

**ENTERED**



110895

COURT FILE  
NUMBER

1901-14615

COURT

COURT OF QUEEN'S BENCH OF ALBERTA

COM  
Nov. 10, 2020  
Justice Romaine

JUDICIAL CENTRE

CALGARY

PLAINTIFF

ORPHAN WELL ASSOCIATION

DEFENDENT

HOUSTON OIL & GAS LTD.

IN THE MATTER OF THE RECEIVERSHIP OF  
HOUSTON OIL & GAS LTD.

DOCUMENT

**SECOND SUPPLEMENT TO THE  
SECOND REPORT OF THE RECEIVER,  
BDO CANADA LIMITED  
NOVEMBER 2, 2020**

ADDRESS FOR  
SERVICE AND  
CONTACT  
INFORMATION OF  
PARTY FILING THIS  
DOCUMENT

Borden Ladner Gervais LLP  
1900, 520 - 3<sup>rd</sup> Ave. SW  
Calgary, AB T2P 0R3

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**SECOND SUPPLEMENT TO THE  
SECOND REPORT OF THE RECEIVER  
BDO CANADA LIMITED  
NOVEMBER 2, 2020**

**I N D E X**

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## **PURPOSE**

1. On August 24, 2020, the Receiver prepared a report to this Honourable Court (the “**Second Report**”) in advance of its application seeking approval of nine Proposed Transactions (the “**Initial Sale Approval Application**”). On September 3, 2020, the Court granted Approval and Vesting Orders in respect of each of the nine Proposed Transactions.
2. As set out in the Second Report, as of the date thereof, the Receiver and Sayer were continuing to have discussions and engage in negotiations with several additional interested parties in respect of the SSP; however, at that time the Receiver was unable to advise as to whether any further transactions would be consummated.
3. On September 30, 2020, the Receiver prepared a report (the “**Supplement to the Second Report**”) providing an overview of three additional sale agreements (the “**Subsequent Sale Agreements**”) that the Receiver had entered into arising from the SSP in contemplation of the Receiver’s October 8, 2020 application to seek the Court’s approval of the Subsequent Sale Agreements (the “**October Sale Approval Application**”).
4. At the October Sale Approval Application, the Court approved the proposed transactions with Road 53 Resources Inc. and Canadian Natural Resources (“**CNR**”); however, the Receiver advised that it was adjourning the portion of the application associated with the approval of the agreement with Seol Energy Inc. (“**Seol**” and the “**Seol PSA**”, respectively) in light of concerns raised by CNR and Coastal Resources Limited (“**Coastal**”) shortly before the October Sale Approval Application.
5. This report is a further supplement to the Second Report, and to the Supplement to the Second Report, and has been prepared for the purpose of providing this Honourable Court with:
  - an update regarding the Receiver’s analysis and investigations of the concerns raised by CNR and Coastal, and the resultant amending agreement entered into between the Receiver and Seol on November 2, 2020 (the “**Seol**”

**Amending Agreement**") a copy of which is attached as **Appendix "A"** to this report; and

- the Receiver's recommendations in respect of the foregoing.
6. As noted in the Supplement to the Second Report, the Receiver will provide a fulsome update as to the administration of these proceedings at a later date, following the closing of the sale transaction with Seol.
  7. Unless otherwise indicated, capitalized terms used herein have the meanings given to them in the Receivership Order, the SSP, the First Report, the Second Report and the Supplement to the Second Report, as applicable.

### **SEOL TRANSACTION UPDATE**

8. On September 29, 2020, the Receiver entered into the Seol PSA. The transaction contemplated by the Seol PSA (the "**Seol Transaction**") concerns the sale by the Receiver of certain interests in the Herronton area.
9. A redacted copy of the Seol PSA was included as Appendix "B" to the Supplement to the Second Report and an unredacted copy was included as Confidential Appendix "E" to the Supplement to the Second Report. Additional confidential information regarding the Seol Transaction (namely, the purchase price, and the deemed liabilities being assumed by Seol) was also set out in Confidential Appendices "G" and "H" to the Supplement to the Second Report.
10. In the days leading up to the October Sale Approval Application, the Receiver received concerns from each of CNR and Coastal in respect of the Seol PSA, which may be summarized as follows:
  - a. CNR advised that the asset schedules associated with the Seol PSA (the "**Schedules**") did not accurately reflect CNR's interest in certain of the interests proposed to be sold under the Seol PSA. These concerns were raised by CNR's legal counsel on the morning of the October Sale Approval Application; and

- b. Coastal raised concerns in respect of the (i) unit agreement for the Arrowwood Gas Unit No. 1 (the “**Unit Agreement**”) and/or (ii) unit operating agreement for Arrowwood Gas Unit No. 1 (the “**Unit Operating Agreement**”, and collectively, the “**Arrowhead Agreements**”). Copies of the Arrowhead Agreements are attached hereto as **Appendix “B”**. Specifically, the Receiver understands that Coastal and Houston are parties to the Arrowhead Agreements. In essence, Coastal advised the Receiver that the Arrowhead Agreements did not allow for the sale of a part of Houston’s interest in the Arrowwood Gas Unit No. 1 (the “**Arrowhead Unit**”), and that Coastal viewed the Seol PSA to contravene those restrictions. These concerns were communicated by Coastal to the Receiver two days before the application on October 6, 2020.
11. As a result of CNR’s and Coastal’s late concerns, the Receiver (with Seol’s consent) adjourned the relief it proposed to seek at the October Sale Approval Application in respect of the Seol PSA.
  12. Since the October Sale Approval Application, the Receiver has undertaken analysis and made investigations in respect of the concerns noted. Specifically, the Receiver ascertained that Houston’s available records from which the Schedules had been compiled were not up to date and that CNR’s concerns had merit. Accordingly, the Receiver updated the Schedules to reflect CNR’s interests, and has entered into the Seol Amending Agreement, which amends the Schedules.
  13. The Receiver understands that the updated Schedules, as attached to the Seol Amending Agreement, are correct and that CNR’s concerns have been addressed.
  14. In respect of the Arrowhead Agreements, the Receiver’s legal counsel reviewed the Arrowhead Agreements, and concluded that the Seol Transaction is permissible since it involves the disposition by the Receiver of Houston’s entire interest in relevant “Tracts” and corresponding “Unit Facilities” (as such terms are defined in the Arrowhead Agreements). The Receiver has advised Coastal of its position, and based on discussions between the Receiver, Veracity, Seol and/or Coastal, the Receiver believes that Coastal’s concerns have been satisfied.

15. In light of the above, the Receiver is seeking this Court's approval of the Seol PSA, the Seol Amending Agreement, and the Seol Transaction. For the reasons set out in paragraphs 13 to 14 of the Supplement to the Second Report, the Receiver considers the Seol Transaction to be in best interest of stakeholders as a whole and recommends Court approval of the same.
16. For the reasons set out in paragraphs 15 to 18 of the Supplement to the Second Report, the Receiver also considers specific vesting relief regarding the Pioneer GORR to be commercially fair and reasonable, and for the benefit of stakeholders as a whole.

### **RECOMMENDATIONS**

17. For the reasons as set out in the this report, the Supplement to the Second Report, and the Second Report, as applicable, the Receiver respectfully requests and recommends:
- The approval of the Seol Transaction; and
  - The vesting off of the Pioneer GORR in respect thereof.

