.0") and over and other items with new price over
$ 5,000
5 % of the cost of all other material

1988 PASC ACCOUNTING PROCEDURE
(Revised February 1991) Continued

III. Clause 302 - Overhead:

(a) For each Exploration Project:
(1) 5 % of all costs

(b) For each Drilling Well:
(1) 3 % of first $ 50,000
(2) 2 % of next $100,000
(3) 1 % of cost exceeding (1) and (2)

(c) For each Construction Project:
(1) 5 % of first $ 50,000
(2) 3 % of next $ 100,000
(3) 1 % of cost exceeding (1) and (2)

(d) For Operation and Maintenance:
(1) 0 % of the cost of the Joint Property; and
(2) $225 per Producing Well per month; or
(3) ___ flat rate per month.
"The rates in Subclauses (d)(2) and (d)(3) will not be adjusted . . ."

IV. Pricing of Joint Material Purchases, Transfers and Dispositions:
- $ 25,000 for requiring approval

V. Clause 501 - Periodic Inventory: . . . at 5 year intervals,

NCE RESOURCES GROUP INC
600, 444 - 7TH Avenue S.W.
CALGARY, ALBERTA
T2P 0X8

Sche: "D"

WELL REQUIREMENT SHEET

DATE:

TO:

ATTN:

FAX:

WELL:

INFORMATION REQUIRED BEFORE DRILLING:	COPIES REQUIRED	RECEIVED
Geological Prognosis/Survey Plat	1	_____
Drilling & Testing Program	1	_____
Well Cost Estimate	1	_____
Application for Well Licence/Well Licence	1	_____
Spud Notice	phone	
Surface Lease/MSL-LOC	1	_____

INFORMATION REQUIRED DURING DRILLING:		
Daily Drilling (Faxed) & Geological Reports (prior to 9:00 am)	1	DAILY (VERY IMPORTANT)
Prelim Core Description & Fluid Analysis	1	_____
Field Sample & Mud Logs	1	_____
Field Prints of all Mechanical Logs	1	_____
Samples - Bags, Vials	access	_____
DST Reports & Access to Charts	1	_____
Completion or Abandonment Reports (prior to 9:00 am)		DAILY (VERY IMPORTANT)

INFORMATION REQUIRED AFTER DRILLING:		
Completion Program	1	_____
Application to Abandon (EUB forms)	1	_____
New Well Reports (EUB forms)	1	_____
Production Test Data	1	_____
Final Prints of Logs	1	_____
LAS Diskette	1	_____
Final analysis: core, oil, gas & water	1	_____
DST Reports and Charts	1	_____
Core and/or Sample Descriptions	1	_____
Consultant Post Drilling Complete Report	1	_____

CONTACTS:		Work Ph.	Work Fax	Home Ph.	Home Fax	Cell
Geology:	Keith Bohlken	218-3662	264-8751	729-2972	206-7021	816-7414
Alternate:	Pat Ward	218-8716	269-5858	238-0891	x	809-8716
Operations:	Joanne Nemeth	218-84194	264-1256	283-7055	x	710-0475
Alternate:	Don VanTetering	218-8717	264-1256	275-0106	x	804-5959

Weekday well reports can be faxed to (403) 218-4191
E-Mailed to lawn@ncecalgary.com ATTN: Natalie Law

Information mailed should be to the attention of Natalie Law
Any Questions please contact the above at Ph: 218-4738

NCE WEEKEND CALL PROCEDURE

** *Please call NCE contact in the morning both weekend days no later than 9:00 a.m.*
A fax of the morning report may be required.

PARTICIPATION AGREEMENT
Sawn Lake Area, Alberta

THIS IS EXHIBIT " C "
Referred to in the Affidavit of
WILLIAM TOBMAN
Sworn before me this 19th
day of JULY A.D. 2017
A Commissioner for Oaths
in and for Alberta
DANIEL K. JUKES
Barrister & Solicitor

This Agreement made as of the 4th of December , 2002

AMONG:

CROSSBILL EXPLORATION INC., a body corporate
having an office in the City of Calgary,
in the Province of Alberta (hereinafter referred to as "Crossbill")

- and -

ECLIPSE EXPLORATION LTD., a body corporate
having an office in the City of Calgary,
in the Province of Alberta (hereinafter referred to as "Eclipse")

- and -

GEOCAP II RESOURCES INC., a body corporate
having an office in the City of Calgary,
in the Province of Alberta (hereinafter referred to as "GeoCap II")

- and -

MIKWAN EXPLORATION INC., a body corporate
having an office in the City of Calgary,
in the Province of Alberta (hereinafter referred to as "Mikwan")

- and -

RICHMOUNT PETROLEUM LTD., a body corporate
having an office in the City of Calgary,
in the Province of Alberta (hereinafter referred to as "RPL")

- and -

GEOCAP RESOURCES INC., a body corporate
having an office in the City of Calgary,
in the Province of Alberta (hereinafter referred to as "GeoCap")

- and -

OMAX RESOURCES LTD., a body corporate
having an office in the City of Calgary,
in the Province of Alberta (hereinafter referred to as "Omax")

- and -

SUTTON ENERGY LTD., a body corporate
having an office in the City of Calgary,
in the Province of Alberta (hereinafter referred to as "Sutton")

WHEREAS NCE Petrofund Corp. ("NCE") and National Fuel Exploration Corp ("NFEx") (NCE and NFEx collectively "Farmor") and Crossbill Exploration Inc. ("Crossbill" and/or "Farmee") entered into that certain Pooling and Farmout Agreement dated April 1, 2002, as amended, ("Pooling Agreement");and

WHEREAS NCE Petrofund Corp. ("NCE" and/or "Farmor") and Crossbill Exploration Inc. ("Crossbill" and/or "Farmee") entered into that certain Farmout and Option Agreement dated April 2, 2002, as amended, ("Farmout Agreement");and

WHEREAS the Test Well will be drilled by Crossbill, as Farmee, in accordance with the Pooling Agreement to earn certain interests and, in addition, pursuant to the Farmout Agreement to earn certain interests in the Block I Farmout Lands and the option to drill Option Wells to earn certain interests in the Block II Farmout Lands;

AND WHEREAS Eclipse, GeoCap II, Mikwan, Richmount, GeoCap, Omax and Sutton wish to participate with Crossbill in the Farmout Agreement and the parties wish to enter this agreement to provide for the participation by the parties hereto in earning certain interests in the Block I Farmout Lands and the option to drill Option Wells to earn certain interests in the Block II Farmout Lands;

NOW THEREFORE, in consideration of the premises and the covenants and agreements of the parties hereinafter set forth, the parties agree as follows:

1. **DEFINITIONS**

Each capitalized term used in this Head Agreement will have the meaning given to it in the Farmout Agreement and the Farmout & Royalty Procedure, and in addition, the following terms will have the following meanings:

(a) **"Farmout & Royalty Procedure"** means the 1997 CAPL Farmout & Royalty Procedure incorporating the rates and elections as set out on Schedule "B" to the Farmout Agreement;

(b) **"Pooling Agreement"** means the Pooling and Farmout Agreement dated April 1, 2002 among NCE and NFEx collectively as "Farmor" and Crossbill as "Farmee" a copy of which is attached hereto as Exhibit "Y";

(c) **"Farmout Agreement"** means the Farmout and Option Agreement dated April 2, 2002 among NCE as "Farmor" and Crossbill as "Farmee" a copy of which is attached hereto as Exhibit "Z";

(d) **"Operating Agreement"** means the 1990 CAPL Operating Procedure with the 1988 PASC Accounting Procedure (as revised February 1991) annexed thereto, incorporating the rates and elections as set out on Schedule "C" to the Farmout Agreement;

(e) **"Test Well"** means the well, to be drilled at a location in 02/1-35-90-13W5 pursuant to Clause 4 hereof and in accordance with Clause 6 of the Pooling Agreement and Clause 4 of the Farmout Agreement;

(f) **"party"** means a person, corporation, partnership or body politic bound by this Agreement;

(g) **"Participants"** means Eclipse, as to an undivided 20.0% of the Crossbill participating interest, GeoCap II, as to an undivided 16.25% of the Crossbill participating interest, Mikwan, as to an undivided 10.00% of the Crossbill participating interest, Richmount, as to an undivided 10.0% of the Crossbill participating interest, GeoCap, as to an undivided 8.75% of the Crossbill participating interest, Omax, as to an undivided 5.00% of the Crossbill participating interest and Sutton, as to an undivided 5.00% of the Crossbill participating interest.

2. EXHIBITS

The following Exhibits are attached hereto and made part of this Agreement:

(a) Exhibit "Y" which is the Pooling Agreement;
(b) Exhibit "Z" which is the Farmout Agreement;

3. CONFLICT

Wherever there appears to be a conflict between the terms of this Agreement, the Farmout Agreement and/or the Operating Agreement, the terms of this Agreement shall prevail.

4. TEST WELL

(a) Pursuant to the terms of the Pooling Agreement and Farmout Agreement and subject to the Operating Agreement and to Article 3.00 of the Farmout & Royalty Procedure, Richmount, as Farmee's Representative on behalf of Farmee and on behalf of Participants, shall Spud the Test Well as required by the Pooling Agreement and the Farmout Agreement and thereafter drill the Test Well to Contract Depth and Complete or Cap or Abandon same and fulfill all the terms and conditions of the Pooling Agreement and the Farmout Agreement, in accordance with good oil field practice, to earn the interest to which Farmee is entitled to earn in the Pooled Lands pusuant to the Farmout Agreement and the Block I Farmout Lands and the option to earn an interest in the Block II Farmout Lands pursuant to this Agreement.

(b) Crossbill, as to its participating interest as one of the Farmee Parties, shall on behalf of itself and the Participants faithfully carry out and perform all duties and obligations of the Farmee under the Farmout Agreement.

(c) The Participants hereby agree to participate, each to the extent of their respective participating interests, in the entire cost, risk and expense of drilling the Test Well to casing point or abandonment in accordance with the provisions of the the Pooling Agreement and the Farmout Agreement as if they had been named a Farmee in such agreements. As between Crossbill and the Participants, the Operating Agreement shall apply (except as may be amended herein), mutatis mutandis, to all of the Test Well operations with Crossbill being deemed to be Operator and the Participants being deemed to be joint operators. For clarity, subject to the terms and conditions of this Agreement and the Operating Agreement, the entire cost risk and expense of Drilling, Completing and Equipping the Test Well will be shared as follows;

Crossbill	25.00%	Richmount	10.00%
Eclipse	20.00%	Geo Cap	8.75%
Geo Cap II	16.25%	Omax	5.00%
Mikwan	10.00%	Sutton	5.00%

(d) It is acknowledged that the Participants are not parties to the Farmout Agreement, and as such all of the interest that can be earned by Participants through Crossbill shall be held in trust on Participants' behalf by Crossbill until an assignment can be effected. Crossbill shall consult with Participants on all decisions and elections to be made in relation to the Farmout Agreement, with respect to Crossbill's interest as a Farmee Party and Participants shall reply to Crossbill in a prudent and timely manner in order to allow Crossbill sufficient time to comply with the terms and conditions under the Farmout Agreement.

(e) The Participants acknowledge that they have reviewed and are familiar with the terms of the Farmout Agreement and agree to abide by all terms, conditions and obligations contained therein as to the participating interest assumed by them in the Test Well, mutatis mutandis, as though they had been an executing Parties to the Farmout Agreement with respect to such participating interests.

(f) Crossbill will make reasonable efforts to have Participants interests recognized by Farmor. For so long as Crossbill is prohibited from transferring to Participants their earned interests in the Title Documents covering Block I Farmout Lands, Crossbill shall hold Participants interests in trust for Participants as Bare Trustee for Participants.

5. EARNING

Subject to this Agreement, the Pooling Agreement, the Farmout Agreement and the Operating Agreement, upon the Test Well having been drilled to Contract Depth thereafter Completed or Abandoned, Farmee and the Participants will have earned the working interests in the Block I Farmout Lands, subject to the non-convertible Overriding Royalty described in Article 5 of the Farmout and Royalty Procedure, as set forth in the following table

Crossbill	25.000%	Richmount	10.000%
Eclipse	20.000%	GeoCap	8.750%
GeoCap II	16.250%	Omax	5.000%
Mikwan	10.000%	Sutton	5.000%

6. OPERATING PROCEDURE

Upon Farmee earning an interest in the Block I Farmout Lands, the Operating Agreement shall forthwith come into force and effect and govern the relationship of the Farmee and Participants, with respect to the Block I Farmout Lands. The working interests of the parties under the Operating Agreement as it pertains to the Block I Farmout Lands shall be as set out in Clause 5 hereof.

7. OPTION WELLS

(a) Within 20 days of the rig release of the Test Well, Farmee and Participants shall hold a meeting for the purpose of deciding whether or not to drill a like well to the Test Well (Option Well) on the Block II Farmout Lands on the same basis as the Test Well was drilled and in accordance with Clause 5 of the Farmout Agreement. Within 24 hours of the time the meeting was held each of Farmee and Participants shall make an election as to whether or not they will participate in the Option Well. In the event the Option Well is to be drilled and Farmee and Participants are not all in mutual agreement with respect to the location of the Option Well, Crossbill shall, within 48 hours of the meeting, designate the location (provided Crossbill participates therein). Should Crossbill not participate in the Option Well, its location shall be established by the Participant having the largest participating interest therein with such party being designated the Operator. Should Farmee or a Participant elect not to participate in the drilling of the Option Well, the participating parties shall proportionately pickup any non-participating party's interest in the Option Well and the non-participating party shall forfeit any right to earn an interest in the Block II Farmout Lands being earning by the Option Well and shall forfeit any right to earn any additional interests in the Block II Farmout Lands.

(b) Crossbill, on behalf of Participants (should they elect to participate) and/or Farmee shall, subject to rig availability, commence the drilling of the Option Well within 55 days of the election date. Except with respect to the right to elect to drill, the resultant costs, the participating interests therein and the Spud date for the Option Well and the earning, the terms and conditions of this Agreement pertaining to the Test Well and the Block I Farmout Lands, shall apply, mutatis mutandis, to Option Well and the Block II Farmout Lands.

8. OPTION WELL EARNING

Subject to this Agreement, the Farmout Agreement and the Operating Agreement, upon the Option Well having been Drilled to Contract Depth and thereafter Completed or Abandoned, Farmee and the Participants will have earned the working interests in the pre-selected Block Ii Farmout Lands as set forth in Clause 5 of the Farmout Agreement, subject to the convertible Overriding Royalty described in Article 5 of the Farmout and Royalty Procedure. For clarity the following table

	Drilling Spacing Unit		Balance of Pre-Selected
Company	BPO	APO	Block I Farmout Lands
Crossbill	25.000%	15.000%	15.000%
Eclipse	20.000%	12.000%	12.000%
GeoCap II	16.250%	9.750%	9.750%
Mikwan	10.000%	6.000%	6.000%
Richmount	10.000%	6.000%	6.000%
GeoCap	8.750%	5.250%	5.250%
Omax	5.000%	3.000%	3.000%
Sutton	5.000%	3.000%	3.000%
NCE	ORR	40.000%	40.000%

9. ADDITIONAL OPTION WELLS

Subject to this Agreement, the Farmout Agreement and the Operating Agreement, Farmee and Participants will have the option to drill additional Option Wells on the remaining unearned Block II Farmout Lands until the entire Block II Farmout Lands have been earned and all of the terms

and conditions pertaining to the Option Well shall apply, mutatis mutandis, to the additional Option Wells.

10. AREA OF MUTUAL INTEREST

The participating interests in the Area of Mutual Interest as per Clause 6 of the Farmout Agreement are as follows:

NCE	40.000%	Richmount	6.000%
Crossbill	15.000%	GeoCap	5.250%
Eclipse	12.000%	Omax	3.000%
GeoCap II	9.750%	Sutton	3.000%
Mikwan	6.000%		

11. ASSIGNMENT OF INTERESTS

Provided Participants are not in default under this Agreement, Crossbill covenants and agrees it shall forthwith convey to Participants the working interests that Participants have earned pursuant to this Agreement. If Crossbill is for any reason prohibited from assigning and conveying to Participants their earned interests, it will in accordance with the terms and conditions of this agreement hold Participants interests in trust for Participants as Bare Trustee.

12. ASSIGNMENT

As between the parties, the parties hereby agree that any of them may dispose of their interests hereunder or any portion thereof, provided that no such disposition shall be effective to increase or multiply the obligations of the other party hereto under this Agreement or the Farmout Agreement and the party making such disposition shall, notwithstanding such disposition, continue to be bound by and be under the obligation to observe and perform all of the terms and provisions of this agreement to the same extent and degree as if there had been no assignment until such time as the other party hereto shall have been served with a copy of the assignment and a written and enforceable undertaking executed by the assignee to perform and be bound by all of the terms and provisions of this Agreement to the same extent and degree with respect to that which has been assigned as it would have been if it had been party to this Agreement in the place and stead of the party hereto making such assignment.

13. WAIVER

No waiver by a party of any breach of any of the covenants and provisions in this agreement contained, whether negative or positive form shall take effect or be binding upon it, unless the same be expressed in writing and any waiver so expressed shall not limit or affect such party's rights with respect to any other or future breach.

14. ENTIRE AGREEMENT

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

15. **NOTICES**

The address for service of the parties hereto shall be as follows:

Crossbill Exploration Inc.
500,707 - 7th Avenue S.W.
Calgary, Alberta T2P 3H6
Attention: Land Department

Eclipse Exploration Ltd.
1700, 734 - 7th Avenue S.W.
Calgary, Alberta, T2P 3P8
Attention: Land Department

GeoCap II Resources Inc.
1010, 521 - 3rd Avenue S.W.
Calgary, Alberta, T2P 3T3
Attention: Land Department

Mikwan Exploration Inc.
500, 707 - 7th Avenue S.W.
Calgary, Alberta T2P 3H6
Attention: Land Department

Richmount Petroleum Ltd.
500, 707 - 7th Avenue S.W.
Calgary, Alberta T2P 3H6
Attention: Land Department

GeoCap Resources Inc.
1010, 521 - 3rd Avenue S.W.
Calgary, Alberta, T2P 3T3
Attention: Land Department

Omax Resources Ltd.
1700, 734 - 7th Avenue S.W.
Calgary, Alberta, T2P 3P8
Attention: Land Department

Sutton Energy Ltd.
500, 707 - 7th Avenue S.W.
Calgary, Alberta T2P 3H6
Attention: Land Department

Any party from time to time may change its address for service by giving written notice to the other party. Any notice may be served by personal delivery or by mailing same, postage prepaid, in a properly addressed envelope addressed to the party to whom the notice is to be given at such Party's stated address for service, and any such notice so served shall be deemed to be given to and received by the addressee forty-eight (48) hours after the mailing thereof, Saturdays and statutory holidays excepted.

12. **PROSPECT FEE**

The terms of the Farmout Agreement (Clause 14) require that should Farmee not earn the interests to which it is entitled pursuant to the Pooling Agreement and the Farmout Agreement, it will pay to Farmor a fee of $15,000 as a Prospect Fee. In the event that Farmee is required to pay such fee to Farmor, Participants hereby agree to reimburse Farmee for their proportionate share of such fee as it pertains to their respective participating interests.

13. **INFORMATION**

Crossbill shall furnish to Participants promptly as it becomes available, the information concerning the drilling and completion of the Test Well and Participants shall keep confidential from third parties all information obtained in the course of or as a result of operations with respect to this Agreement, except information which the parties have mutually agreed in writing to release and Participants shall take measures in connection with operations and internal security as shall be advisable in the circumstances. Upon termination of this Agreement, any relationship of a fiduciary nature among the parties, or any of them, that may have been created with respect to any information as described above shall also terminate.

14. **MISCELLANEOUS**

(a) All terms and provisions of this Agreement shall run with and be binding upon the Pooled Lands during the term of this Agreement.

(b) Time is of the essence of this Agreement.

(c) Subject to the terms of this Agreement, this Agreement shall ensure to the benefit of and being binding upon the parties, their successors and assigns.

(d) This Agreement shall be governed by the laws of the Province of Alberta and any dispute between the parties shall be referred to the court of competent jurisdiction in that province.

IN WITNESS WHEREOF the parties hereto have duly executed this Agreement as of the day and year first above written.

CROSSBILL EXPLORATION INC.

Per: _____
Brent Gough, President

ECLIPSE EXPLORATION LTD.

Per: _____
Randell J. Hammond, President
Ken Frankiw, VP

GEOCAP II RESOURCES INC.

Per: _____
William Tobman, President

MIKWAN EXPLORATION INC.

Per: _____
Brent Gough, President

RICHMOUNT PETROLEUM LTD.

Per: _____
Lawrence Urichuk, President

GEOCAP RESOURCES INC.

Per: _____
Harry Gabel, Vice President

OMAX RESOURCES LTD.

Per: _____
John Menzies, President

SUTTON ENERGY LTD.

Per: _____
Brent Gough, President

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William Tobman, President

MIKWAN EXPLORATION INC.

Per: _____
Brent Gough, President

RICHMOUNT PETROLEUM LTD.

Per: _____
Lawrence Urichuk, President

GEOCAP RESOURCES INC.

Per: _____
Harry Gabel, Vice President

OMAX RESOURCES LTD.

Per: _____
John Menzies, President

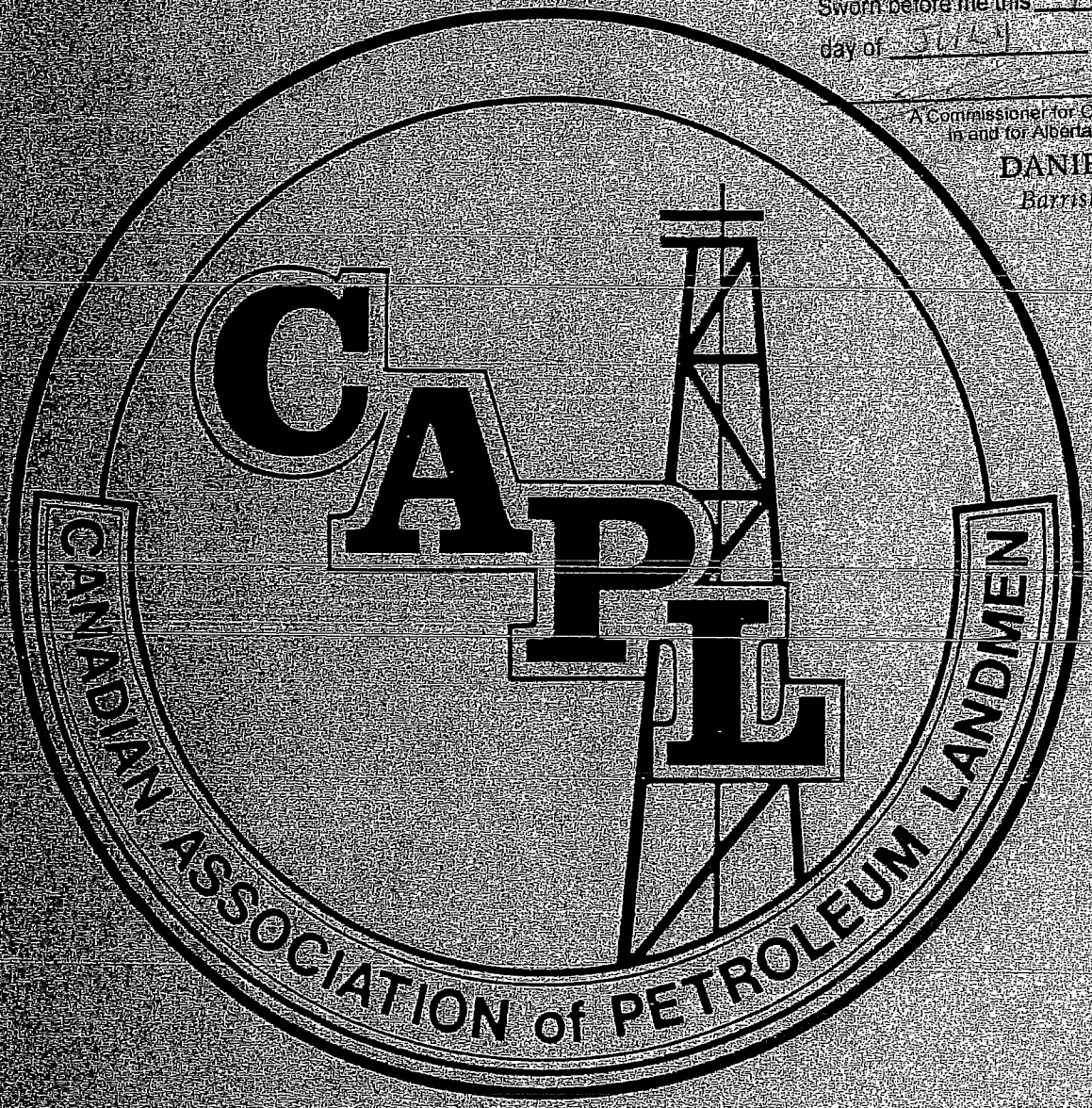
SUTTON ENERGY LTD.

Per: _____
Brent Gough, President

OPERATING PROCEDURE
ANNOTATED

THIS IS EXHIBIT "D"
Referred to in the Affidavit of
WILLIAM ROBSON
Sworn before me this 11
day of JULY A.D. 2011

A Commissioner for Oaths
in and for Alberta
DANIEL K. JUKES
Barrister & Solicitor



CANADIAN ASSOCIATION OF PETROLEUM LANDMEN

1990

INDEX

The explanatory notes reflect the observations of the authors and other commentators on the intention and scope of the provisions of the Operating Procedure. They have been included only to assist the user in understanding the document, and are not intended to have any legal effect on the interpretation of the provisions of the document.

Heading: The Operating Procedure would be attached to a head agreement. That agreement, as a minimum, would describe the "joint lands," state the "working interests" and designate the "operator." It would also include any special provisions negotiated by the parties pertaining to such matters as an area of mutual interest, lease selections and, if applicable, the failure to participate in work programs required to maintain any special title documents (i.e., permits) in good standing.

Subclause 101(a): Note the references to the regulations and the restoration of the wellsite. Abandonment obligations do not cease with the mere physical plugging of a well.

Subclause 101(c): i) Note the exclusion pertaining to security assignments.

ii) Some companies are forming partnerships comprised solely of corporations which are affiliates, for tax and other business reasons. The inclusion of the last proviso ensures that the partnership would be regarded as an affiliate of each partner and its other affiliates. If the partnership is comprised of other entities, it is probably preferable to include in the head agreement a definition of affiliate which is tailored to the specific fact situation.

Subclause 101(e): i) The nature of the financial authority granted by an approved AFE is considered in the notes on Subclause 301(c). However, it should be noted that the operation described in the AFE is a condition of the approval. While the operator, of course, does have some latitude to deviate from the described operation, this discretion is limited and would probably apply to only minor changes or those which are dictated by necessity during the conduct of the operation. It is undoubtedly the more prudent practice for the operator to obtain the consent of the other parties before making other changes. Otherwise, there is a risk that a party could successfully argue that its previous election was void because the election did not pertain to the operation which was conducted. See, for example, Passburg Petroleums v. San Antonio Explorations Ltd. and D. W. Axford & Associates Ltd., [1988] 2 W.W.R. 645 (Alta. Q.B.). Although the court briefly considered the overrun issue and the Renaissance case (See the notes on 301(c)) in the context of the 1981 CAPL Operating Procedure, this case turned on the fact that the operator drilled a directionally drilled well after obtaining the approval of the parties to drill what they reasonably believed to be a conventional well. On the facts, the court determined that the parties did not agree to participate in the directionally drilled well.

ii) An AFE must include sufficient detail to enable a party to appreciate the nature and scope of the operation and the estimated costs of its various phases. If a party is not provided with the information it reasonably requires to make an informed decision or the provided information is misleading, the issuing party faces the risk that a party's election could be voidable. That being the case, it is the better practice to provide all material information which could reasonably be anticipated to influence a party's decision.

iii) Note the requirement to specify the proposed coordinates of a well. This alerts the parties to the possibility that the well might be subject to a production penalty under the regulations if the well is being drilled outside a prescribed target area. If the parties had used joint seismic to mature the prospect, it also enables the parties to tie the location to their seismic data, preferably through an additional reference to the applicable shot-point.

OPERATING PROCEDURE

Attached to and forming part of the Agreement dated the day of A.D. 19

BETWEEN/AMONG:

ARTICLE I

INTERPRETATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(t) "operating costs" means all moneys expended (exclusive of drilling costs, completion costs and equipping costs) to operate a well for the recovery of petroleum substances, as more particularly set forth in the Accounting Procedure and, where applicable, all moneys expended to operate a production facility hereunder.

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

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

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

(x) "paying quantities" means:

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

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

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

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

(i) constructed or installed for the joint account;

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

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

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

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

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

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

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

(cc) "spacing unit" means:

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

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

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

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

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

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

103 REFERENCES – Unless otherwise expressly stated:

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

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

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

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

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

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

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

ARTICLE II

APPOINTMENT AND REPLACEMENT OF OPERATOR

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

202 REPLACEMENT OF OPERATOR –

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

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

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

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

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

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

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

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

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

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

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

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

206 APPOINTMENT OF NEW OPERATOR –

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

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

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

(d) Except as provided in Subclause 202(a), every replacement of Operator shall take effect at eight o'clock in the morning (0800 hours) on the first (1st) day of the calendar month following the determination to replace the Operator pursuant to Subclause 202(b) or such other date as may be prescribed pursuant to Clause 203 or 204, as the case may be, notwithstanding anything contained herein.

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

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

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

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

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

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

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

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

ARTICLE III

FUNCTION AND DUTIES OF OPERATOR

301 CONTROL AND MANAGEMENT OF OPERATIONS –

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

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

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

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

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

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

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

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

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

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

309 MAINTENANCE OF TITLE DOCUMENTS –

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

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

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

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

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

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

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

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

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

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

ALTERNATE - A:

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

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

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

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

- OR -

ALTERNATE - B:

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE IV

INDEMNITY AND LIABILITY OF OPERATOR

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

(a) when and to the extent that such loss, expense, injury, death or damage relates to a risk against which the Operator is required to carry insurance for the joint account, as provided in Clause 311, and is within the limits of such required insurance (insofar as such limits exceed the deductible applicable thereto), provided that if the Operator had maintained the required insurance covering such loss, expense, injury, death or damage, the Operator shall be released from the responsibility and indemnity otherwise imposed by this Clause to the extent that the insurer thereunder is financially unable to pay all or any portion of a valid claim with respect to such loss, expense, injury,

death or damage or such insurer is determined by a court of competent jurisdiction not to be required to make payment with respect to such loss, expense, injury, death or damage under such policy of insurance; and

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

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

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

ARTICLE V

COSTS AND EXPENSES

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

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

503 ADVANCE OF COSTS –

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

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

as provided in Subclause (a) above) on or before the twentieth (20th) day after its receipt of such estimate or by the fifteenth (15th) day of the calendar month to which such estimate relates, whichever is the later.