All of which is respectfully submitted this 2<sup>nd</sup> day of November 2020.

BDO Canada Limited, in its capacity as  
Receiver and Manager of Houston Oil & Gas Ltd.  
and not in its personal capacity



Per: \_\_\_\_\_

Marc Kelly  
Senior Vice President

# **APPENDIX “A”**

## AMENDING AGREEMENT

THIS AMENDING AGREEMENT made as of the 2<sup>nd</sup> day of November, 2020.

### AMONG:

**BDO CANADA LIMITED. in its capacity as Court appointed receiver and manager (“Receiver”) of HOUSTON OIL & GAS LTD. and not in its personal or corporate capacity (“Vendor”)**

- AND -

**SEOL ENERGY INC. (“Purchaser”)**

### WHEREAS:

- A. Hardie & Kelly Inc. was appointed as receiver and manager of Houston Oil and Gas Ltd. pursuant to a court order dated October 29, 2019 granted by the Court of Queen’s Bench of Alberta in the Judicial District of Calgary, Alberta under Court File No. 1901-14615 (the “**Original Receivership Order**”) and Receiver was substituted in the place of Hardie & Kelly Inc. pursuant to a court order dated June 30, 2020 (the “**Receivership Proceedings**”);
- B. Pursuant to the Receivership Proceedings and subject to approval by the Court, Vendor and Purchaser (the “**Parties**”) entered into a purchase and sale agreement dated the 29<sup>th</sup> day of September, 2020 (the “**PSA**”), whereby, among other things, Purchaser agreed to acquire certain Assets (as defined in the PSA) from Vendor; and
- C. the Parties desire to amend the terms of the PSA as set forth herein.

**NOW THEREFORE** in consideration of the premises, the mutual covenants and agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by each of the parties hereto, the parties agree as follows:

#### **1. Definitions**

- (a) The rules of interpretation applicable to the PSA shall apply to this Amending Agreement.
- (b) Capitalized terms used herein, including the recitals hereto, shall have the meanings ascribed thereto in the PSA, as amended hereby, unless otherwise defined herein.

#### **2. Amendment**

- (a) Reference in subsection 1.1(ee) to “November 15, 2020” shall be replaced with “November 30, 2020”;
- (b) Schedule “A”- *Lands and Petroleum Natural Gas Rights* of the PSA shall be deleted in its entirety and replaced with Schedule “A” attached hereto; and
- (c) Schedule “B”- *Wells, Pipelines and Facilities* of the PSA shall be deleted in its entirety and replaced with Schedule “B” attached hereto.



**3. Balance of Agreement Confirmed**

This Amending Agreement hereby amends the PSA effective as of the date of this Amending Agreement and is deemed to form a part thereof, *mutatis mutandis*. The Parties agree that all other terms and conditions of the PSA remain in full force and effect, unamended. On and after the date of this Amending Agreement, any reference to “this Agreement” in the PSA and in any other agreements will mean the PSA, as amended by this Amending Agreement. In the event of any conflict between the terms and conditions of this Amending Agreement, and terms and conditions of the PSA, the terms and conditions of this Amending Agreement shall prevail to the extent of the inconsistency.

**4. Successor and Assigns**

This Amending Agreement shall be binding upon and enure to the benefit of the Parties and their respective heirs, executors, legal representatives, successors and permitted assigns. Nothing herein, express or implied, is intended to confer upon any person, other than the Parties and their respective heirs, executors, legal representatives, successors and assigns, any rights, remedies, obligations or liabilities under or by reason of this Amending Agreement.

**5. Governing Laws**

This Amending Agreement shall be construed, interpreted and enforced in accordance with, and the respective rights and obligations of the Parties shall be governed by, the laws of the Province of Alberta and the federal laws of Canada applicable therein, and each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of such province and all courts competent to hear appeals therefrom except as may be otherwise agreed.

**6. Counterparts and Delivery**

This Amending Agreement may be executed in one or more counterparts and delivered by facsimile or other electronic transmission, each such counterpart so delivered will be deemed to be an original and all of which taken together will be deemed to constitute one and the same instrument.

*[Remainder of page intentionally left blank – signature page to follow]*

IN WITNESS WHEREOF the parties have caused these presents to be executed as of the date first written above.

**BDO CANADA LIMITED IN ITS CAPACITY AS  
COURT APPOINTED RECEIVER AND  
MANAGER OF HOUSTON OIL & GAS LTD.  
AND NOT IN ITS PERSONAL OR  
CORPORATE CAPACITY**



Per: \_\_\_\_\_  
Marc Kelly, Senior Vice President

**SEOL ENERGY INC.**

Per: \_\_\_\_\_  
Samson Effiong, President

**SCHEDULE "A"**

**Lands and Petroleum Natural Gas Rights**

*See attached.*

**SCHEDULE "B"**

**Wells, Pipelines and Facilities**

*See attached.*

## HOUSTON OIL & GAS LTD. Mineral Schedule "A" Report - seol

Report Id: RP-0053

File Number	Title Information	Lands	Seller's Interests	Encumbrances	Operating Contract	Wells
M00893 A	LSE TYPE: CR PNG LEA CR: 31256 LSE DATE: 1973 May 24 EFF DATE: 1973 Mar 09 EXP DATE: 1983 Mar 09 INT TYPE: WI MNRL INT: 100.0 EXT CODE: 15	TWP 19 RGE 26 W4M NE 26, SEC 36 TWP 20 RGE 26 W4M SECS 2, 11, 12 NG IN BASAL_BELLY_RIVER_SANDST (UNITIZED) (ARROWWOOD GAS UNIT NO. 1)	CUR INT: WI HOUSTON OI 98.75% COASTAL RE 0.5% TAQA NORTH 0.75%  REF INT: UNIT HOUSTON OI 93.56963% COASTAL RE 1.677342% TEG OIL&GA 0.43374% TAQA NORTH 2.516008% 1019867 AL 1.80328%  ROYALTY INT SLIDING SCALE ALL S/S 0 BASED ON 100.0% PDTO ABENERGY 100.0%	SLIDING SCALE ALL S/S 0 BASED ON 100.0% PDBY HOUSTON OI 98.75% PDBY COASTAL RE 0.5% PDBY TAQA NORTH 0.75%  NONCONV GOR ALL 5.0% BASED ON 98.75% PDBY HOUSTON OI 100.0%	CUR INT OPER CONT C00142 B CAPL 1971 No ROFR Applies OPER: HOUSTON OI REF INT OPER CONT U00001 OPER: HOUSTON OI RELATED CONTRACTS C00142 B CAPL 1971 No ROFR Applies C00762 A ROFR Unknown PS0007 A ROFR Unknown U00001 AR U00001 AU U00001 BV U00001 BW U00001 BX	<del>100/01-11-020-26-W4/02</del> <del>100/07-02-020-26-W4/00</del> <del>100/10-36-010-26-W4/00</del>
M00893 B	LSE TYPE: CR PNG LEA CR: 31256 LSE DATE: 1973 May 24 EFF DATE: 1973 Mar 09 EXP DATE: 1983 Mar 09 INT TYPE: WI MNRL INT: 100.0 EXT CODE: 15	TWP 19 RGE 26 W4M NE 26, 36 TWP 20 RGE 26 W4M SECS 2, 11, 12 PNG TO BASE BELLY_RIVER EXCL NG IN BASAL_BELLY_RIVER_SANDST	CUR INT: WI HOUSTON OI 98.75% COASTAL RE 0.5% TAQA NORTH 0.75%  ROYALTY INT SLIDING SCALE ALL S/S 0 BASED ON 100.0% PDTO ABENERGY 100.0%	SLIDING SCALE ALL S/S 0 BASED ON 100.0% PDBY HOUSTON OI 98.75% PDBY COASTAL RE 0.5% PDBY TAQA NORTH 0.75%  NONCONV GOR ALL 5.0% BASED ON 98.75% PDBY HOUSTON OI 100.0%	CUR INT OPER CONT C00142 B CAPL 1971 No ROFR Applies OPER: HOUSTON OI RELATED CONTRACTS C00142 B CAPL 1971 No ROFR Applies C00762 A	<del>100/01-11-020-26-W4/00</del> 100/10-12-020-26-W4/00 <del>100/07-02-020-26-W4/02</del>

## HOUSTON OIL & GAS LTD. Mineral Schedule "A" Report - seol

Report Id: RP-0053

File Number	Title Information	Lands	Seller's Interests	Encumbrances	Operating Contract	Wells
			<del>ROYALTY INT</del>		ROFR Unknown	
			<del>NONCONV GOR</del>		PS0007 A	
			<del>ALL 5.0%</del>		ROFR Unknown	
			<del>BASED ON 98.75%</del>			
			<del>PDTO PIONEER OI 100.0%</del>			
M00910 A	LSE TYPE: FH PNG LEA: TWP 20 RGE 25 W4M SEC 7 LSE DATE: 1972 Mar 04 PNG TO BASE BELLY_RIVER EFF DATE: 1972 Mar 04 EXCL NG IN EXP DATE: 1982 Mar 03 BASAL_BELLY_RIVER_SANDST INT TYPE: WI MNRL INT: 50.0 EXT CODE: UNITIZED		CUR INT: WI HOUSTON OI 92.5% COASTAL RE 3.0% TAQA NORTH 4.5%  ROYALTY INT NONCONV LOR ALL 12.5% BASED ON 100.0% PDTO DAVIES, VI 16.66% PDTO DAVIES, JA 33.34% PDTO ESTATE OF 25.0% PDTO ESTATE OF 25.0%	NONCONV LOR ALL 12.5% BASED ON 100.0% PDBY HOUSTON OI 92.5% PDBY COASTAL RE 3.0% PDBY TAQA NORTH 4.5%  NONCONV GOR ALL 5.0% BASED ON 92.5% PDBY HOUSTON OI 100.0%	CUR INT OPER CONT C00141 A CAPL 1971 No ROFR Applies OPER: HOUSTON OI  RELATED CONTRACTS C00141 A CAPL 1971 No ROFR Applies C00577 A ROFR Unknown C00762 A ROFR Unknown PS0007 A ROFR Unknown	<del>100/14-07-020-25-W4/00</del>  <del>100/14-07-020-25-W4/02</del>  100/07-07-020-25-W4/02
			<del>ROYALTY INT</del>			
			<del>NONCONV GOR</del>			
			<del>ALL 5.0%</del>			
			<del>BASED ON 92.5%</del>			
			<del>PDTO PIONEER OI 100.0%</del>			
M00910 B	LSE TYPE: FH PNG LEA: TWP 20 RGE 25 W4M SEC 7 LSE DATE: 1972 Mar 04 NG IN EFF DATE: 1972 Mar 04 BASAL_BELLY_RIVER_SANDST EXP DATE: 1982 Mar 03 (UNITIZED) INT TYPE: WI (ARROWWOOD GAS UNIT NO. 1) MNRL INT: 50.0 EXT CODE: UNITIZED		CUR INT: WI HOUSTON OI 92.5% COASTAL RE 3.0% TAQA NORTH 4.5%  REF INT: UNIT HOUSTON OI 93.56963% COASTAL RE 1.677342% TEG OIL&GA 0.43374%	NONCONV LOR ALL 12.5% BASED ON 100.0% PDBY HOUSTON OI 92.5% PDBY COASTAL RE 3.0% PDBY TAQA NORTH 4.5%  NONCONV GOR ALL 5.0%	CUR INT OPER CONT C00141 J CAPL 1971 No ROFR Applies OPER: HOUSTON OI  REF INT OPER CONT U00001 OPER: HOUSTON OI	100/07-07-020-25-W4/00

## HOUSTON OIL & GAS LTD. Mineral Schedule "A" Report - seol

Report Id: RP-0053

File Number	Title Information	Lands	Seller's Interests	Encumbrances	Operating Contract	Wells
			TAQA NORTH 2.516008% 1019867 AL 1.80328%	BASED ON 92.5% PDBY HOUSTON OI 100.0%	RELATED CONTRACTS C00141 J CAPL 1971 No ROFR Applies C00762 A ROFR Unknown PS0007 A ROFR Unknown U00001 AW	
			ROYALTY INT NONCONV LOR ALL 12.5% BASED ON 100.0% PDTO DAVIES, VI 16.66% PDTO DAVIES, JA 33.34% PDTO ESTATE OF 25.0% PDTO ESTATE OF 25.0%			
			<del>ROYALTY INT</del> <del>NONCONV GOR</del> <del>ALL 5.0%</del> <del>BASED ON 92.5%</del> <del>PDTO PIONEER OI 100.0%</del>			
M00911 A	LSE TYPE: FH PNG LEA TWP 20 RGE 25 W4M SEC 7 LSE DATE: 1972 Mar 04 PNG TO BASE BELLY_RIVER EFF DATE: 1972 Mar 04 EXCL NG IN EXP DATE: 1982 Mar 03 BASAL_BELLY_RIVER_SANDST INT TYPE: WI MNRL INT: 50.0 EXT CODE: UNITIZED		CUR INT: WI HOUSTON OI 92.5% COASTAL RE 3.0% TAQA NORTH 4.5%  ROYALTY INT NONCONV LOR ALL 12.5% BASED ON 100.0% PDTO DENBIGH, W 100.0%	NONCONV LOR ALL 12.5% BASED ON 100.0% PDBY HOUSTON OI 92.5% PDBY COASTAL RE 3.0% PDBY TAQA NORTH 4.5%  NONCONV GOR ALL 5.0% BASED ON 92.5% PDBY HOUSTON OI 100.0%	CUR INT OPER CONT C00141 A CAPL 1971 No ROFR Applies OPER: HOUSTON OI RELATED CONTRACTS C00141 A CAPL 1971 No ROFR Applies C00577 A ROFR Unknown C00762 A ROFR Unknown PS0007 A ROFR Unknown	<del>100/14-07-020-25-W4/00</del> <del>100/14-07-020-25-W4/02</del> 100/07-07-020-25-W4/02
			<del>ROYALTY INT</del> <del>NONCONV GOR</del> <del>ALL 5.0%</del> <del>BASED ON 92.5%</del> <del>PDTO PIONEER OI 100.0%</del>			