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

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

505 OPERATOR'S LIEN –

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

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

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

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

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

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

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

(vi) enforce the lien referred to in Subclause (a) of this Clause by taking possession of or using free of charge all or any part of the interest of the defaulting Joint-Operator in the joint lands, in all or any part of the production therefrom and equipment thereon or in any production facilities and all rights, powers and privileges of such Joint-Operator in connection with such interest until such default is

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

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

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

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

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

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

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

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

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

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

ARTICLE VI

OWNERSHIP AND DISPOSITION OF PRODUCTION

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

602 PARTIES NOT TAKING IN KIND –

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ALTERNATE - A:

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

- OR -

ALTERNATE - B:

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

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

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

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

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

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

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

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

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

ARTICLE VII

OPERATOR'S DUTIES RE CONDUCTING JOINT OPERATIONS

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

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

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

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

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

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

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

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

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

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

(b) the surface elevation of the well;

(c) daily drilling and geological reports;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) a summary of the casing program;

(ii) the location and density of perforations;

(iii) details of formation treatment and stimulation;

(iv) results of back pressure tests;

(v) daily completion reports; and

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

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

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

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

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

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

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

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

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

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

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

ARTICLE VIII

ENCUMBRANCES

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

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

ARTICLE IX

CASING POINT ELECTION

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

902 ELECTION BY JOINT-OPERATORS RE CASING AND COMPLETION –

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

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

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

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

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

ALTERNATE - A:

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

- OR -

ALTERNATE - B:

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

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

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

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

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

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

ARTICLE X

INDEPENDENT OPERATIONS

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

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

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

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

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

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

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

1002 PROPOSAL OF INDEPENDENT OPERATION –

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

(i) the nature of the operation;

(ii) the proposed location of the operation;

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

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

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

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

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

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

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

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

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

1005 SEPARATE ELECTION WHERE WELL STATUS DIVIDED –

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

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

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

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

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

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

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

(a) If such well is completed for the production of petroleum substances from one or more zones, the

participating parties shall be entitled to retain possession of the well and all production from such zones through the well until the gross proceeds (calculated at the wellhead) from the sale of such production equals the aggregate of:

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

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

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

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

The Operator for the participating parties shall notify the non-participating parties upon recovery of the proceeds prescribed by paragraphs (i) to (iv) of this Subclause not later than thirty (30) days following such recovery. Subject to Subclause 1021(b), each non-participating party shall have thirty (30) days following receipt of such notice within which to elect to accept or refuse participation in the well, the applicable zones and the production therefrom, provided that failure of a non-participating party to make an election within such period shall be deemed to be an election to accept such participation to the extent of its working interest in the spacing unit of the well. Subject to Clause 1015, if a non-participating party refuses participation as above provided, it shall be deemed to have forfeited its right of participation in and to the well and to the spacing unit of the well, insofar only as it relates to the applicable zones and the production therefrom, to the participating parties therein. If a non-participating party elects to accept participation in the well, the applicable zones and the production therefrom as above provided, its participation shall be equal to its working interest, and shall be effective as of the time when the gross proceeds of production from the well equalled the aggregate of the amounts prescribed by paragraphs (i), (ii), (iii) and (iv) of this Subclause, whereupon the accounts of the parties shall be adjusted accordingly. Thereafter, the well shall be held for the account of the parties then participating therein, and shall be operated by the Operator if it is one of the parties so participating, or an Operator appointed pursuant to Clause 1004 if the Operator has elected to forfeit its interest in the well.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1009 WHERE WELL ABANDONED BEFORE PENALTY RECOVERED –

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

(b) Subject to Subclause (d) of Clause 1008, if an independent operation is the deepening, plugging back, whipstocking, re-entry and completion, recompletion, reworking or equipping of a well pursuant to Clause 1008 and the well is to be abandoned before the gross proceeds of production received therefrom by the participating parties after commencement of the operation equal the aggregate of the costs and penalties to be recovered by the participating parties pursuant to Subclause 1008(c), the participating parties shall abandon the well, record as a credit

to the well the net salvage value of the materials and equipment recoverable from the well, as if such amount were proceeds from production, and report that credit in the monthly statement provided for in Clause 1013. If the gross proceeds of production from the well then exceed the aggregate of the amounts chargeable to the well pursuant to Clause 1008, the excess amount shall be a credit for the joint account.

1010 EXCEPTION TO CLAUSE 1007 WHERE WELL PRESERVES TITLE –

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

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

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

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

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

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

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

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

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

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

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

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

(d) Subject at all times to paragraphs (b)(i), (c)(i) and (c)(ii) of this Clause, the working interest to be forfeited by a party in any common preserved lands shall be allocated equally to the title preserving well and the applicable

subsequent title preserving well, to be then apportioned among the respective participating parties pursuant to Clause 1016.

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

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

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

1013 ACCOUNTS AND AUDIT DURING PENALTY RECOVERY –

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A party which receives an operation notice respecting the construction, acquisition or installation of a production facility shall,

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

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

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

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

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

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

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

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

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

(d) To the extent that a party which elected to take in kind, before the inlet of such production facility, its share of petroleum substances which would otherwise utilize such production facility, does not take such petroleum substances in kind, the parties owning such production facility may, on behalf of such party, produce, process, treat, store or transmit that share of petroleum substances so delivered to such production facility. In such event (but subject always to any individual agreement negotiated by the parties owning such production facility and such other party respecting the utilization of such production facility), the parties owning such production facility shall, in addition

to any marketing fee applicable pursuant to Article VI, be entitled to charge such other party a fee sufficient to cover the cost of producing, processing, treating, storing or transmitting, as the case may be, such other party's share of petroleum substances so utilizing such production facility, which fee shall also include a reasonable rate of return on capital investment in accordance with the principles in Clause 1404.

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

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

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

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

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

ARTICLE XI

SURRENDER AND QUIT CLAIM OF JOINT LANDS

1101 INITIATION OF SURRENDER PROPOSAL AND QUIT CLAIM OF INTERESTS –

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

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

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

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

1104 ASSIGNMENT OF SURRENDERED INTEREST –

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

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

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

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

ARTICLE XII

ABANDONMENT OF WELLS

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

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

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

ARTICLE XIII

OPERATION OF LANDS SEGREGATED FROM JOINT LANDS

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

ARTICLE XIV

OPERATION OF JOINT PRODUCTION FACILITIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE XV

RELATIONSHIP OF PARTIES

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

ARTICLE XVI

FORCE MAJEURE

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

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

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

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

ARTICLE XVII

INCENTIVES

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

ARTICLE XVIII

CONFIDENTIAL INFORMATION

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

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

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

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

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

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

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

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

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

ARTICLE XIX

DELINQUENT PARTY

1901 CLASSIFICATION AS DELINQUENT PARTY – If a party changes its address and does not provide the other parties with notice of its changed address for service and subsequently cannot readily be located, or if any party becomes inactive

or is struck off the corporate register or otherwise consistently refuses or neglects to answer communications addressed to it at its address for service, the Operator may send notice, by registered mail to that party at its last address for service hereunder, advising such party that it shall thereafter be considered a delinquent party within the meaning of this Article.

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

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

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

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

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

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

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

ARTICLE XX

WAIVER

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

ARTICLE XXI

FURTHER ASSURANCES

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

ARTICLE XXII

NOTICE

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

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

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

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

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

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

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

ARTICLE XXIII

NO PARTITION

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

ARTICLE XXIV

DISPOSITION OF INTERESTS

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

ALTERNATE - A:

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

ALTERNATE - B:

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

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

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

(d) Within the later of: i) thirty (30) days from the receipt of the disposition notice, as modified by any suspension pursuant to Subclause (b) of this Alternate B; or ii), if applicable, fifteen (15) days from receipt of notice of the arbitrated value determined pursuant to the preceding Subclause, an offeree may give notice to the disposing party that it elects to purchase the working interest described in the disposition notice for the applicable price (in

this Article called a "notice of acceptance"). A notice of acceptance shall create a binding contractual obligation upon the disposing party to sell, and upon an offeree giving a notice of acceptance to purchase, for the applicable price, all of the working interest included in such disposition notice on the terms and conditions set forth in the disposition notice. However, if more than one offeree gives a notice of acceptance, each such offeree shall purchase the working interest to which such notice of acceptance pertains in the proportion its working interest bears to the total working interest of such offerees.

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

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

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

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

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

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

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

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

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

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

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

ALTERNATE - A:

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

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

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

- OR -

ALTERNATE - B:

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

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

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

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

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

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

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

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

ARTICLE XXV

LITIGATION

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

ARTICLE XXVI

PERPETUITIES

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

ARTICLE XXVII

UNITED STATES TAXES

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

ARTICLE XXVIII

MISCELLANEOUS

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

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

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

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

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

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

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

ARTICLE XXIX

TERM

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

THIS IS EXHIBIT " E "
Referred to in the Affidavit of
WILLIAM TOBMAN
Sworn before me this 19
day of JULY A.D. 2017

A Commissioner for Oaths
in and for Alberta

DANIEL K. JUKES
Barrister & Solicitor

Lawrence Jonker

From: Chris Friedley [CFriedley@twinbutteenergy.com]
Sent: Tuesday, September 30, 2008 4:21 PM
To: Lawrence Jonker
Cc: Greg Hodgson
Subject: Sawn Lake 1-35-90-13W5

Hi Lawrence,

As discussed over the phone, we are requesting a change to the proposed plan at Sawn 1-35-90-13W5. The previously discussed plan of cementing the 114mm string of casing from the existing liner top (~1246 m) to surface appears to be unachievable at this time.

After removing the failed casing patch, work was begun to polish the liner top in preparation for running in the 114mm liner to surface. During this operation no circulation could be achieved with returns to surface. At this point it was decided to attempt a small cement squeeze. Sanjel recommended a plan of pumping in a small volume (~8 m3) to try and achieve at least a minor reduction in feed rate to the formation. 10 t of Expandomix + 1800 kg/m3 was pumped at 0.7m3/min @ 1 MPa. After six hours circulation was attempted without success. Both Sanjel and Schlumberger were consulted about options with cementing.

At this time if cementing off the Wabamun appears to have a small chance of success. Currently the well doesn't have a surface casing vent flow issue. This would indicate that if casing integrity is restored there will continue to be no SCVF issue. A number of options for restoring casing integrity were discussed internally today.

At this point the best move appears to be to install the 114mm casing (which is ready and on site). Once the casing is installed the options that we are considering are as follows:

1. Run in with the 114mm casing and **not** cement it into place. Inhibited fluid would be circulated into the annulus although it is unlikely any would get above the failure in the 177 mm string. This option basically leaves the well in the same position it was with the previous casing patch in place but with access to the annulus from the surface. It could be perforated at the bottom and a cement job performed later (or at abandonment), or could be removed and replaced relatively easily if further corrosion issues are encountered
2. Run in with the 114mm casing and cement it into place. It is expected that there will be poor if any cement above the casing failure at 706-712 m. Following the initial cement job a second job could be pumped from surface down the annulus between the 114mm and 177mm casing strings. After reviewing the results of the first cement squeeze it appears there may be little chance of success of getting good isolation between casing strings above the failure in the 177 mm.

reverse circulating

If the Wabamun formation water is in contact with the outside of the 114mm casing, there is risk that corrosion will take place. If there is no cement above that point, the casing could be cut, removed and replaced. If the liner is not cemented it would be possible to remove and replace the entire liner. With cement above the any future failure, the repair job may be a little more difficult. We believe there are advantages to both options, but an uncemented liner leaves more options for repair and ultimately abandonment in the future.

Please let us know how you would like us to proceed to repair this casing failure. We have operations on stand-by until we have heard back from you. I will be in the field on Wednesday and Thursday but should be available on cell most of the time. If you are unable to get a hold of me, please call Greg Hodgson, VP of Production and Operations, at 403-215-2047 (office) or 403-861-1219 (cell).

Best Regards,

Chris Friedley, P.Eng.
Production Engineer
Twin Butte Energy Ltd.

Direct: (403) 215-2690
Cell: (403) 869-2047
Email: cfriedley@twinbutteenergy.com

10/1/2008

PROOF OF CLAIM

IN THE MATTER OF THE RECEIVERSHIP OF TWIN BUTTE ENERGY LTD. ("Twin Butte")

Regarding the claim of Sutton Energy Ltd. and GeoCap Energy Corporation (the **"Claimant"**)

All notices or correspondence regarding this claim are to be forwarded to the Claimant at the following address:

c/o Miles Davison LLP, 900, 517 – 10th Avenue SW, Calgary, Alberta T2R 0A8

Telephone Number: (403) 266 - 7627
Facsimile Number: (403) 263 - 6840
Email address: panic@milesdavison.com
Attention (Contact Person): Pred Anic

(All future correspondence will be delivered to the designated email address unless the Claimant specifically requests hard copies)

☐ Please provide hard copies of correspondence to the address above.

THIS IS EXHIBIT " F "
Referred to in the Affidavit of
WILLIAM TOBMAN
Sworn before me this 19
day of JULY A.D. 2017

A Commissioner for Oaths
in and for Alberta

DANIEL K. JUKES
Barrister & Solicitor

I, Dan Jukes *(name of Claimant or authorized representative)*, of Sutton Energy Ltd. and GeoCap Energy Corporation *(City, Province or State)*, do hereby certify that:

1. The Claimant has received a Claims Package from the Receiver, and wishes to assert a Claim.

2. I am the Claimant.

   OR

   I am legal counsel _____ *(position/title)* of the Claimant:

3. I have knowledge of all the circumstances connected with the claim referred to in this form.

4. The Claimant states that Twin Butte was at September 1, 2016, and still is, indebted to the Claimant in the sum of CDN $2,040,927.42 *(insert CDN$ value of claim)* as shown by the statement of account attached hereto and marked Schedule "A".

   If the claim is to be reduced by deducting any counterclaim to which the Twin Butte is entitled, or amounts associated with the return of equipment or assets by Twin Butte, please specify.

   The statement of account must specify the evidence in support of the claim including the date and location of the delivery of all services and materials. Any claim for interest must be supported by contractual documentation evidencing the entitlement to interest.

5. A. UNSECURED CLAIM OF $2,040,927.42. That in respect of this claim the Claimant does not hold and has not held any assets as security.

   B. SECURED CLAIM OF $_____. That in respect of this claim the Claimant holds assets valued at $_____ as security, particulars of which are as follows:

Give full particulars of the security, including the date on which the security was given and the value at which the claimant assesses the security together with the basis of valuation, and attach a copy of the security documents as Schedule "B".

C. TRUST CLAIM OF $_____. That in respect of said debt I claim a trust interest in certain of Twin Butte's assets valued at $_____, particulars of which claim and assets are attached.

Give full particulars of the alleged trust, including the date on which the trust arose, the property against which the trust is asserted, and the value at which the claimant assesses the trust property together with the basis of valuation, and attach a copy of all relevant documents as Schedule "C".

6. Other than as already set out herein, the particulars of the undersigned's total Claim against Twin Butte are attached on a separate sheet. – See Schedule "A".