**HOUSTON OIL & GAS LTD.**  
**Mineral Schedule "A" Report - seol**

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File Number	Title Information	Lands	Seller's Interests	Encumbrances	Operating Contract	Wells
M00911 B	LSE TYPE: FH PNG LEA: TWP 20 RGE 25 W4M SEC 7 LSE DATE: 1972 Mar 04 NG IN EFF DATE: 1972 Mar 04 BASAL_BELLY_RIVER_SANDST EXP DATE: 1982 Mar 03 (UNITIZED) INT TYPE: WI (ARROWWOOD GAS UNIT NO. 1) MNRL INT: 50.0 EXT CODE: UNITIZED		CUR INT: WI HOUSTON OI 92.5% COASTAL RE 3.0% TAQA NORTH 4.5%  REF INT: UNIT HOUSTON OI 93.56963% COASTAL RE 1.677342% TEG OIL&GA 0.43374% TAQA NORTH 2.516008% 1019867 AL 1.80328%  ROYALTY INT NONCONV LOR ALL 12.5% BASED ON 100.0% PDTO DENBIGH, W 100.0%	NONCONV LOR ALL 12.5% BASED ON 100.0% PDBY HOUSTON OI 92.5% PDBY COASTAL RE 3.0% PDBY TAQA NORTH 4.5%  NONCONV GOR ALL 5.0% BASED ON 92.5% PDBY HOUSTON OI 100.0%	CUR INT OPER CONT C00141 J CAPL 1971 No ROFR Applies OPER: HOUSTON OI  REF INT OPER CONT U00001 OPER: HOUSTON OI  RELATED CONTRACTS C00762 A ROFR Unknown PS0007 A ROFR Unknown U00001 AW	100/07-07-020-25-W4/00
			<del>ROYALTY INT</del> <del>NONCONV GOR</del> <del>ALL 5.0%</del> <del>BASED ON 92.5%</del> <del>PDTO PIONEER OI 100.0%</del>			
M00896 A	LSE TYPE: FH PNG LEA: TWP 20 RGE 25 W4M NE 8 LSE DATE: 1972 Mar 03 PNG TO BASE BELLY_RIVER EFF DATE: 1972 Mar 03 EXCL NG IN EXP DATE: 1982 Mar 02 BASAL_BELLY_RIVER_SANDST INT TYPE: WI MNRL INT: 100.0 EXT CODE: UNITIZED		CUR INT: POOLED HOUSTON OI 73.125% COASTAL RE 0.75% TAQA NORTH 1.125% ELMDALE RE 25.0%  ROYALTY INT NONCONV LOR ALL 12.5% BASED ON 100.0% PDTO BOAG, CARO 33.3333%	NONCONV LOR ALL 12.5% BASED ON 100.0% PDBY HOUSTON OI 92.5% PDBY COASTAL RE 3.0% PDBY TAQA NORTH 4.5%  NONCONV GOR ALL 5.0% BASED ON 73.125% PDBY HOUSTON OI 100.0%	CUR INT OPER CONT C00188 A CAPL 1990 No ROFR Applies OPER: HOUSTON OI  RENT INT OPER CONT C00141 A CAPL 1971 No ROFR Applies OPER: HOUSTON OI	100/12-08-020-25-W4/00  100/12-08-020-25-W4/02



**HOUSTON OIL & GAS LTD.**  
**Mineral Schedule "A" Report - seol**

Report Id: RP-0053

File Number	Title Information	Lands	Seller's Interests	Encumbrances	Operating Contract	Wells
			PDTO WAGNESS, D 33.3334% PDTO GREEN, R J 33.3333%  <del>ROYALTY INT</del> <del>NONCONV GOR</del> <del>ALL 5.0%</del> <del>BASED ON 73.125%</del> <del>PDTO PIONEER OI 100.0%</del>		RELATED CONTRACTS C00141 A CAPL 1971 No ROFR Applies C00188 A CAPL 1990 No ROFR Applies C00577 A ROFR Unknown C00762 A ROFR Unknown PS0007 A ROFR Unknown	
M00896 B	LSE TYPE: FH PNG LEA: TWP 20 RGE 25 W4M NE 8 LSE DATE: 1972 Mar 03 NG IN EFF DATE: 1972 Mar 03 BASAL_BELLY_RIVER_SANDST EXP DATE: 1982 Mar 02 (UNITIZED) INT TYPE: WI (ARROWWOOD GAS UNIT NO. 1) MNRL INT: 100.0 EXT CODE: UNITIZED		CUR INT: POOLED HOUSTON OI 73.125% COASTAL RE 0.75% TAQA NORTH 1.125% ELMDALE RE 25.0%  REF INT: UNIT HOUSTON OI 93.56963% COASTAL RE 1.677342% TEG OIL&GA 0.43374% TAQA NORTH 2.516008% 1019867 AL 1.80328%  ROYALTY INT NONCONV LOR ALL 12.5% BASED ON 100.0% PDTO BOAG, CARO 33.3333% PDTO WAGNESS, D 33.3334% PDTO GREEN, R J 33.3333%	NONCONV LOR ALL 12.5% BASED ON 100.0% PDBY HOUSTON OI 92.5% PDBY COASTAL RE 3.0% PDBY TAQA NORTH 4.5%  NONCONV GOR ALL 5.0% BASED ON 73.125% PDBY HOUSTON OI 100.0%	CUR INT OPER CONT C00188 A CAPL 1990 No ROFR Applies OPER: HOUSTON OI  REF INT OPER CONT U00001 OPER: HOUSTON OI  RENT INT OPER CONT C00141 J CAPL 1971 No ROFR Applies OPER: HOUSTON OI  RELATED CONTRACTS C00141 J CAPL 1971 No ROFR Applies	



## HOUSTON OIL & GAS LTD. Mineral Schedule "A" Report - seol

Report Id: RP-0053

File Number	Title Information	Lands	Seller's Interests	Encumbrances	Operating Contract	Wells
	EXP DATE: 1980 Jun 11 INT TYPE: WI MNRL INT: 100.0 EXT CODE: UNITIZED	(UNITIZED) (ARROWWOOD GAS UNIT NO. 1)	TAQA NORTH 1.125% ELMDALE RE 25.0%	PDBY HOUSTON OI 100.0%  NONCONV GOR ALL 5.0% BASED ON 73.125% PDBY HOUSTON OI 100.0%	No ROFR Applies OPER: HOUSTON OI  REF INT OPER CONT U00001 OPER: HOUSTON OI	
			REF INT: UNIT HOUSTON OI 93.56963% COASTAL RE 1.677342% TEG OIL&GA 0.43374% TAQA NORTH 2.516008% 1019867 AL 1.80328%		RELATED CONTRACTS C00188 A CAPL 1990 No ROFR Applies C00762 A ROFR Unknown PS0007 A ROFR Unknown U00001 AX	
			ROYALTY INT NONCONV LOR ALL 15.0% BASED ON 100.0% PDTO LEIBEL, LI 22.23% PDTO POLLEY, SH 16.67% PDTO WESTERSUND 14.81% PDTO LEGG, TARA 16.67% PDTO WESTERSUND 14.81% PDTO WESTERSUND 14.81%			
			<del>ROYALTY INT</del> <del>NONCONV GOR</del> <del>ALL 5.0%</del> <del>BASED ON 73.125%</del> <del>PDTO PIONEER OI 100.0%</del>			
M00982 A	LSE TYPE: FH PNG LEA: TWP 20 RGE 25 W4M SE 8 LSE DATE: 2006 Feb 24 EFF DATE: 2006 Feb 24 EXP DATE: NIL INT TYPE: WI MNRL INT: 100.0 EXT CODE: UNITIZED	PNG TO BASE BELLY_RIVER EXCL NG IN BASAL_BELLY_RIVER_SANDST	CUR INT: POOLED HOUSTON OI 73.125% COASTAL RE 0.75% TAQA NORTH 1.125% ELMDALE RE 25.0%	NONCONV LOR BASED ON 100.0% PDBY ELMDALE RE 100.0%	CUR INT OPER CONT C00188 A CAPL 1990 No ROFR Applies OPER: HOUSTON OI	100/12-08-020-25-W4/00  100/12-08-020-25-W4/02
			ROYALTY INT NONCONV LOR	BASED ON 73.125% PDBY HOUSTON OI 100.0%	RELATED CONTRACTS C00188 A	

**HOUSTON OIL & GAS LTD.**  
**Mineral Schedule "A" Report - seol**

Report Id: RP-0053

File Number	Title Information	Lands	Seller's Interests	Encumbrances	Operating Contract	Wells
			BASED ON 100.0% PDTO ELMDALE RE 100.0%  <del>ROYALTY INT</del> <del>NONCONV GOR</del> <del>ALL 5.0%</del> <del>BASED ON 73.125%</del> <del>PDTO PIONEER OI 100.0%</del>		CAPL 1990 No ROFR Applies C00762 A ROFR Unknown PS0007 A ROFR Unknown	
M00982 B	LSE TYPE: FH PNG LEA: TWP 20 RGE 25 W4M SE 8 LSE DATE: 2006 Feb 24 NG IN EFF DATE: 2006 Feb 24 BASAL_BELLY_RIVER_SANDST EXP DATE: NIL (UNITIZED) INT TYPE: WI (ARROWWOOD GAS UNIT NO. 1) MNRL INT: 100.0 EXT CODE: UNITIZED		CUR INT: POOLED HOUSTON OI 73.125% COASTAL RE 0.75% TAQA NORTH 1.125% ELMDALE RE 25.0%  REF INT: UNIT HOUSTON OI 93.56963% COASTAL RE 1.677342% TEG OIL&GA 0.43374% TAQA NORTH 2.516008% 1019867 AL 1.80328%  ROYALTY INT NONCONV LOR BASED ON 100.0% PDTO ELMDALE RE 100.0%  <del>ROYALTY INT</del> <del>NONCONV GOR</del> <del>ALL 5.0%</del> <del>BASED ON 73.125%</del> <del>PDTO PIONEER OI 100.0%</del>	NONCONV LOR BASED ON 100.0% PDBY ELMDALE RE 100.0%  NONCONV GOR ALL 5.0% BASED ON 73.125% PDBY HOUSTON OI 100.0%	CUR INT OPER CONT C00188 A CAPL 1990 No ROFR Applies OPER: HOUSTON OI  REF INT OPER CONT U00001 OPER: HOUSTON OI  RELATED CONTRACTS C00188 A CAPL 1990 No ROFR Applies C00762 A ROFR Unknown PS0007 A ROFR Unknown U00001 CG	
M00918 A	LSE TYPE: CR PNG LEA TWP 20 RGE 25 W4M SEC 16, S 28 CR: 29763 PNG TO BASE BELLY_RIVER		CUR INT: WI HOUSTON OI 92.5%	SLIDING SCALE ALL S/S 0	CUR INT OPER CONT 100/09-28-020-25-W4/00 C00141 A	

## HOUSTON OIL & GAS LTD. Mineral Schedule "A" Report - seol

Report Id: RP-0053

File Number	Title Information	Lands	Seller's Interests	Encumbrances	Operating Contract	Wells
	LSE DATE: 1972 Dec 28 EFF DATE: 1972 Oct 30 EXP DATE: 1982 Oct 29 INT TYPE: WI MNRL INT: 100.0 EXT CODE: 15	EXCL NG IN BASAL_BELLY_RIVER_SANDST	COASTAL RE 3.0% TAQA NORTH 4.5%  ROYALTY INT SLIDING SCALE ALL S/S 0 BASED ON 100.0% PDTO ABENERGY 100.0%	BASED ON 100.0% PDBY HOUSTON OI 92.5% PDBY COASTAL RE 3.0% PDBY TAQA NORTH 4.5%  NONCONV GOR ALL 5.0% BASED ON 92.5% PDBY HOUSTON OI 100.0%	CAPL 1971 No ROFR Applies OPER: HOUSTON OI  RELATED CONTRACTS C00141 A CAPL 1971 No ROFR Applies C00762 A ROFR Unknown PS0007 A ROFR Unknown	
			<del>ROYALTY INT</del> <del>NONCONV GOR</del> <del>ALL 5.0%</del> <del>BASED ON 92.5%</del> <del>PDTO PIONEER OI 100.0%</del>			
M00918 B	LSE TYPE: CR PNG LEA CR: 29763 LSE DATE: 1972 Dec 28 EFF DATE: 1972 Oct 30 EXP DATE: 1982 Oct 29 INT TYPE: WI MNRL INT: 100.0 EXT CODE: 15	TWP 20 RGE 25 W4M SEC 16, S 28 NG IN BASAL_BELLY_RIVER_SANDST (UNITIZED) (ARROWWOOD GAS UNIT NO. 1)	CUR INT: WI HOUSTON OI 92.5% COASTAL RE 3.0% TAQA NORTH 4.5%  REF INT: UNIT HOUSTON OI 93.56963% COASTAL RE 1.677342% TEG OIL&GA 0.43374% TAQA NORTH 2.516008% 1019867 AL 1.80328%  ROYALTY INT SLIDING SCALE ALL S/S 0 BASED ON 100.0% PDTO ABENERGY 100.0%	SLIDING SCALE ALL S/S 0 BASED ON 100.0% PDBY HOUSTON OI 92.5% PDBY COASTAL RE 3.0% PDBY TAQA NORTH 4.5%  NONCONV GOR ALL 5.0% BASED ON 92.5% PDBY HOUSTON OI 100.0%	CUR INT OPER CONT C00141 J CAPL 1971 No ROFR Applies OPER: HOUSTON OI  REF INT OPER CONT U00001 OPER: HOUSTON OI  RELATED CONTRACTS C00141 J CAPL 1971 No ROFR Applies C00762 A ROFR Unknown PS0007 A ROFR Unknown U00001 AZ U00001 BI	100/15-16-020-25-W4/00  100/15-16-020-25-W4/02  <del>100/10-28-020-25-W4/00</del>
			<del>ROYALTY INT</del> <del>NONCONV GOR</del>			