7. Have you acquired this Claim by assignment? ___ Yes X No
(if yes, attach documents evidencing assignment)

8. This Proof of Claim form must be received by the Receiver by no later than 5:00 p.m. (Mountain Time) on June 1, 2017 (or, if you are a Subsequent Creditor within the meaning of the Claims Procedure Order, by the Subsequent Claims Bar Date as that term is defined in the Claims Procedure Order) by either prepaid registered mail, personal delivery, courier, facsimile transmission at the following address:

The Receiver:

FTI Consulting Canada Inc., Court-appointed receiver of Twin Butte Energy Ltd.
Attn: Deryck Helkaa / Dustin Olver
720, 440 2"d Avenue SW
Calgary, AB T2P 5E9
Telephone: (403) 454-6031 / (403) 454-6032
Fax: (403) 232-6116

or by email to Dustin Oliver at dustin.olver@ fticonsulting.com

Failure to file your Proof of Claim and required documentation as directed by 5:00 p.m. on June 1, 2017 (Mountain Time) (or, if you are a Subsequent Creditor within the meaning of the Claims Procedure Order, by the Subsequent Claims Bar Date as that term is defined in the Claims Procedure Order) will result in your Claim being forever barred and you will be prohibited from making or enforcing a Claim against Twin Butte and shall not be entitled to further notice or distribution, if any, and shall not be entitled to participate as a Creditor in these proceedings.

Witness Signature SHANIEK SHAW	Name of Claimant: Sutton Energy Ltd. and GeoCap Energy Corporation Per: [signature] Name: Dan Jukes Title: Legal Counsel (please print)

SCHEDULE "A" TO THE PROOF OF CLAIM OF SUTTON ENERGY LTD. AND GEOCAP ENERGY CORPORATION

Further particulars of the claim of Sutton Energy Ltd. ("Sutton") and GeoCap Energy Corporation ("GeoCap") against Twin Butte Energy Ltd. ("Twin Butte") are set out below under the Executive Summary.

The following additional documents are attached in support of the claimants' claim:

- **TAB 1** - Statement of Claim by GeoCap and Euromax Resources Ltd. against Twin Butte in Court of Queen's Bench Action 1001-06764.

- **TAB 2** – Statement of Defence and Counterclaim filed by Sutton and Penn West Petroleum Ltd. in Court of Queen's Bench Action 1001-02577.

- **TAB 3** – Expert Report of Kenneth Richard Bissett dated December 9, 2015 (the "Bissett Report"), which establishes liability on the part of Twin Butte Energy Ltd ("Twin Butte").

- **TAB 4** – Expert Report of GLJ Petroleum Consultants dated May 30, 2017 (the "GLJ Report") providing reserve values incorporated in the quantification of claim.

- **TAB 5** – Documents supporting cost of new well

- **TAB 6** – Documents supporting expert expenses

EXECUTIVE SUMMARY

Background

Sutton and GeoCap are oil and gas exploration and production companies operating in Alberta and incorporated under Alberta's *Business Corporations Act.*

Pursuant to a Participation Agreement, GeoCap, Sutton, Twin Butte, and two other parties (Penn West Petroleum Ltd. ("Penn West") and Euromax Resources Ltd. ("Euromax")) were working interest owners in a natural gas well known as Sawn Lake 102/01-35-090-13W5M (the "1-35 Well").

GeoCap and Sutton each hold a 25% interest in the 1-35 Well, while Twin Butte owns a 20% interest. Twin Butte agreed to be appointed Operator under the Participation Agreement.

In approximately August, 2008, an issue arose at the 1-35 Well due to fluid accumulating in the well. As will be described in greater detail below, Twin Butte attempted to remedy the fluid accumulation by injecting high pressure gas down the annulus between the tubing and production casing (these actions are hereinafter referred to as the "Unloading Procedure").

As the Bissett Report confirms, the Unloading Procedure was reckless, unnecessary, and a marked departure from the conduct expected of a prudent operator in the circumstances. Twin Butte undertook this course of action without any consultation with its working interest partners.

After the actions taken resulted in a dangerously high flow of natural gas, methanol and produced water from the surface casing vent, Twin Butte proceeded to mislead its working interest partners and the ERCB (as it was then known) about what it had done in an attempt to cover up its grossly negligent actions.

Twin Butte compounded the problem by embarking on a remedial program to address the surface casing vent flow (namely cementing and re-drilling) that was unnecessary and which ultimately failed. Had Twin Butte advised its working interest partners and the ERCB of the true cause of the vent flow (i.e. the Unloading Procedure), a different and far less costly remedial action could have been undertaken.

The unnecessary remedial action, which cost nearly $1 million, failed due to problems encountered during the operation, with the result that the 1-35 Well was rendered inoperable and incapable of further production.

As a result of Twin Butte's actions, GeoCap and Euromax commenced an action against Twin Butte on May 6, 2010. In a related action commenced a few months earlier, Twin Butte filed a Statement of Claim against Sutton and Penn West for payment of their share of expenses in relation to the Unloading Procedure and subsequent unnecessary remedial actions. Sutton and Penn West defended and counterclaimed on the basis of Twin Butte's gross negligence and breach of its duties as Operator.

The two court actions were consolidated under Court of Queen's Bench Action 1001-02577 by Order of the Honourable Justice Hawco on June 4, 2010. The matter proceeded through Questioning until the stay of proceedings was imposed by the Receivership Order. Copies of Questioning transcripts are available upon request.

- *History of 1-35 Well*

The following is a brief summary of the well history. Greater details on the well history can be found at section 2.1 (p.11) and section 3.0 (p.21) of the Bissett Report.

As detailed further under the Quantum of Damages section below, the 1-35 Well was drilled in December 2002 and production began in December 2003. It was connected to a gas plant,

compression facility and a pipeline, and continued to produce consistently until just before August 2008 when the Unloading Procedure was conducted.

In approximately August, 2008, the 1-35 Well loaded with fluid. This was a normal occurrence in the past in part due to the associated condensate and water production. Previous successful remedial response was routine on the basis of conventionally swabbing the well (using a swabbing unit or service rig).

In addition, there had been an incident of corrosion in the 1-35 Well's casing, and a patch had been installed to seal the casing. The liner patch constituted a "weak link" in terms of future operations.

On July 29, 2008, the natural gas compressor shut down as a result of "low gas flow", and an automated message was relayed to Twin Butte's contract field operator, Mr. Juneau. Twin Butte ultimately concluded that the problem was the wellbore becoming loaded with formation fluid.

On the recommendation of Mr. Juneau, Twin Butte made the decision to try the Unloading Procedure.

Particulars of Gross Negligence of Twin Butte

The Bissett Report stands as a stark indictment of Twin Butte's conduct in this matter, and should be referenced for a detailed account of what was done, whether it conformed to proper practice, and what alternatives should have been employed. Consequently, the paragraphs below serve only to highlight some of the key facts.

Mr. Juneau was a relatively inexperienced operator with little or no down-hole or high pressure experience. The Bissett Report confirms that Mr. Juneau did not have the credentials to carry out the Unloading Procedure. Despite this, Twin Butte's Production Engineer (Mr. Friedley) and Vice-President Operations (Mr. Hodgson) gave him approval to proceed, without providing Mr. Juneau with a Workover Program (as is required by ERCB regulations) nor did Twin Butte provide any support or safety personnel to the site. None of the working interest partners were consulted with respect to this proposed plan, which was "definitely not an industry standard" according to the Bissett Report (p.51).

Twin Butte provided this approval without performing any of the elementary engineering calculations that would have been expected of a prudent operator. Had these basic calculations been done, it would have been obvious that the Unloading Procedure was doomed to fail, as the pressure required to successfully unload the well could not be achieved. In the words of Mr. Bissett, this constituted a "careless and ill-fated oversight which ultimately led to the ruination of the well…In essence, this [Unloading Procedure] technique was reckless, irresponsible and had no hope of reinstating gas production." (p.14, p.55).

It is also apparent that Twin Butte paid no attention to the pressure limitations caused by the presence of the casing patch. In fact, Twin Butte had not even made their contract operator, Mr. Juneau, aware of the existence of the casing patch. It appears nobody bothered to review the well file before proceeding with the Unloading Procedure.

In short, Twin Butte embarked upon a highly unorthodox and doomed-to-fail remedy (the Unloading Procedure) on the recommendation of an unqualified individual without performing even the most basic engineering calculations or considering the consequences of pressure on the casing patch. Furthermore, they gave the go-ahead for this operation in flagrant violation of basic occupational health and safety and ERCB regulations (see pp. 15 – 20 of the Bissett Report).

As concluded in the Bissett Report, Twin Butte appeared to be "winging it in terms of the [Unloading Procedure]. They merely took the suggestion of an inexperienced Contract Operator (Juneau) and allowed him to 'give it a go' without considering prerequisite requirements and possible consequences for their actions." (p.16).

The obvious and correct solution to the fluid issue would have been to bring in a service unit to swab the well (which was successful in the past). Mr. Juneau indicated in his Questioning that Twin Butte wanted to try the cheapest way first before bringing in expensive trucks.

As a result of the Unloading Procedure, the casing patch was breached and contaminated formation water/natural gas and methanol escaped through the surface casing vent. A surface casing vent flow is considered a serious issue, and was accordingly reported to the ERCB.

However, Twin Butte never disclosed to its working interest partners or the ERCB that the vent flow had resulted from the Unloading Procedure. In fact, Twin Butte not only failed to disclose, but knowingly lied, suggesting the patch may have failed due to corrosion. The true facts were only uncovered when one of the working interest owners reviewed Twin Butte's internal documentation early in the following year (2009), over 5 months later.

Twin Butte also claimed after the fact that a swabbing truck was not the chosen option because conditions were too wet, but these statements have been shown to be incredulous and not supported by the evidence given by Mr. Juneau in his Questioning.

Had Twin Butte communicated in the manner expected and required of them, it would have been apparent that the breach of the casing patch was caused by exposure to high pressure gas and not the conveniently made up contention that it was caused by external casing corrosion. Had this been known, a simple replacement of the casing patch would have sufficed and the 1-35 Well would still be producing today.

In the absence of proper information that would have identified exposure to high pressure as the cause of the casing patch breach, Twin Butte worked with the ERCB to develop a workover plan that was inappropriate given the true cause of the breach. Twin Butte never consulted with

working interest partners regarding their plans to remedy the issue. They simply issued an authorization for expenditures (AFE) to the partners on an "information only" basis under the pretense that partner approval was not required due to regulatory compulsion.

Issues arose during the drilling involved in the workover plan, resulting in the ruination of the well. The Bissett Report confirms that if a camera had been run down the well rather than blindly running a Chevron blade drag bit, much of the damage could have been avoided. However, ultimately it was Twin Butte's desire to cover up their grossly negligent conduct that led to the workover plan to start with.

Quantum of Damages

The GLJ Report is attached at Tab 4 setting out the reserve value attributable to the interests of GeoCap and Sutton.

As a result of Twin Butte's gross negligence and breach of their obligations as operator, the 1-35 Well was rendered inoperable. Accordingly, the reserves that were to be produced by the 1-35 Well can no longer be accessed without drilling a new well at a prohibitive cost (see below).

But for the actions of Twin Butte, the 1-35 Well would have continued to produce and GeoCap and Sutton would have received their proportionate share of profits (attributable to their combined 50% working interest) from the production. Sutton and GeoCap have therefore suffered damages equivalent to their share of historical production value to date plus the forecast value thereafter.

As noted in the summary to the historical portion of the GLJ Report (p.8), the historical reserve value (which represents value net of normal production and abandonment costs, etc.) for the interests of Sutton and GeoCap at an undiscounted value equates to $1,092,000 from August 2008 through May 31, 2017.

Forecast reserve values thereafter are $501,000 based upon an 8% discounted value on proved plus probable reserves (see summary at p.25 of the GLJ Report).

Lost profit due to Twin Butte's gross negligence and breach of its duties as operator therefore totals $1,593,000.

Please note that while a discounted value was applied to the forecast portion, no escalation factor was applied to the historical cash flow to adjust for the reference date of August 2008 to current.

The Claimants also wish to note that there is no mitigation value attributable to the ongoing interest in these reserves, as the cost to place the reserves back on production is prohibitive and uneconomic. A new well would need to be drilled and completed in order to resume production. In accordance with the more detailed figures attached at Tab 5, these costs are estimated as follows:

(i) Drilling of new well	$1,040,110
(ii) Completion	$ 152,175
(iii) Re-certify facilities (gas plant) and pipeline	$ 350,000
(iv) Additional estimated abandonment costs for second well	$ 100,000
TOTAL	$1,642,285

The drilling and completion estimates are third party estimates completed by Gary Gwartney, a Drilling and Completions Engineer with Veracity Energy Services Ltd. ("Veracity"), and the re-certification estimates were provided by Roger Moore, who is the President of Veracity. Additional backup documents can be obtained from Veracity and provided upon request.

In addition to the production losses, the actions of Twin Butte have significantly increased the abandonment liability associated with the 1-35 Well. Had Twin Butte not conducted the Unloading Procedure which ultimately led to the ruination of the 1-35 Well, Sutton and GeoCap would have been responsible for their working interest share of the costs to conduct a conventional abandonment of a well. These costs have already been included in the Forecast Section of the GLJ Report (bottom of page 38 under "Abnd. & Recl. Costs"). Given that the value of the claim has already been reduced to account for the abandonment of a well, Sutton and GeoCap should be insulated from their net share of costs to abandon the 1-35 Well.

Under normal circumstances, cost estimates (AER) to abandon a well in the Sawn area are approximately $70,000 – 100,000 ($78,866 is the current AER estimate for the 1-35 Well). However, because of the vent flow issue, Twin Butte has caused the abandonment of the 1-35 Well to be far more complicated. According to estimates published by AER, an additional $169,309 is the average incremental cost associated with properly abandoning a well that has a surface casing vent flow and/or cement integrity issues. Half (50%) of these abandonment costs ($124,088) will fall on the shoulders of Sutton and GeoCap. It should be noted that this likely represents the minimum claim possible for the extra abandonment costs, as actual abandonment costs could be much higher. Sutton and GeoCap reserve their right to revise the portion of the claim with respect to abandonment costs if more precise estimates or actual costs become available prior to the acceptance of their claim by the Receiver or Court.

In addition to the damages claims described above, Sutton and GeoCap claim the following costs and expenses:

- Expert fees for Bissett Resource Consultants Ltd. in the sum of $134,830.25 excluding GST
- Expert fees for the GLJ Report in approximate sum of $7,000 excluding GST (claimants are still awaiting invoice and will provide the same upon receipt).
- Legal Fees and disbursements on a solicitor and his own client (full indemnity basis) in the sum of $100,023.16 (exclusive of GST and including unbilled WIP to May 30, 2017).

- Pre-Judgment Interest based on damages of $1,092,000 totaling: $81,986.01, calculated as follows:

Amount		Interest Rate		Total Interest	# of Days in year		Per Diem		Days		Total Judgment Interest
$1,092,000.00	x	0.00825	=	9009	/ 365 day	x	24.68219	x	25	=	$617.05
$1,092,000.00	x	0.00825	=	9009	/ 365 day	x	24.68219	x	214	=	$5,281.99
$1,092,000.00	x	0.0185	=	20202	/ 365 day	x	55.34795	x	365	=	$20,202.00
$1,092,000.00	x	0.012	=	13104	/ 365 day	x	35.90137	x	365	=	$13,104.00
$1,092,000.00	x	0.014	=	15288	/ 365 day	x	41.88493	x	365	=	$15,288.00
$1,092,000.00	x	0.011	=	12012	/ 365 day	x	32.90959	x	365	=	$12,012.00
$1,092,000.00	x	0.0105	=	11466	/ 365 day	x	31.4137	x	365	=	$11,466.00
$1,092,000.00	x	0.0055	=	6006	/ 365 day	x	16.45479	x	244	=	$4,014.97
									2308		**$81,986.01**

The quantum of the claim of Sutton and GeoCap can therefore be summarized as follows:

Lost value of GeoCap and Sutton share of reserves	1,593,000.00
Abandonment Costs	124,088.00
Damages Subtotal:	**1,717,088.00**
Expert Fees Bissett	134,830.25
Expert Fees GLJ	7,000.00
Legal Fees and Disbursments	100,023.16

Expert and Legal Subtotal	**241,853.41**
Pre-Judgment Interest (calcualted on $1,092,000)	81,986.01
TOTAL CLAIM	**2,040,927.42**

Thank you for your consideration. If you require any further documents or information in order to assess the Proof of Claim of Sutton and GeoCap, please do not hesitate to contact counsel.

Action No. 1001-06764

IN THE COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL DISTRICT OF CALGARY

BETWEEN:

GEOCAP ENERGY CORPORATION and EUROMAX RESOURCES LTD.

Plaintiffs

- and -

TWIN BUTTE ENERGY LTD.

Defendant

STATEMENT OF CLAIM

1. The Plaintiff, Geocap Energy Corporation ("GeoCap"), is a corporation registered pursuant to the laws of Alberta.

2. The Plaintiff, Euromax Resources Ltd. ("EurOmax"), is a corporation registered pursuant to the laws of British Columbia and extra-provincially registered in Alberta.

3. The Defendant, Twin Butte Energy Ltd. ("Twin Butte"), is a corporation registered pursuant to the laws of Alberta.

4. The Plaintiffs and Defendant are parties to an agreement entitled "Participation Agreement Sawn Lake Area, Alberta" dated December 4, 2002, (the "Participation Agreement").

5. Pursuant to the terms of the Participation Agreement, at all material times the Plaintiffs and Defendant were each working interest owners in a natural gas well known as Sawn Lake 102/01-35-090-13W5M (the "1-35 Well").

6. Pursuant to the terms of the Participation Agreement, the beneficial working interest owners and their respective ownership interests in the 1-35 Well were the following:

(a)	Twin Butte Energy Ltd.	20%
(b)	Penn West Petroleum Ltd.	25%
(c)	Sutton Energy Ltd.	25%
(d)	GeoCap Energy Corporation	25%
(e)	EurOmax Resources Ltd.	5%

7. It was well known to Twin Butte and Twin Butte acted at all material times on the basis that the beneficial working interest owners and their respective ownership interests in the 1-35 Well were as set out in the preceding paragraph.

8. Twin Butte was at the material time the operator of the 1-35 Well under the Participation Agreement (the "Operator") and Twin Butte, as Operator, owed contractual, fiduciary and other duties to the working interest owners, including the Plaintiffs, which duties included but were not limited to the following:

(a) those duties and responsibilities as set out in the provisions of the 1990 Canadian Association of Petroleum Landmen Operating Procedure (the "1990 CAPL Operating Procedure") the terms of which were incorporated into the Participation Agreement;

(b) to operate the 1-35 Well in a reasonable and prudent fashion and in the interests of all of the working interest owners, including the Plaintiffs;

(c) to perform any work on or in connection to the 1-35 Well in a reasonable, safe and diligent fashion and in accordance with good engineering practice and accepted industry standards;

(d) to expressly refrain from any action or perform any work to or in connection with the 1-35 Well that poses serious risk:

(i) to the safety of any person working on the 1-35 Well;

(ii) to the safety of any person in the vicinity of the 1-35 Well;

(iii) of harm to the environment; or

(iv) of harm or damage to the 1-35 Well;

(e) to provide full, complete and timely information as to the operations of the 1-35 Well to the working interest owners, including the Plaintiffs;

(f) to account to all working interest owners, including the Plaintiffs, for all revenues derived from and expenditures incurred in connection with the 1-35 Well;

(g) to not incur nor commit any expenditures in excess of $25,000 on behalf of the working interest owners without the express written authorization of the working interest owners;

(h) to promptly advise the working interest owners, including the Plaintiffs, of the nature of any event or regulatory requirement necessitating the Operator to incur an expenditure without obtaining the approval for expenditure of the working interest owners and to promptly advise of the anticipated cost associated with such action; and

(i) such other duties as may be established at trial.

9. Immediately prior to August 24, 2008, Twin Butte wrongfully attempted to remove fluid from the 1-35 Well by injecting high pressure natural gas through the annulus between the tubing and production casing in an effort to lift the liquid through the tubing to surface and allow the natural gas to flow (such actions being referred to hereinafter as "Unloading the 1-35 Well") thereby causing a surface casing vent flow. Twin Butte's actions as described were in direct breach of the duties owed to the working interest owners, including the Plaintiffs, in that:

(a) Twin Butte knew or ought to have known that the 1-35 Well had previously undergone a casing repair and that the 1-35 Well was equipped with a casing patch;

(b) Twin Butte knew or ought to have known that its procedure for Unloading the 1-35 Well would never have worked given the depth of the 1-35 Well and the pressure that would have been required to Unload the 1-35 Well;

(c) Twin Butte knew or ought to have known that its procedure for Unloading the 1-35 Well was not accepted standard practice in any circumstance, especially in the case of a well equipped with a casing patch;

(d) Twin Butte knew or ought to have known that its procedure for Unloading the 1-35 Well constituted a serious risk to the life and safety of its workers undertaking the procedure;

(e) Twin Butte knew or ought to have known that its procedure for Unloading the 1-35 Well constituted a serious risk to the life and safety of any person in the vicinity of the 1-35 Well;

(f) Twin Butte knew or ought to have known that its procedure for Unloading the 1-35 Well constituted serious risk or harm to the environment;

(g) Twin Butte knew or ought to have known that its procedure for Unloading the 1-35 Well constituted serious risk to the future productive life and viability of 1-35 Well itself; and

(h) Twin Butte knew or ought to have known that its procedure for Unloading the 1-35 Well constituted serious risk of harm and damage to the working interest owners.

10. The actions undertaken by Twin Butte were not undertaken out of necessity or for the benefit of the working interest owners. Instead, the Plaintiffs state that Twin Butte further breached its duties to the working interest owners, including the Plaintiffs, in Twin Butte's assessment of the need for the repair work having regard to all of the circumstances and specifically the following:

(a) Twin Butte was fully aware that the 1-35 Well never had a surface casing vent flow history;

(b) Twin Butte was fully aware that prior to any surface casing vent flow appearing, its workers had injected high pressure gas down the annulus of the 1-35 Well which was equipped with a casing patch;

(c) Twin Butte either knew or failed to recognize that the injected high pressure gas was the actual cause of the surface casing vent flow;

(d) Twin Butte failed to critically assess the surface casing vent flow and misdiagnosed a failed casing patch;

(e) Twin Butte performed unnecessary repairs and operations; and

(f) Twin Butte failed to advise the working interest owners of any of its wrongful actions leaving them to wrongly believe that there was in fact a surface casing vent flow issue in need of emergency repair.

11. Ultimately, Twin Butte did not respond in a prudent technical way and in such a manner as to reduce unnecessary downhole operations and to return the 1-35 Well to production at minimum cost and with minimum delay but instead was grossly negligent in its conduct.

12. Twin Butte breached its duties to the working interest owners, including the Plaintiffs, was grossly negligent, and misled the working interest owners, including the Plaintiffs, in the following manner:

(a) By failing to initially disclose the fact that Twin Butte injected high pressure natural gas through the annulus between tubing and production casing on August 24, 2008, causing a surface casing vent flow; and

(b) By representing that the certain repairs being undertaken were required for regulatory compliance, even after the surface casing vent flow dissipated and Twin Butte knew that the surface casing vent flow had been downgraded to "Non-Serious" and would only require annual monitoring and reporting to the ERCB.

13. Twin Butte, as Operator, breached both its fiduciary duties and its duties to the working interest owners, including the Plaintiffs, under the Participation Agreement and the 1990 CAPL Operating Procedure, in conducting operations in a grossly negligent manner, failing to seek proper authority for expenditures on the 1-35 Well and in failing to keep the working interest owners informed of the operations in respect of such well.

14. Twin Butte first acted unreasonably, imprudently and dangerously in Unloading the 1-35 Well, and then, unreasonably, imprudently and without providing the working interest owners with full and complete information, directed authorization for expenditure for operations to the 1-35 Well which were neither warranted nor necessary. Twin Butte conducted such operations in a manner that was far from consistent with the actions of a good and prudent operator.

15. But for Twin Butte's breach of its duties owed to the Plaintiffs and Twin Butte's gross negligence in wrongfully injecting high pressure gas into the 1-35 Well and its conduct thereafter, the 1-35 Well would still have been capable of production and would still have been producing and generating revenue for the working interest owners, including the Plaintiffs.

16. As a result of Twin Butte's breach of its duties and its gross negligence, the working interest owners, including the Plaintiffs, suffered damages including:

(a) loss of the 1-35 Well and all costs incurred to drill and equip the Well;
(b) loss of production and revenue from the 1-35 Well;
(c) the costs to be incurred to drill a well to replace the 1-35 Well;
(d) the costs to abandon the 1-35 Well; and
(e) such further damages and losses as may be proven at trial.

17. The Plaintiff proposes that the trial of the within action be held at the Court House in Calgary, Alberta.

18. The Plaintiff further states that the trial of the within action will not exceed 25 days of trial time.

WHEREFORE THE PLAINTIFFS CLAIMS AGAINST THE DEFENDANT ON A JOINT AND SEVERAL BASIS:

(a) Damages in the sum of $1,440,000.00 representing the loss of the 1-35 Well and all costs incurred to drill and equip the Well;

(b) Damages in the sum of $900,000.00 representing loss of production and revenue of from the 1-35 Well;

(c) Damages in the sum of $750,000.00 representing the cost to drill a well to replace the 1-35 Well;

(d) Damages in the sum of $60,000.00 representing the costs to abandon the 1-35 Well;

(e) Such other damages and losses as may be proven at trial;

(f) Interest pursuant to the Judgment Interest Act, R.S.A. 2000, c.J-1 and amendments thereto and regulations thereunder;

(g) Costs; and

(h) Such further and other relief as this Honorable Court may deem necessary.

DATED at the City of Calgary, in the Province of Alberta, this 6th day of May, 2010; AND DELIVERED BY Messrs. FLEMING LLP, Barristers and Solicitors, Solicitors for the Plaintiff, whose address for service is in care of the said solicitors at 900, 926 - 5th Avenue SW, Calgary, Alberta, T2P 0N7, Attention: Predrag Anic, tel: (403) 266-7627.

ISSUED out of the office of the Clerk of the Court of Queen's Bench of Alberta, Judicial District of Calgary, this 6 day of May, 2010.

K. MCAUSLAND COURT SEAL

CLERK OF THE COURT

NOTICE TO THE DEFENDANT

TO:

TWIN BUTTE ENERGY LTD.

You have been sued. You are the Defendant. You have only 15 days to file and serve a Statement of Defence or Demand of Notice. You or your lawyer must file your Statement of Defence or Demand of Notice in the office of the Clerk of the Court of Queen's Bench of Alberta in Calgary, Alberta. You or your lawyer must also leave a copy of your Statement of Defence or Demand of Notice at the address for service of the Plaintiff named in this Statement of Claim.

WARNING: If you do not do both things within 15 days, you may automatically lose the lawsuit. The Plaintiff may get a Court judgment against you if you do not file or do not give a copy to the Plaintiff, or do either thing late.

The Statement of Claim is filed by

FLEMING LLP

Solicitors for the Plaintiff, who resides at Calgary, Alberta and whose address for service is in care of the said Solicitors.

The Defendant, insofar as is known to the Plaintiff, reside in Calgary, Alberta.

No. 1001-06764 A.D. **2010**

IN THE COURT OF QUEEN'S BENCH
OF ALBERTA
JUDICIAL DISTRICT OF CALGARY

BETWEEN:

GEOCAP ENERGY CORPORATION and EUROMAX RESOURCES LTD.
Plaintiffs

- and -

TWIN BUTTE ENERGY LTD.
Defendant

STATEMENT OF CLAIM

FLEMING LLP
Barristers & Solicitors
900, 926 – 5th Avenue SW
Calgary, Alberta T2P 0N7
Phone: (403) 266-5550 (main)
(403) 266-7627 (direct)
Fax: (403) 265-6910
Attn: Predrag Anic
File #35841PA

Action No. 1001-02577

IN THE COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL DISTRICT OF CALGARY

BETWEEN:

TWIN BUTTE ENERGY LTD.

Plaintiff

- and -

SUTTON ENERGY LTD. and PENN WEST PETROLEUM LTD.

Defendants

STATEMENT OF DEFENCE

1. The Defendants, Sutton Energy Ltd. ("Sutton") and Penn West Petroleum Ltd. ("Penn West"), deny the allegations contained in the Statement of Claim except those admitted herein.

2. The Defendants admit the allegations set out in paragraphs 1 to 3 of the Statement of Claim.

3. In response to paragraphs 4 and 5 of the Statement of Claim, the Defendants admit the existence and validity of the Participation Agreement. The Defendants further admit that the Defendants and the Plaintiff, Twin Butte Energy Ltd. ("Twin Butte"), were working interest owners in a natural gas well known as Sawn Lake 102/01-35-090-13W5M (the "1-35 Well") but deny that any amounts are due or owing by the Defendants, or either of them, to Twin Butte under the Participation Agreement or otherwise.

4. In response to paragraph 6 of the Statement of Claim, the Defendants state, and it was well known to Twin Butte and Twin Butte acted at all material times, that under the terms of the Participation Agreement, the beneficial working interest owners and their respective ownership interests in the 1-35 Well were the following:

(a) Twin Butte 20%

(b)	Penn West	25%
(c)	Sutton	25%
(d)	GeoCap Energy Corporation	25%
(e)	EurOmax Resources Ltd.	5%

5. In response to paragraph 7 of the Statement of Claim, the Defendants admit that Twin Butte was at the material time the operator of the 1-35 Well under the Participation Agreement (the "Operator") and further state that Twin Butte, as Operator, owed contractual, fiduciary and other duties to the working interest owners, including the Defendants, which duties included but were not limited to the following:

(a) those duties and responsibilities as set out in the provisions of the 1990 Canadian Association of Petroleum Landmen Operating Procedure (the "1990 CAPL Operating Procedure") the terms of which were incorporated into the Participation Agreement;

(b) to operate the 1-35 Well in a reasonable and prudent fashion and in the interests of all of the working interest owners, including the Defendants;

(c) to perform any work on or in connection to the 1-35 Well in a reasonable, safe and diligent fashion and in accordance with good engineering practice and accepted industry standards;

(d) to expressly refrain from any action or perform any work to or in connection with the 1-35 Well that poses serious risk:

(i) to the safety of any person working on the 1-35 Well;

(ii) to the safety of any person in the vicinity of the 1-35 Well,

(iii) of harm to the environment; or

(iv) of harm or damage to the 1-35 Well;

(e) to provide full, complete and timely information as to the operations of the 1-35 Well to the working interest owners, including the Defendants;

(f) to account to all working interest owners, including the Defendants, for all revenues derived from and expenditures incurred in connection with the 1-35 Well;

(g) to not incur nor commit any expenditures in excess of $25,000 on behalf of the working interest owners without the express written authorization of the working interest owners;

(h) to promptly advise the working interest owners, including the Defendants, of the nature of any event or regulatory requirement necessitating the Operator to incur an expenditure without obtaining the approval for expenditure of the working interest owners and to promptly advise of the anticipated cost associated with such action; and

(i) such other duties as may be established at trial.