**HOUSTON OIL & GAS LTD.**  
**Mineral Schedule "A" Report - seol**

Report Id: RP-0053

File Number	Title Information	Lands	Seller's Interests	Encumbrances	Operating Contract	Wells
			<del>ALL 5.0%</del>			
			<del>BASED ON 92.5%</del>			
			<del>PDTO PIONEER OI 100.0%</del>			
M00912 A	LSE TYPE: FH PNG LEA: TWP 020 RGE 25 W4M SEC 17 LSE DATE: 1972 Apr 21 PNG TO BASE BELLY_RIVER EFF DATE: 1972 Apr 21 EXCL NG IN EXP DATE: 1977 Apr 20 BASAL_BELLY_RIVER_SANDST INT TYPE: WI MNRL INT: 100.0 EXT CODE: UNITIZED		CUR INT: WI HOUSTON OI 92.5% COASTAL RE 3.0% TAQA NORTH 4.5%  ROYALTY INT NONCONV LOR ALL 12.5% BASED ON 100.0% PDTO COMPUSHR-H 100.0%	NONCONV LOR ALL 12.5% BASED ON 100.0% PDBY HOUSTON OI 92.5% PDBY COASTAL RE 3.0% PDBY TAQA NORTH 4.5%  NONCONV GOR ALL 5.0% BASED ON 92.5% PDBY HOUSTON OI 100.0%	CUR INT OPER CONT C00141 A CAPL 1971 No ROFR Applies OPER: HOUSTON OI  RELATED CONTRACTS C00141 A CAPL 1971 No ROFR Applies C00577 A ROFR Unknown C00762 A ROFR Unknown PS0007 A ROFR Unknown	<del>102/10-17-020-25-W4/00</del>  <del>102/10-17-020-25-W4/02</del>
			<del>ROYALTY INT</del>			
			<del>NONCONV GOR</del>			
			<del>ALL 5.0%</del>			
			<del>BASED ON 92.5%</del>			
			<del>PDTO PIONEER OI 100.0%</del>			
M00912 B	LSE TYPE: FH PNG LEA: TWP 020 RGE 25 W4M SEC 17 LSE DATE: 1972 Apr 21 NG IN EFF DATE: 1972 Apr 21 BASAL_BELLY_RIVER_SANDST EXP DATE: 1977 Apr 20 (UNITIZED) INT TYPE: WI (ARROWWOOD GAS UNIT NO. 1) MNRL INT: 100.0 EXT CODE: UNITIZED		CUR INT: WI HOUSTON OI 92.5% COASTAL RE 3.0% TAQA NORTH 4.5%  REF INT: UNIT HOUSTON OI 93.56963% COASTAL RE 1.677342% TEG OIL&GA 0.43374% TAQA NORTH 2.516008% 1019867 AL 1.80328%  ROYALTY INT NONCONV LOR	NONCONV LOR ALL 12.5% BASED ON 100.0% PDBY HOUSTON OI 92.5% PDBY COASTAL RE 3.0% PDBY TAQA NORTH 4.5%  NONCONV GOR ALL 5.0% BASED ON 92.5% PDBY HOUSTON OI 100.0%	CUR INT OPER CONT C00141 J CAPL 1971 No ROFR Applies OPER: HOUSTON OI  REF INT OPER CONT U00001 OPER: HOUSTON OI  RELATED CONTRACTS C00141 J CAPL 1971 No ROFR Applies	100/10-17-020-25-W4/00

**HOUSTON OIL & GAS LTD.**  
**Mineral Schedule "A" Report - seol**

Report Id: RP-0053

File Number	Title Information	Lands	Seller's Interests	Encumbrances	Operating Contract	Wells
			ALL 12.5% BASED ON 100.0% PDTO COMPUSHR-H 100.0%		C00762 A ROFR Unknown PS0007 A ROFR Unknown U00001 BA	
			<del>ROYALTY INT</del> <del>NONCONV GOR</del> <del>ALL 5.0%</del> <del>BASED ON 92.5%</del> <del>PDTO PIONEER OI 100.0%</del>			
M00897 A	LSE TYPE: CR PNG LEA CR: 29764 LSE DATE: 1972 Dec 28 EFF DATE: 1972 Oct 30 EXP DATE: 1982 Oct 30 INT TYPE: WI MNRL INT: 100.0 EXT CODE: 15	TWP 20 RGE 25 W4M SEC 18, 20, SW 32 PNG TO BASE BELLY_RIVER EXCL NG IN BASAL_BELLY_RIVER_SANDST	CUR INT: WI HOUSTON OI 92.5% COASTAL RE 3.0% TAQA NORTH 4.5% ROYALTY INT SLIDING SCALE ALL S/S 0 BASED ON 100.0% PDTO ABENERGY 100.0%	SLIDING SCALE ALL S/S 0 BASED ON 100.0% PDBY HOUSTON OI 92.5% PDBY COASTAL RE 3.0% PDBY TAQA NORTH 4.5% NONCONV GOR ALL 5.0% BASED ON 92.5% PDBY HOUSTON OI 100.0%	CUR INT OPER CONT C00141 A CAPL 1971 No ROFR Applies OPER: HOUSTON OI RELATED CONTRACTS C00141 A CAPL 1971 No ROFR Applies C00577 A ROFR Unknown C00762 A ROFR Unknown PS0007 A ROFR Unknown	<del>100/05-32-020-25-W4/00</del> <del>100/05-32-020-25-W4/02</del> 100/13-20-020-25-W4/00 100/13-20-020-25-W4/02 <del>102/11-18-020-25-W4/00</del>
			<del>ROYALTY INT</del> <del>NONCONV GOR</del> <del>ALL 5.0%</del> <del>BASED ON 92.5%</del> <del>PDTO PIONEER OI 100.0%</del>			
M00897 B	LSE TYPE: CR PNG LEA CR: 29764 LSE DATE: 1972 Dec 28 EFF DATE: 1972 Oct 30 EXP DATE: 1982 Oct 30 INT TYPE: WI MNRL INT: 100.0 EXT CODE: 15	TWP 20 RGE 25 W4M SEC 18, 20, SW 32 NG IN BASAL_BELLY_RIVER_SANDST (UNITIZED) (ARROWWOOD GAS UNIT NO. 1)	CUR INT: WI HOUSTON OI 92.5% COASTAL RE 3.0% TAQA NORTH 4.5% REF INT: UNIT HOUSTON OI 93.56963% COASTAL RE 1.677342%	SLIDING SCALE ALL S/S 0 BASED ON 100.0% PDBY HOUSTON OI 92.5% PDBY COASTAL RE 3.0% PDBY TAQA NORTH 4.5% NONCONV GOR	CUR INT OPER CONT C00141 J CAPL 1971 No ROFR Applies OPER: HOUSTON OI REF INT OPER CONT U00001	100/10-32-020-25-W4/00

## HOUSTON OIL & GAS LTD. Mineral Schedule "A" Report - seol

Report Id: RP-0053

File Number	Title Information	Lands	Seller's Interests	Encumbrances	Operating Contract	Wells
			TEG OIL&GA 0.43374%	ALL 5.0%	OPER: HOUSTON OI	
			TAQA NORTH 2.516008%	BASED ON 92.5%		
			1019867 AL 1.80328%	PDBY HOUSTON OI 100.0%	RELATED CONTRACTS	
			ROYALTY INT		C00141 J	
			SLIDING SCALE		CAPL 1971	
			ALL S/S 0		No ROFR Applies	
			BASED ON 100.0%		C00762 A	
			PDTO ABENERGY 100.0%		ROFR Unknown	
					PS0007 A	
					ROFR Unknown	
			<del>ROYALTY INT</del>		U00001 BB	
			<del>NONCONV GOR</del>		U00001 BG	
			<del>ALL 5.0%</del>		U00001 BO	
			<del>BASED ON 92.5%</del>			
			<del>PDTO PIONEER OI 100.0%</del>			
M00897 C	LSE TYPE: CR PNG LEA CR: 29764 LSE DATE: 1972 Dec 28 EFF DATE: 1972 Oct 30 EXP DATE: 1982 Oct 30 INT TYPE: WI MNRL INT: 100.0 EXT CODE: 15	TWP 20 RGE 25 W4M SEC 29 PNG TO BASE BELLY_RIVER EXCL NG IN BASAL_BELLY_RIVER_SANDST	CUR INT: WI HOUSTON OI 92.5% COASTAL RE 3.0% TAQA NORTH 4.5%	SLIDING SCALE ALL S/S 1/150 (MIN 5.0 MAX 15.0 ) GAS 15.0% BASED ON 25.0% PDBY HOUSTON OI 100.0%	CUR INT OPER CONT C00178 A CAPL 1990 No ROFR Applies OPER: HOUSTON OI RELATED CONTRACTS C00141 A CAPL 1971 No ROFR Applies C00157 A General 0000 No ROFR Applies C00178 A CAPL 1990 No ROFR Applies C00577 A ROFR Unknown C00762 A	100/01-29-020-25-W4/00
			ROYALTY INT			
			SLIDING SCALE			
			ALL S/S 1/150 (MIN 5.0 MAX 15.0 )	SLIDING SCALE ALL S/S 0		
			GAS 15.0%	BASED ON 100.0%		
			BASED ON 25.0%	PDBY HOUSTON OI 92.5%		
			PDTO <del>COASTAL RE</del> 100.0%	PDBY COASTAL RE 3.0%		
			<del>COASTAL RE</del> <b>CNRL</b>	PDBY TAQA NORTH 4.5%		
			ROYALTY INT			
			SLIDING SCALE	NONCONV GOR		
			ALL S/S 0	ALL 5.0%		
			BASED ON 100.0%	BASED ON 92.5%		
			PDTO ABENERGY 100.0%	PDBY HOUSTON OI 100.0%		



## HOUSTON OIL & GAS LTD. Mineral Schedule "A" Report - seol

Report Id: RP-0053

File Number	Title Information	Lands	Seller's Interests	Encumbrances	Operating Contract	Wells
			<del>ROYALTY INT</del>		ROFR Unknown	
			<del>NONCONV GOR</del>		PS0007 A	
			<del>ALL 5.0%</del>		ROFR Unknown	
			<del>BASED ON 92.5%</del>			
			<del>PDTO PIONEER OI 100.0%</del>		ROYALTY LINKS C00157 A General 0000 No ROFR Applies	
M00897 D	LSE TYPE: CR PNG LEA TWP 20 RGE 25 W4M SEC 29 CR: 29764 LSE DATE: 1972 Dec 28 EFF DATE: 1972 Oct 30 EXP DATE: 1982 Oct 30 INT TYPE: WI MNRL INT: 100.0 EXT CODE: 15	NG IN BASAL_BELLY_RIVER_SANDST (UNITIZED) (ARROWWOOD GAS UNIT NO. 1)	CUR INT: WI HOUSTON OI 92.5% COASTAL RE 3.0% TAQA NORTH 4.5%  REF INT: UNIT HOUSTON OI 93.56963% COASTAL RE 1.677342% TEG OIL&GA 0.43374% TAQA NORTH 2.516008% 1019867 AL 1.80328%  ROYALTY INT SLIDING SCALE ALL S/S 1/150 (MIN 5.0 MAX 15.0 ) GAS 15.0% BASED ON 25.0% PDTO <del>CP CAN ENE</del> 100.0% <b>CNRL</b>	SLIDING SCALE ALL S/S 1/150 (MIN 5.0 MAX 15.0 ) GAS 15.0% BASED ON 25.0% PDBY HOUSTON OI 100.0%  SLIDING SCALE ALL S/S 0 BASED ON 100.0% PDBY HOUSTON OI 92.5% PDBY COASTAL RE 3.0% PDBY TAQA NORTH 4.5%  NONCONV GOR ALL 5.0% BASED ON 92.5% PDBY HOUSTON OI 100.0%	CUR INT OPER CONT C00141 J CAPL 1971 No ROFR Applies OPER: HOUSTON OI  REF INT OPER CONT U00001 OPER: HOUSTON OI  RELATED CONTRACTS C00141 J CAPL 1971 No ROFR Applies C00157 A General 0000 No ROFR Applies C00178 A CAPL 1990 No ROFR Applies C00762 A ROFR Unknown PS0007 A ROFR Unknown U00001 BK	

## HOUSTON OIL & GAS LTD. Mineral Schedule "A" Report - seol

Report Id: RP-0053

File Number	Title Information	Lands	Seller's Interests	Encumbrances	Operating Contract	Wells
			<del>ROYALTY INT</del>		ROYALTY LINKS	
			<del>NONCONV GOR</del>		C00157 A	
			<del>ALL 5.0%</del>		General 0000	
			<del>BASED ON 92.5%</del>		No ROFR Applies	
			<del>PDTO PIONEER OI 100.0%</del>			
M00921 A	LSE TYPE: CR PNG LEA CR: 6413 LSE DATE: 1965 Oct 01 EFF DATE: 1965 Aug 09 EXP DATE: 1975 Aug 09 INT TYPE: WI MNRL INT: 100.0 EXT CODE: 15	TWP 20 RGE 25 W4M N 28 TWP 20 RGE 25 W4M N 32, SE 32 TWP 21 RGE 25 W4M SE 4 PNG TO BASE BELLY_RIVER EXCL NG IN BASAL_BELLY_RIVER_SANDST	CUR INT: WI HOUSTON OI 92.5% COASTAL RE 3.0% TAQA NORTH 4.5% ROYALTY INT NONCONV GOR ALL 7.5% BASED ON 100.0% PDTO SIGNALTA R 100.0%	NONCONV GOR ALL 7.5% BASED ON 100.0% PDBY HOUSTON OI 92.5% PDBY COASTAL RE 3.0% PDBY TAQA NORTH 4.5% SLIDING SCALE ALL S/S 0 BASED ON 100.0% NONCONV GOR ALL 5.0% BASED ON 92.5% PDBY HOUSTON OI 100.0%	CUR INT OPER CONT C00141 A CAPL 1971 No ROFR Applies OPER: HOUSTON OI RELATED CONTRACTS C00141 A CAPL 1971 No ROFR Applies C00197 A General 0000 No ROFR Applies C00762 A ROFR Unknown PS0007 A ROFR Unknown ROYALTY LINKS C00197 A General 0000 No ROFR Applies	<del>100/05-32-020-25-W4/00</del> <del>100/05-32-020-25-W4/02</del> 100/09-28-020-25-W4/00 <del>100/13-04-021-25-W4/00</del> <del>100/13-04-021-25-W4/02</del> 100/06-04-021-25-W4/02
			<del>ROYALTY INT</del>			
			<del>NONCONV GOR</del>			
			<del>ALL 5.0%</del>			
			<del>BASED ON 92.5%</del>			
			<del>PDTO PIONEER OI 100.0%</del>			
M00921 B	LSE TYPE: CR PNG LEA CR: 6413 LSE DATE: 1965 Oct 01 EFF DATE: 1965 Aug 09 EXP DATE: 1975 Aug 09 INT TYPE: WI	TWP 20 RGE 25 W4M N 28 TWP 20 RGE 25 W4M N 32, SE 32 TWP 21 RGE 25 W4M SE 4 NG IN BASAL_BELLY_RIVER_SANDST (UNITIZED)	CUR INT: WI HOUSTON OI 92.5% COASTAL RE 3.0% TAQA NORTH 4.5% REF INT: UNIT	NONCONV GOR ALL 7.5% BASED ON 100.0% PDBY HOUSTON OI 92.5% PDBY COASTAL RE 3.0% PDBY TAQA NORTH 4.5%	CUR INT OPER CONT C00141 J CAPL 1971 No ROFR Applies OPER: HOUSTON OI	100/06-04-021-25-W4/00 <del>100/10-28-020-25-W4/00</del> 100/10-32-020-25-W4/00