6. In response to paragraph 8 of the Statement of Claim, the Defendants state that the alleged surface casing vent flow and the alleged casing failure at the 1-35 Well, was the direct, obvious and foreseeable result of wrongful actions taken by Twin Butte immediately prior to August 24, 2008, those actions specifically being the attempt by Twin Butte to empty the 1-35 Well of any liquids in the 1-35 Well by injecting high pressure natural gas through the annulus between the tubing and production casing in an effort to lift the liquid through the tubing to surface and allow the natural gas to flow (such actions being referred to hereinafter as "Unloading the 1-35 Well"). Twin Butte's actions as described were in direct breach of the duties owed to the working interest owners, including the Defendants, in that:

(a) Twin Butte knew or ought to have known that the 1-35 Well had previously undergone a casing repair and that the 1-35 Well was equipped with a casing patch;

(b) Twin Butte knew or ought to have known that its procedure for Unloading the 1-35 Well would never have worked given the depth of the 1-35 Well and the pressure that would have been required to Unload the 1-35 Well;

(c) Twin Butte knew or ought to have known that its procedure for Unloading the 1-35 Well was not accepted standard practice in any circumstance, especially in the case of a well equipped with a casing patch;

(d) Twin Butte knew or ought to have known that its procedure for Unloading the 1-35 Well constituted a serious risk to the life and safety of its workers undertaking the procedure;

(e) Twin Butte knew or ought to have known that its procedure for Unloading the 1-35 Well constituted a serious risk to the life and safety of any person in the vicinity of the 1-35 Well;

(f) Twin Butte knew or ought to have known that its procedure for Unloading the 1-35 Well constituted serious risk of harm to the environment;

(g) Twin Butte knew or ought to have known that its procedure for Unloading the 1-35 Well constituted serious risk to the future life and viability of 1-35 Well itself; and

(h) Twin Butte knew or ought to have known that its procedure for Unloading the 1-35 Well constituted serious risk of harm and damage to the working interest owners.

7. In further response to paragraph 8 of the Statement of Claim, the Defendants state that the repairs undertaken by Twin Butte were not undertaken out of necessity or for the benefit of the working interest owners. Instead, the Defendants state that Twin Butte further breached its duties to the working interest owners, including the Defendants, in Twin Butte's assessment of the need for the repair work having regard to all of the circumstances and specifically the following:

(a) Twin Butte was fully aware that the 1-35 Well never had a surface casing vent flow history;

(b) Twin Butte was fully aware that prior to any surface casing vent flow appearing, its workers had injected high pressure gas down the annulus of the 1-35 Well which was equipped with a casing patch;

(c) Twin Butte either knew or failed to recognize that the injected high pressure gas was the actual cause of the surface casing vent flow;

(d) Twin Butte failed to critically assess the surface casing vent flow and misdiagnosed a failed casing patch;

(e) Twin Butte performed unnecessary repairs and operations; and

(f) Twin Butte failed to advise the working interest owners of any of its wrongful actions leaving them to wrongly believe that there was in fact a surface casing vent flow issue in need of emergency repair.

8. Ultimately, the Defendants state and the fact is that Twin Butte did not respond in a prudent technical way and in such a manner as to reduce unnecessary downhole operations and to return the 1-35 Well to production at minimum cost and with minimum delay but instead was grossly negligent in its conduct and is not entitled as such to any recovery from the Defendants, or other working interest owners, for the expenditures claimed to have been incurred on the 1-35 Well.

9. In specific response to paragraphs 10 and 11 of the Statement of Claim, the Defendants state that these charges claimed by Twin Butte also arise from and are connected with the gross negligence of Twin Butte and the breach of Twin Butte's duties to the working interest owners and the Defendants deny any liability to Twin Butte for or in respect of the compressor.

10. In response to the entirety of the Statement of Claim, the Defendants expressly deny that either AFE #08W008 or AFE #09F003 were properly issued and further state that the working interest owners, including the Defendants, were not properly advised of the actual circumstances giving rise to these AFE's. More specifically, Twin Butte further breached its duties to the working interest owners, including the Defendants, was grossly negligent and misled the working interest owners, including the Defendants, in the following manner:

(a) By failing to disclose in advance of the expenditure of the claimed funds the fact that Twin Butte injected high pressure natural gas through the annulus between

tubing and production casing on August 24, 2008, causing a surface casing vent flow; and

(b) By representing that the certain repairs being undertaken were required for regulatory compliance, even after the surface casing vent flow dissipated and Twin Butte knew that the surface casing vent flow had been downgraded to "Non-Serious" and would only require annual monitoring and reporting to the ERCB.

11. In response to the entirety of the Statement of Claim, the Defendants expressly deny that AFE #08W008 or AFE # 09F003 were accurate, properly issued or valid and further deny that any expenses incurred by Twin Butte under AFE #08W008 and AFE #09F003 were properly incurred for the joint account pursuant to the terms of the Participation Agreement or otherwise.

12. In response to the entirety of the Statement of Claim, the Defendants state that they did not grant authorization for expenditures related to either AFE #08W008 or AFE #09F003, or alternatively, if authorization was granted it was given as a result of false and misleading information given to the Defendants by Twin Butte or by the concealment of relevant and material information from the Defendants by Twin Butte.

13. In the alternative, if any part of the expenditures incurred by Twin Butte under AFE#08W008 or AFE#09F003 was properly incurred for the joint account and for the benefit of the working interest owners of the 1-35 Well, those expenditures are to be shared in proportion to the working interests determined by the Participation Agreement as set out in paragraph 4 of this Statement of Defence, and not as alleged in paragraphs 13 and 14 of the Statement of Claim.

14. Furthermore, Penn West has already paid Twin Butte the sum of $219,375.92 towards its share of any amount properly owed to Twin Butte in respect of expenditures under one or both of AFE#08W008 or AFE#09F003.

15. In response to the entirety of the Statement of Claim, the Defendants state that Twin Butte, as Operator, breached both its fiduciary duties and its duties to the working interest owners, including the Defendants, under the Participation Agreement and the 1990 CAPL Operating Procedure, in conducting operations in a grossly negligent manner, failing to seek

proper authority for expenditures on the 1-35 Well and in failing to keep the working interest owners informed of the operations in respect of such well.

16. In response to the entirety of the Statement of Claim, the Defendants expressly deny being indebted to Twin Butte for the amount as alleged or for any amount at all.

17. As a result of Twin Butte's breach of its duties and its gross negligence, the Defendants suffered damages including:

(a) loss of the 1-35 Well and all costs incurred to drill the Well;

(b) loss of production and revenue from the 1-35 Well;

(c) the costs to be incurred to drill a well to replace the 1-35 Well;

(d) the costs to abandon the 1-35 Well; and

(e) such further damages and losses as may be proven at trial

and the Defendants claim that they are entitled to set off their damages against any sum claimed by Twin Butte.

18. In response to paragraphs 13 and 14 of the Statement of Claim, the Defendants state that they have repeatedly requested that Twin Butte provide proper supporting documentation with respect to the operations of the 1-35 Well and the amounts allegedly owed, and Twin Butte has neglected, omitted or refused to do so.

19. In response to paragraph 17 of the Statement of Claim, the Defendants agree with the proposal to have the trial held in Calgary, Alberta and with the estimate that the trial is likely to take less than 25 days.

WHEREFORE THE DEFENDANTS PRAY THAT THE WITHIN ACTION BE DISMISSED AS AGAINST THEM WITH COSTS.

AND BETWEEN:

SUTTON ENERGY LTD. and PENN WEST PETROLEUM LTD.

Plaintiffs by Counterclaim

- and -

TWIN BUTTE ENERGY LTD.

Defendant by Counterclaim

COUNTERCLAIM

20. The Plaintiffs by Counterclaim repeat and adopt the allegations set out in the Statement of Defence as part of this Counterclaim.

21. Further, the Plaintiffs by Counterclaim state that the Defendant by Counterclaim ("Twin Butte") first acted unreasonably, imprudently and dangerously in Unloading the 1-35 Well, and then, unreasonably, imprudently and without providing the working interest owners with full and complete information, directed authorization for expenditure for operations to the 1-35 Well which were neither warranted nor necessary. The Plaintiffs by Counterclaim state that Twin Butte conducted such operations in a manner that was far from consistent with the actions of a good and prudent operator.

22. The Plaintiffs by Counterclaim state that but for Twin Butte's breach of its duties owed to the Plaintiffs by Counterclaim and Twin Butte's gross negligence in wrongfully injecting high pressure gas into the 1-35 Well and its conduct thereafter, the 1-35 Well would still have been capable of production and would still have been producing and generating revenue for the Plaintiffs by Counterclaim.

23. As a result of Twin Butte's conduct described in this Counterclaim and in the Statement of Defence, no amounts were properly owing to Twin Butte in respect of expenditures to repair the 1-35 Well. Accordingly, there was no basis for the payment by the Plaintiff by Counterclaim

Penn West Petroleum Ltd. ("Penn West") towards its share of those expenses and therefore the funds are required to be reimbursed to Penn West. Alternatively, Twin Butte has been enriched by that payment in the amount of $219,375.92, Penn West has been correspondingly deprived, and there is no juristic reason for the enrichment.

24. As a result of Twin Butte's breach of its duties and its gross negligence, the Plaintiffs by Counterclaim suffered damages including:

(a) loss of the 1-35 Well and all costs incurred to drill and equip the Well;

(b) loss of production and revenue from the 1-35 Well;

(c) the costs to be incurred to drill a well to replace the 1-35 Well;

(d) the costs to abandon the 1-35 Well; and

(e) such further damages and losses as may be proven at trial.

WHEREFORE THE PLAINTIFFS BY COUNTERCLAIM CLAIMS AGAINST THE DEFENDANT BY COUNTERCLAIM AS FOLLOWS:

(a) Damages in the sum of $2,400,000.00 representing the loss of the 1-35 Well and all costs incurred to drill and equip the Well;

(b) Damages in the sum of $1,500,000.00 representing loss of production and revenue of from the 1-35 Well;

(a) Damages in the sum of $1,250,000.00 representing the cost to drill a well to replace the 1-35 Well;

(a) Damages in the sum of $100,000.00 representing the costs to abandon the 1-35 Well;

(a) Damages in the sum of $219,735.92 to recover amounts paid by Penn West as its proportionate share of the expenses of repair to the 1-35 Well;

(b) Set-off of any such damages against any amounts properly owing to Twin Butte in the main action;

(c) Such other damages and losses as may be proven at trial;

(a) Interest pursuant to the Judgment Interest Act, R.S.A. 2000, c.J-1 and amendments thereto and regulations thereunder;

(a) Costs; and

(a) Such further and other relief as this Honorable Court may deem necessary.

DATED at the City of Calgary, in the Province of Alberta, this 19 day of ~~February~~ March, 2010; AND DELIVERED BY FLEMING LLP, Barristers and Solicitors, Solicitors for the Defendants/Plaintiffs by Counterclaim, whose address for service is in care of the said solicitors at 900, 926 – 5th Avenue SW, Calgary, Alberta, T2P 0N7 Attention: Predrag Anic.

SUTTON ENERGY LTD.

DRILLING
COST ESTIMATE

WELL NAME:	Sutton Sawn Lake 103 1-35-90-13W5	DATE:	17-Mar-17
LOCATION:	103/01-35-090-13W5M	AFE #:	

ACCOUNT		DRILLING	D&A COSTS	CASING COSTS	TOTAL
		INTANGIBLE DRILLING COSTS			
9310	304	SURVEY- ROAD AND LOCATION	$7,500		$7,500
9310	305	SFC. LEASE ACQ., LAND SERVICES	$1,500		$1,500
9310	310	LEASE & ACCESS ROAD CONSTRUCTION	$20,000		$20,000
9310	311	LICENSES AND PERMITS	$1,500		$1,500
9310	313	CONSTRUCTION SUPERVISION	$6,000		$6,000
9310	314	RIG & CAMP MOVE	$40,000		$40,000
9310	316	CREW TRAVEL, CAMP & SUBSISTENCE			$0
9310	318	CONDUCTOR			$0
9310	320	DRILLING - FOOTAGE			$0
9310	321	DRILLING - TURNKEY			$0
9310	322	DRILLING - DAYWORK	$297,500		$297,500
9310	323	DRILL PIPE & DIRECTIONAL DRILLING			$0
9310	324	DRILL BITS	$20,000		$20,000
9310	326	MUD, MUD EQ. RENTALS & CHEMICALS	$25,000		$25,000
9310	327	DRILL WASTE DISPOSAL, LSWD & ENVIRONMENTAL	$12,500		$12,500
9310	330	SFC CASING & ATTACH	$58,500		$58,500
9310	331	POWER TONGS	$25,000		$25,000
9310	332	INT CASING & ATTACH	$63,250		$63,250
9310	333	CASING BOWL & ATTACH	$20,000		$20,000
9310	334	CEMENT & SERV - SFC/INT	$60,000		$60,000
9310	335	FISHING			$0
9310	336	DST & ANALYSIS			$0
9310	338	LOGGING	$35,000		$35,000
9310	339	GEOLOGICAL SUPERVISION/SUPPLIES	$12,500		$12,500
9310	340	CORING & ANALYSIS			$0
9310	342	EQUIPMENT RENTALS	$65,000		$65,000
9310	344	TRUCKING AND HAULING/VAC TRUCK	$45,000		$45,000
9310	346	BOILER	$25,500		$25,500
9310	347	FUEL	$25,000		$25,000
9310	348	WATER	$3,000		$3,000
9310	349	SAFETY SERVICES	$6,000		$6,000
9310	350	SUNDRY LABOUR COSTS			$0
9310	353	WELLSITE SUPERVISION	$45,000		$45,000
9310	355	OTHER CONTRACT/CONSULTING SERVICES			$0
9310	360	CMT & SERV - ABANDONMENT (+ OR -)			$0
9310	361	ENGINEERING/PROJECT MANAGEMENT	$8,500		$8,500
9310	370	MISCELLANEOUS	$10,000		$10,000
9310	380	INSURANCE			$0
9310	382	CLEAN-UP, RESTORATION, RECLAMATION	$10,000		$10,000
9320	410	CEMENT & SERVICE PRODUCTION CASING		$25,000	$25,000
9320	405	PRODUCTION CASING & ATTACH		$23,500	$23,500
		SUB-TOTAL	$948,750	$48,500	$997,250
9310	391	CONTINGENCY (3%)	$28,463	$1,455	$29,918
9310	362	OVERHEAD 3/2/1	$11,488	$1,455	$12,943
		TOTAL DRY HOLE/CASED COST	$ 988,700	$ 51,410	$ 1,040,110

PREPARED BY:

SUTTON ENERGY LTD.

COMPLETION
COST ESTIMATE

WELL NAME: Sutton Sawn Lake 103 1-35-90-13W5 DATE:
LOCATION: 103/01-35-090-13W5M AFE #:

ACCOUNT CODES		COMPLETION	COSTS		
		INTANGIBLE COMPLETION COSTS	ORIGINAL	REVISIONS	TOTAL WELL
9320	401	SURFACE LEASE, LAND SERV, LEGAL			$0
9320	403	SURVEYING COSTS			$0
9320	405	PRODUCTION CASING & ATTACH (LINER)			$0
9320	407	POWER TONGS			$0
9320	410	CEMENT & SERVICE - CASING			$0
9320	412	SERVICE RIG MOVE	$12,000		$12,000
9320	413	SERVICE RIG-TURNKEY			$0
9320	414	ROAD & LOCATION PREPARATION			$0
9320	415	WATER			$0
9320	420	SERVICE RIG - DAYWORK	$25,000		$25,000
9320	422	PERMANENT DOWNHOLE EQUIPMENT	$2,500		$2,500
9320	423	SLICKLINE+P REC./WIRELINE/CTU + N2 Services			$0
9320	425	LOGGING AND PERFORATING	$7,500		$7,500
9320	426	STIM SERVICES - ACIDIZING & FRAC'ING	$30,000		$30,000
9320	427	PROD TESTING & ANALYSIS	$4,000		$4,000
9320	428	BOILER			$0
9320	429	FUEL			$0
9320	430	EQUIPMENT RENTALS			$0
9320	431	LOAD OIL PURCHASES/RECOVERIES			$0
9320	432	TRUCKING & HAULING	$6,000		$6,000
9320	433	MUD & CHEMICALS			$0
9320	434	CREW TRAVEL & CAMP			$0
9320	435	FISHING (TOOLS & LABOUR)			$0
9320	438	WELLSITE SUPERVISION	$4,500		$4,500
9320	440	ENGINEERING/PROJECT MANAGEMENT	$2,500		$2,500
9320	449	FIRE & SAFETY PROTECTION	$2,500		$2,500
9320	450	MISCELLANEOUS INTANGIBLE COMPLETION COSTS			$0
9320	455	OTHER CONTRACT/CONSULTING SERVICES			$0
9320	471	CLEAN-UP, RESTORATION, RECLAMATION			$0
9320	472	CEMENT & SERVICE - ABANDON			$0
9320	475	WASTE DISPOSAL & ENVIRONMENT			$0
9320	477	COMMUNICATIONS			$0
9320	480	LEGAL & INSURANCE			$0
		SUB-TOTAL:	$96,500	$0	$96,500
9320	491	CONTINGENCY (3%)	$2,895	$0	$2,895
9320	462	OVERHEAD (3,2,1%)	$2,430	$0	$2,430
		TOTAL INTANGIBLE COMPLETION COSTS	101,825	0	101,825
		TANGIBLE COMPLETION COSTS			
9510	504	WELLHEAD ASSEMBLY	$15,000		$15,000
9510	506	PRODUCTION TBG & ATTACHMENTS	$32,500		$32,500
9510	508	MISC VALVES, FITTINGS, METER			$0
9510	520	SUBSURFACE; RODS, BHP			$0
9510	571	SUPERVISION			$0
9510	572	LABOUR - INSTALLATION			$0
9510	573	TRUCKING & HAULING			$0
9510	585	MISCELLANEOUS TANGIBLES			$0
		SUB-TOTAL:	$47,500	$0	$47,500
9510	562	OVERHEAD (1%)	$475	$0	$475
9510	591	CONTINGENCY (5%)	$2,375	$0	$2,375
		TOTAL TANGIBLE COMPLETION COSTS	$50,350	$0	$50,350
		TOTAL COMPLETION COSTS	$ 152,175	$ -	$ 152,175

PREPARED BY:

Bissett Invoicing

Re: Sawn Lake 1-35 Gilwood A Gaswell
Failed Gas Lift Operation - Twin Butte

			GeoCap / Sutton Net (50%) each		
Date	Invoice No	Gross	Net Amount	Gst	Total
		(before GST)			
31-Jan-15	434669B	$ 32,291.00	$ 16,145.50	$ 807.28	$ 16,952.78
31-Jan-15	7609226B	$ (4,392.50)	$ (2,196.25)	$ (109.82)	$ (2,306.07)
28-Feb-15	434727B	$ 17,233.25	$ 8,616.63	$ 430.84	$ 9,047.47
31-Mar-15	434785B	$ 27,936.00	$ 13,968.00	$ 698.40	$ 14,666.40
30-Apr-15	434864B	$ 24,925.47	$ 12,462.74	$ 623.13	$ 13,085.87
25-May-15	434886B	$ 6,473.10	$ 3,236.55	$ 161.82	$ 3,398.37
30-Jun-15	432022B	$ 426.79	$ 213.40	$ 10.67	$ 224.07
18-Nov-15	435295B	$ 17,880.39	$ 8,940.20	$ 447.01	$ 9,387.21
31-Dec-15	435410B	$ 12,056.75	$ 6,028.38	$ 301.42	$ 6,329.80
		$ 134,830.25	$ 67,415.14	$ 3,370.75	$ 70,785.89

THIS IS EXHIBIT " G "
Referred to in the Affidavit of
WILLIAM TOBMAN
Sworn before me this 19
day of JULY A.D. 2017
A Commissioner for Oaths
in and for Alberta
DANIEL K. JUKES
Barrister & Solicitor

Notice of Disallowance

To: Sutton Energy Ltd and GeoCap Energy Corporation (the "**Claimant**")

Date: July 4, 2017

Proof of Claim No. 311

IN THE MATTER OF THE RECEIVERSHIP OF TWIN BUTTE ENERGY LTD. ("TWIN BUTTE")

Take notice that FTI Consulting Canada Inc., in its capacity as court-appointed receiver of Twin Butte (the "**Receiver**") has reviewed the Proof of Claim in respect of the above-named Claimant, and has assessed the Proof of Claim in accordance with the order of the Alberta Court of Queen's Bench issued on April 27, 2017 (the "**Claims Procedure Order**").

All capitalized terms not defined herein have the meaning given to such terms in the Claims Procedure Order.

The Receiver has reviewed your *Proof of Claim* in accordance with the Claims Procedure Order, and has disallowed your Claim, for the following reason(s):

_____ The underlying proof of claim is the subject of outstanding litigation bearing Court of Queen's Bench Action Nos. 1001-06764 and 1001-02577. All operations conducted on the 1-35 Well were carried out properly and in compliance with the obligations or duties which Twin Butte, as Operator, owed to the Plaintiffs Sutton Energy Ltd. and GeoCap Energy Corporation, or either of them. Liability has not been established and on the basis of the applicable facts and evidence, liability is unlikely to be established. The allegations of GeoCap Energy Corporation and Sutton Energy Ltd. are too remote, speculative, or uncertain to be recoverable as a Proven Claim. Claim is disallowed in its entirety.

Subject to further dispute by you in accordance with the Claims Procedure, your Claim will be disallowed as follows:

Name of Claimant	Claim Amount per Proof of Claim	Classification of Claim per Proof of Claim	Amount of Claim disallowed	Classification of Claim disallowed
Sutton Energy Ltd and GeoCap Energy Corporation	$2,040,927.42	Unsecured	**$2,040,927.42**	Unsecured

IF YOU WISH TO DISPUTE THE REVISION OR DISALLOWANCE OF YOUR CLAIM AS SET FORTH HEREIN YOU MUST TAKE THE STEPS OUTLINED BELOW

The Claims Procedure Order provides that if you disagree with the revision or disallowance of your claim as set forth herein, you must:

1. before 5:00 P.M. on the fifteenth (15th) Calendar Day after your receipt of this Notice of Revision or Disallowance, whichever is earlier, deliver to the Receiver a completed Notice of Dispute; and

2. file an application with the Court, with copies to be sent to the Receiver immediately after filing, with such application to be:

    i. supported by an affidavit setting out the basis for disputing this Notice of Revision or Disallowance; and

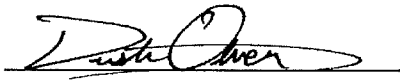
ii. returnable within ten (10) Calendar Days of the date on which the Receiver receives your completed Notice of Dispute.

If you do not dispute the revision or disallowance of your Claim in accordance with the above instructions and the Claims Procedure Order, the amount and classification of your Claim will deemed to be accepted, and the Claim shall be a Proven Claim in the amount, and classification, set forth herein.

If you have any questions or concerns regarding the Claims Procedure, or the attached materials, please contact the Receiver directly.

DATED the __4th__ day of _July__, 2017

FTI Consulting Canada Inc., in its capacity as Receiver of Twin Butte Energy Ltd.

Per: 

THIS IS EXHIBIT " H "
Referred to in the Affidavit of
WILLIAM TOBMAN
Sworn before me this 19
day of JULY A.D. 2017

A Commissioner for Oaths
in and for Alberta

DANIEL K. JUKES
Barrister & Solicitor

Notice of Dispute

To: FTI Consulting Canada Inc., in its capacity as Court-Appointed Receiver of Twin Butte Energy Ltd. (the "**Receiver**")

Date: July 18, 2017

Proof of Claim No.: 311

Claimant: SUTTON ENERGY LTD. and GEOCAP ENERGY CORPORATION (the "**Claimant**")

IN THE MATTER OF THE RECEIVERSHIP OF TWIN BUTTE ENERGY LTD. ("TWIN BUTTE")

Pursuant to the Claims Procedure Order dated April 27, 2017 (the "**Claims Procedure Order**"), the Claimant hereby gives notice that it disputes the Notice of Revision or Disallowance dated July 4, 2017, issued by the Receiver.

The Claimant disputes the Claim as revised or disallowed in the said Notice of Revision or Disallowance as follows:

Amount of Claim Disallowed by Receiver	Amount of Disallowed Claim as disputed	Classification of Disallowed Claim by Receiver	Classification of Disallowed Claim as disputed
$2,040,927.42	$2,040,927.42	Unsecured	N/A

Reason for the dispute (*attach copies of any supporting documentation*)

The Claimant disputes the Notice of Disallowance of the Receiver on the following grounds:

- Contrary to the statement in the Notice of Disallowance, operations conducted on the 1-35 Well were not carried out properly and in compliance with the obligations or duties which Twin Butte, as Operator, owed to the Claimant. In fact, Twin Butte was grossly negligent in carrying out its duties as Operator.
- There is an extremely high probability that liability on the part of Twin Butte will be established.
- The Claimant's allegations are not too remote, speculative, or uncertain to be recoverable as a Proven Claim.
- The Claimant's claim ought to have been accepted by the Receiver as a Proven Claim.
- Such further and other grounds as the Claimant may advise and the Honourable Court may accept in the course of the Claimants' Application filed in relation to this Notice of Dispute.

The Claimant further relies upon on the Affidavits to be sworn in support of its Application filed in relation to this Notice of Dispute, including the expert reports authored by Kenneth Richard Bissett and Bryan Joa.

Address for service of Notice of Dispute of Revision or Disallowance:

FTI Consulting Canada Inc., Court-appointed receiver of Twin Butte Energy Ltd. Attn: Lindsay Shierman
720, 440 2nd Avenue SW
Calgary, AB T2P 5E9
Email: lindsay.shierman@fticonsulting.com
Telephone: (403) 454-6036
Fax: (403) 232-6116

Pursuant to the Claims Procedure,

1. the Claimant has commenced an Application with the Court to resolve the dispute over its Claim as set forth herein, and will serve the Receiver with Application materials under separate cover; and

2. The return date for the Claimant's application is Wednesday, July 26, 2017.

THIS FORM AND ANY REQUIRED SUPPORTING DOCUMENTATION MUST BE RETURNED TO THE RECEIVER BY REGISTERED MAIL, PERSONAL SERVICE, EMAIL (IN PDF FORMAT), FACSIMILE OR COURIER TO THE ABOVE-NOTED ADDRESS, AND MUST BE RECEIVED BY THE RECEIVER BEFORE 5:00 PM ON THE FIFTEENTH CALENDAR DAY AFTER THE DATE OF THE NOTICE OF REVISION OR DISALLOWANCE.

DATED this 18 day of July, 2017

Witness SHANIEK SHAW

SUTTON ENERGY LTD. and GEOCAP ENERGY CORPORATION

Per:
~~For~~ Predrag Anic, Miles Davison LLP
Legal Counsel to Sutton Energy Ltd. and GeoCap Energy Corporation

THIS IS EXHIBIT " I "
Referred to in the Affidavit of
WILLIAM TOBMAN
Sworn before me this 19
day of JULY A.D. 2017

A Commissioner for Oaths
In and for Alberta

DANIEL K. JUKES
Barrister & Solicitor

Q All right. That was one option. What other options did you discuss?
A The option that I suggested was using sales pressure.

Q And the suggestion of using sales pressure gas, what term we are going to refer to as the gas lift from this point forward, was something that you had first suggested?

A Yes.

THIS IS EXHIBIT " J "
Referred to in the Affidavit of
WILLIAM TOBMAN
Sworn before me this 19
day of JULY A.D. 2017

A Commissioner for Oaths
in and for Alberta

DANIEL K. JUKES
Barrister & Solicitor

Q And was it the case that the person that made the decision to have this done was either Mr. Friedley or Mr. Hodgson?
A It was a group agreement.
Q So it was suggested by you, discussed with them, and you all agreed that this would be tried?
A Tried, yes.

Q Do you know if Twin Butte had considered it as something that was unique or unusual?
A That question I never asked or they did not say.
Q Fair enough. I take it when you brought this up, they were in agreement that you were going to try this?
A Oh, yes.
Q And they instructed you to try this?
A Yes.
Q Do you know whether Twin Butte had consulted its working interest partners before instructing you to try to unload the well in this fashion?
A I can't honestly say yes or no.
Q You don't know?
A I don't.

Q How long were you the field operator for the 1-35 well?
A I want to say two and-a-half years.

THIS IS EXHIBIT " K "
Referred to in the Affidavit of
WILLIAM TOBMAN
Sworn before me this 19
day of July A.D. 2017

A Commissioner for Oaths
in and for Alberta

DANIEL K. JUKES
Barrister & Solicitor

Q MR. ANIC: Now, Mr. Juneau, can you provide for me your educational history, starting with high school?
A Grade ten equivalency.
Q When was that? What year did you finish grade ten?
A That would have been '98.
Q Any education after grade ten?
A None whatsoever.
Q What about any special training courses?
A None.
Q None? So I take it you did not take the course on Safety Management and Regulatory Awareness for Wellsite Supervision?
A No, I did not.
Q And you did not take the course on Detection and Control of Flammable Substances?
A No, I did not.
Q And you did not take the course on WHMIS or Workplace Hazardous Materials Information Systems?
A Not through Twin Butte.
Q Through anybody?
A Yes. Previous companies, yes.
Q So you do have that WHMIS course?
A Oh, yes.
Q When was that?
A A year prior.
Q Is there a requirement to take that course every few

years?
A I believe when you change companies, you have to renew it through that company. I think that's my understanding of how TDG and WHMIS work.
Q You mentioned TDG. That's the Transportation of Dangerous Goods?
A Correct.
Q Had you had that training?
A Yes.
Q You did?
A Yes.
Q Did you have it at Twin Butte?
A Through myself, yes; as a contractor, yes.
Q When did you take that course prior to 2008?
A About a year before -- a year before.
Q And what about standard first aid?
A Yes.
Q When had you taken that course?
A Again, a year before.
Q So roughly in 2007?
A Yep. I have taken all those courses in regards to about a year prior to this through my own company.
Q When you say your own company, you are talking about No Bull Services?
A Correct.
Q That's an incorporated company?
A Limited.

Q Are there any other courses, aside from those three that we mentioned, that you have taken prior to August of 2008?
A Not to my recollection, no.
Q Can you describe for me what your work history was prior to August of 2008 from high school onwards?
A High school onwards?
Q Yes.
A You want to know --
Q I would like to know oil and gas.
A Oil and gas. Worked as pipefitter, run a steamer truck, testing, run a pressure truck, operated oil, motor maintenance on pumpjacks.
Q Anything else?
A That would be pretty much it.

Q Do you have any qualifications in gas fitting?
A Tickets, no.

THIS IS EXHIBIT " L "
Referred to in the Affidavit of
WILLIAM TOBMAN
Sworn before me this 19
day of JULY A.D. 2017

A Commissioner for Oaths
in and for Alberta

DANIEL K. JUKES
Barrister & Solicitor

Q Okay. So once the consensus was reached that you were going to try this, did anyone provide you with instructions on how to go about doing this?
A Written documentation, no. The process was discussed how I was to go about it through our conversation.
Q So the only instructions you received were verbal?
A Correct.

Was there any consideration or discussion given to the risks associated with the gas lift procedure?
A Not to my memory.
Q So the procedure itself was attempted on August 24th. Is that your recollection?
A Yes.
Q Were you alone at the wellsite?
A Yes, I was.
Q And you were providing those services at the time through No Bull Services Ltd.?
A Correct.
Q Did you have WCB coverage at the time?
A Yes, I did.
Q Who was the prime contractor of record, for Occupational Health & Safety purposes, in August of 2008?
A Can you explain that?
Q You are not aware of what a prime contractor requirement is?
A Yes.
Q Okay. That's fine. Did you or No Bull have a health and safety program in August of 2008?
A Yes. As far as a policy, wellhead insurance, what are you saying?

Q It would be a written, documented health and safety program.
A No.
Q You did not have one?
A No.
Q Did Twin Butte have one, as far as you are aware?
A I never asked.
Q Did they ever provide you with a copy of their health and safety program?
A Not that I remember.
Q Do you remember whether a copy of any health and safety program was located at the well?
A No.
Q And I asked a bad question. I asked you if you remember, and you said no. I'll ask it a different way. To your knowledge, was there one?
A I did not find one, no.
Q And I take it from your previous answer, that Twin Butte never provided you with any information or training as to a health and safety program?
A Correct.
Q Did you or No Bull have an emergency response plan or a site-specific emergency response plan?
A Not written, but there was a verbal.
Q Did Twin Butte have an emergency response plan or site-specific emergency response plan for the wellsite?
A Again, not written.

Q Did you receive any training or information as to what Twin Butte's emergency response plan was?
A No formal training, but in conversation, there was the two primary people to call.
Q Who were those?
A It was Chris and his co-partner.
Q Hodgson?
A Hodgson.
Q So as far as the information you had was if there was an emergency, you were to contact Chris Friedley or Greg Hodgsen?
A That's correct.
Q And you had their contact information?
A Yes.
Q Anything else that you remember about the emergency response plan?
A No.
Q Now, before starting the gas lift, you have already testified that Twin Butte didn't provide you with any documentation.
Did you prepare any written program or a procedure setting out the goals, objectives and particulars of the gas lift operation you were going to do?
A No.
Q What if any operational limits were established for you by Twin Butte for the gas lift procedure itself? You

have already mentioned the choke valve.
A Exceeding pressures.
Q And what operational pressures did they specify for you?
A In conversation, the pressures were discussed of about, I want to say, 2000 psi.
Q Did you understand that that was the maximum pressure that you didn't want to exceed?
A That is correct, yes.
Q Any other operational limits established for you by Twin Butte?
A No.
Q Did you yourself set any operational limits?
A Yes.
Q What operational limits did you set?
A Myself was a thousand pounds.
Q So you didn't want to exceed a thousand pounds going into the casing?
A Yes.
Q That's the limit you set for yourself?
A Yes, I did.
Q And you followed that?
A Yes, I did.
Q You monitored that based on the pressure valve that was located after the choke valve?
A Correct.
Q Pressure gauge, I mean.
A Yes.

Q Did you discuss at all with Twin Butte or set for yourself a maximum gas rate to be pumped down the annulus, the amount of gas?
A No, there wasn't.
Q I might have asked you this before, whether you remember what the tubing pressure and casing pressures were just before you commenced that gas lift. Do you remember what they were?
A Too small to read on the gauges.
Q Do you know what the fluid levels were in either the tubing or the annulus prior to the gas lift?
A Levels?
Q Yeah.
A No. I could not obtain a fluid shotgun.
Q You did?
A I said I could not obtain a fluid shotgun to measure where the fluid may be.
Q Okay. Did you check the vent just before you attempted the gas lift?
A Yes.
Q And was it dead?
A It was dead.
Q Were you aware of what the bottom hole pressure was prior to starting the gas lift?
A No, I was not aware of it.
Q Was that something that you would normally want to know or do, meaning check the bottom hole pressure for a well

that had been shut in for three weeks?
A Checking bottom hole pressure? That would only be determined by what's on the tubing or the casing.
Q Did you perform a potential hazard and risk assessment of the proposed gas lift procedure?
A Documented, no.
Q Did Twin Butte perform a hazard and risk assessment in the planning of the operation?
A No.
Q Do you know why it wasn't the case, why one wasn't documented?
A I'm not sure.
Q Did you ask about it?
A No, I did not.
Q You seem to suggest that, when you answered that one wasn't documented, that one was done verbally or discussed. Was that the case?
A No, it was up to me to do things as safely as possible.
Q Would it be fair to say that on that occasion, you had been there numerous times before; that prior to doing this gas lift or this gas lift attempt, you didn't do any hazard and risk assessment specifically with respect to the gas lift?
A No.
Q You are agreeing with me?
A Yes.
Q And were any controls put in place to address potential

hazards of a gas lift procedure?
A When you say controls --
Q Well, safety equipment, for example. Was there any safety equipment brought in to address possible risks associated with doing this gas lift procedure?
A There was no special equipment brought in, no.
Q With respect to you being there working alone, were any arrangements made with respect to a check-in time, a check-out time, with somebody else?
A Yes.
Q Who was that?
A That was my common-law at the time.
Q So are you saying that for this particular procedure, you had made arrangements with respect to when you were to contact her before you started the procedure and after, or is it just a general --
A It's a general.
Q You will advise her when you are expected home?
A Yes.
Q And she is to do something if you don't come?
A Yes.
Q And is she instructed what to do?
A We had never written anything down.
Q And I take it that there was no such arrangement with someone at Twin Butte?
A No.
Q You are agreeing with me?

A Yes.
Q And did you wear any personal protective equipment or were you requested to wear any personal protective equipment in connection with the gas lift?
A I was not requested, but yes, I did.
Q What equipment?
A Provan 3 (ph) coveralls, safety glasses, and steel toe boots, CSA.
Q Anything else?
A No.
Q These would be things that you normally wear during your routine operations?
A Yes.
Q There was no personal protective equipment that was specified or identified to specifically be worn or applied for the gas lift procedure?
A None.
Q Was there a procedure put in place to address the risk if something went wrong with the gas lift?
A No.

Q You were aware that the well had a casing patch?
A No, I was not.
Q You didn't know that it had a top packer and a bottom packer, together with an intermediate string that comprised the casing patch?
A No, I did not.
Q No one ever told you that?
A No.

THIS IS EXHIBIT " M "
Referred to in the Affidavit of
WILLIAM TOBMAN
Sworn before me this 19
day of JULY A.D. 2017

A Commissioner for Oaths
in and for Alberta

DANIEL K. JUKES
Barrister & Solicitor

THIS IS EXHIBIT " N "
Referred to in the Affidavit of
WILLIAM TOBYMAN
Sworn before me this 19
day of JULY A.D. 2017
A Commissioner for Oaths
in and for Alberta
DANIEL K. JUKES
Barrister & Solicitor

Q Are you saying that there was nothing unusual about the weather at this particular time that prevented you from bringing in a swab truck, it was the same weather that you normally had?
A Correct.
Q It was just your view, from having been at the site recently, that you'd need to have matting put down to accommodate the swab truck or wireline?
A Correct.
Q And how did Mr. Friedley or Mr. Hodgson respond to that?
A They wanted to, of course, try the cheapest way first, weigh out all cheaper options before bringing in expensive trucks.

Q So was it the case that the swab truck and the wireline unit -- the option of using the swab unit and wireline unit were discarded primarily because it would cost a lot more money?
A Correct.
Q It was possible to get them into that site with the use

of rig matting, but it would just cost a lot more?
A That's correct.
Q And that was something that was discussed with Mr. Friedley or Mr. Hodgson?
A Correct.

Q That being the case, was there any discussion with Twin Butte about waiting for the conditions to improve before

getting in a swab rig?

A I believe it wasn't anything to do with conditions, it was in agreements with the other partners about the cost on that one particular well.

Q Okay. So the conditions themselves were not the barrier to getting a swab rig unit in there, it was cost-driven?

A Cost-driven.

Bob Sumner

THIS IS EXHIBIT " O "
Referred to in the Affidavit of
WILLIAM TOBMAN
Sworn before me this 19th
day of JULY A.D. 2017
A Commissioner for Oaths
in and for Alberta
DANIEL K. JUKES
Barrister & Solicitor

From: Chris Friedley [CFriedley@twinbutteenergy.com]
Sent: Monday, September 22, 2008 2:23 PM
To: Bob Sumner
Subject: RE: Sawn 1-35-90-13W5

Hi Bob,
This well went down at the end of July with some compression issues. It took a week to get into the site due to poor access and mechanic availability.

Once the compressor was back in shape the well was turned on but appeared to have hydrated in the tubing. After methanol had been pumped and the well sat for a day or two, it was unloaded with some discharge gas being slipped down the casing (gas lift).

At this time a serious surface casing vent flow developed and it was soon clear that we had a casing failure. Cement top on the intermediate string is at 810m and surface casing reaches down to 700m. There is already a casing patch in the intermediate casing from about 690 to 734m to repair a previous failure.

We allowed the well to kill itself by flaring gas off the casing and all but eliminated the surface casing vent flow. Using isolation packers, it has been determined that the likely location for a casing failure was either the bottom packer on the casing patch, or possibly the casing below the bottom packer.

The surface casing vent flow has been downgraded to non-serious but the casing failure has to be addressed. As of this afternoon, the old casing patch has been removed. When the weather clears, a 114mm string of casing will be run from surface to the production string (current top at 1246m) and the entire string will be cemented to surface. If all goes well production should be back on stream by next week. The decision to add in the casing to surface was made after discussion with the ERCB. Replacing the patch with another was determined to be the less expensive option for repair but also the most likely to lead to another failure. Therefore cementing in another string seemed more logical.

An AFE has been distributed but it appears that GeoCap's interests are held in trust by Penn West. Therefore the AFE was sent to PennWest.

If you have any further questions with regards to this well please feel free to give me a call.

Chris Friedley

-----Original Message-----
From: Bob Sumner [mailto:bsumner@enert.ca]
Sent: Monday, September 22, 2008 1:07 PM
To: Chris Friedley
Subject: Sawn 1-35-90-13W5

Hi Chris:
GeoCap has a 25% working interest in the subject well. We have been told that the well has been shut in since July 1/08 pending a rework. If you can supply some information about the problem and/or the progress, please let me know or if somebody else is looking after this, please let me know who it is.
Thanks,
Bob Sumner

THIS IS EXHIBIT " P "
Referred to in the Affidavit of
WILLIAM TOBMAN
Sworn before me this
day of JULY A.D. 2017
A Commissioner for Oaths
in and for Alberta

DANIEL K. JUKES
Barrister & Solicitor

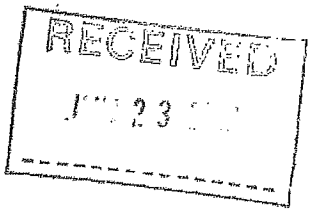
Bissett Invoicing

Re: Sawn Lake 1-35 Gilwood A Gaswell
Failed Gas Lift Operation - Twin Butte

			GeoCap / Sutton Net (50%) each		
Date	Invoice No	Gross (before GST)	Net Amount	Gst	Total
31-Jan-15	434669B	$ 32,291.00	$ 16,145.50	$ 807.28	$ 16,952.78
31-Jan-15	7609226B	$ (4,392.50)	$ (2,196.25)	$ (109.82)	$ (2,306.07)
28-Feb-15	434727B	$ 17,233.25	$ 8,616.63	$ 430.84	$ 9,047.47
31-Mar-15	434785B	$ 27,936.00	$ 13,968.00	$ 698.40	$ 14,666.40
30-Apr-15	434864B	$ 24,925.47	$ 12,462.74	$ 623.13	$ 13,085.87
25-May-15	434886B	$ 6,473.10	$ 3,236.55	$ 161.82	$ 3,398.37
30-Jun-15	432022B	$ 426.79	$ 213.40	$ 10.67	$ 224.07
18-Nov-15	435295B	$ 17,880.39	$ 8,940.20	$ 447.01	$ 9,387.21
31-Dec-15	435410B	$ 12,056.75	$ 6,028.38	$ 301.42	$ 6,329.80
		$ 134,830.25	$ 67,415.14	$ 3,370.75	$ 70,785.89

GLJ PETROLEUM CONSULTANTS
4100, 400 - 3rd Avenue SW, Calgary, AB Canada T2P 4H2 +1 (403) 266-9500

INVOICE 39843



TO: Sutton Energy Ltd. & GeoCap Energy Corporation
PO Box 21145 Dominion
Calgary, AB, T2P 4H5

May 31, 2017
Project #117-11310

ATTENTION: **Mike O'Hara**

AMOUNT DUE **7,006.71 CAD**

RE: **Well Valuation (Historical)**

Please Detach This Remittance Portion and Return With Payment

GLJ PETROLEUM CONSULTANTS
4100, 400 - 3rd Avenue SW, Calgary, AB Canada T2P 4H2 +1 (403) 266-9500

INVOICE 39843
May 31, 2017
Project #117-11310

RE: Well Valuation (Historical)
Professional services for the month of May 2017
Prepare historical and forecast evaluation of Swan Lake well and provide report.

GLJ Services		
Engineering	3,925.00	
Engineering Technician	715.00	
Geological	510.00	
Secretarial	255.00	
Information System	1,087.80	
Photocopies/Report	148.30	
Total GLJ Services		6,641.10
Disbursements		
West Direct Courier Charges	31.96	
Total Disbursements		31.96
	Our Fee	**6,673.06 CAD**
	GST (Regn. 10104 8650 RT0001)	333.65
	Total Due	**$7,006.71 CAD**

THIS IS EXHIBIT "Q"
Referred to in the Affidavit of
WILLIAM TORMAN
Sworn before me this
day of JULY A.D. 2017

1705 3016

A Commissioner for Oaths
in and for Alberta
DANIEL K. JUKES
Barrister & Solicitor

THIS INVOICE MAY NOT REFLECT ALL THE COSTS INCURRED ON THIS PROJECT.
ANY ADDITIONAL CHARGES WILL BE INVOICED NEXT MONTH.

TERMS: ALL ACCOUNTS DUE AND PAYABLE UPON RECEIPT OF INVOICE
A SERVICE CHARGE OF 2% (24% PER ANNUM) WILL BE MADE ON ALL OVERDUE ACCOUNTS