**HOUSTON OIL & GAS LTD.**  
**Mineral Schedule "A" Report - seol**

Report Id: RP-0053

File Number	Title Information	Lands	Seller's Interests	Encumbrances	Operating Contract	Wells
	MNRL INT: 100.0 EXT CODE: 15	(ARROWWOOD GAS UNIT NO. 1)	HOUSTON OI 93.56963% COASTAL RE 1.677342% TEG OIL&GA 0.43374% TAQA NORTH 2.516008% 1019867 AL 1.80328%  ROYALTY INT NONCONV GOR ALL 7.5% BASED ON 100.0% PDTO SIGNALTA R 100.0%  ROYALTY INT SLIDING SCALE ALL S/S 0 BASED ON 100.0% PDTO ABENERGY 100.0%  <del>ROYALTY INT</del> <del>NONCONV GOR</del> <del>ALL 5.0%</del> <del>BASED ON 92.5%</del> <del>PDTO PIONEER OI 100.0%</del>		REF INT OPER CONT U00001 OPER: HOUSTON OI  RELATED CONTRACTS C00141 J CAPL 1971 No ROFR Applies C00197 General 0000 No ROFR Applies C00197 A General 0000 No ROFR Applies C00762 A ROFR Unknown PS0007 A ROFR Unknown U00001 BJ U00001 BP U00001 BY  ROYALTY LINKS C00197 A General 0000 No ROFR Applies	
M00902 A	LSE TYPE: CR PNG LEA CR: 31788 LSE DATE: 1973 Jul 12 EFF DATE: 1973 Jul 12 EXP DATE: 1983 Jul 12 INT TYPE: WI MNRL INT: 100.0 EXT CODE: 15	TWP 20 RGE 25 W4M SEC 30 PNG TO BASE BELLY_RIVER EXCL NG IN BASAL_BELLY_RIVER_SANDST	CUR INT: WI HOUSTON OI 92.5% COASTAL RE 3.0% TAQA NORTH 4.5%  ROYALTY INT SLIDING SCALE ALL S/S 0	SLIDING SCALE ALL S/S 0 BASED ON 100.0% PDBY HOUSTON OI 92.5% PDBY COASTAL RE 3.0% PDBY TAQA NORTH 4.5%  NONCONV GOR	CUR INT OPER CONT C00141 A CAPL 1971 No ROFR Applies OPER: HOUSTON OI  RELATED CONTRACTS C00141 A	100/16-30-020-25-W4/02

## HOUSTON OIL & GAS LTD. Mineral Schedule "A" Report - seol

File Number	Title Information	Lands	Seller's Interests	Encumbrances	Operating Contract	Wells
			BASED ON 100.0% PDTO ABENERGY 100.0%  <del>ROYALTY INT</del> <del>NONCONV GOR</del> <del>ALL 5.0%</del> <del>BASED ON 92.5%</del> <del>PDTO PIONEER OI 100.0%</del>	ALL 5.0% BASED ON 92.5% PDBY HOUSTON OI 100.0%	CAPL 1971 No ROFR Applies C00762 A ROFR Unknown PS0007 A ROFR Unknown	
M00902 B	LSE TYPE: CR PNG LEA CR: 31788 LSE DATE: 1973 Jul 12 EFF DATE: 1973 Jul 12 EXP DATE: 1983 Jul 12 INT TYPE: WI MNRL INT: 100.0 EXT CODE: 15	TWP 20 RGE 25 W4M SEC 30 NG IN BASAL_BELLY_RIVER_SANDST (UNITIZED) (ARROWWOOD GAS UNIT NO. 1)	CUR INT: WI HOUSTON OI 92.5% COASTAL RE 3.0% TAQA NORTH 4.5%  REF INT: UNIT HOUSTON OI 93.56963% COASTAL RE 1.677342% TEG OIL&GA 0.43374% TAQA NORTH 2.516008% 1019867 AL 1.80328%  ROYALTY INT SLIDING SCALE ALL S/S 0 BASED ON 100.0% PDTO ABENERGY 100.0%  <del>ROYALTY INT</del> <del>NONCONV GOR</del> <del>ALL 5.0%</del> <del>BASED ON 92.5%</del> <del>PDTO PIONEER OI 100.0%</del>	SLIDING SCALE ALL S/S 0 BASED ON 100.0% PDBY HOUSTON OI 92.5% PDBY COASTAL RE 3.0% PDBY TAQA NORTH 4.5%  NONCONV GOR ALL 5.0% BASED ON 92.5% PDBY HOUSTON OI 100.0%	CUR INT OPER CONT C00141 J CAPL 1971 No ROFR Applies OPER: HOUSTON OI  REF INT OPER CONT U00001 OPER: HOUSTON OI  RELATED CONTRACTS C00141 A CAPL 1971 No ROFR Applies C00762 A ROFR Unknown PS0007 A ROFR Unknown U00001 BL	100/16-30-020-25-W4/00
M00903 A	LSE TYPE: FH PNG LEA LSE DATE: 1970 Aug 24	TWP 20 RGE 25 W4M NE 31 NG TO BASE BELLY_RIVER	CUR INT: PPOOL1 HOUSTON OI 92.5%	NONCONV LOR ALL 12.5%	CUR INT OPER CONT C00186 A	100/08-31-020-25-W4/00

## HOUSTON OIL & GAS LTD. Mineral Schedule "A" Report - seol

Report Id: RP-0053

File Number	Title Information	Lands	Seller's Interests	Encumbrances	Operating Contract	Wells
	EFF DATE: 1970 Aug 24 EXP DATE: 1980 Aug 23 INT TYPE: WI MNRL INT: 100.0 EXT CODE: UNITIZED	EXCL NG IN BASAL_BELLY_RIVER_SANDST	COASTAL RE 3.0% TAQA NORTH 4.5%  REF INT: POOLED HOUSTON OI 69.375% COASTAL RE 2.25% TAQA NORTH 28.375%  ROYALTY INT NONCONV LOR ALL 12.5% BASED ON 100.0% PDTO MCGILLIS, 100.0%	BASED ON 100.0% PDBY HOUSTON OI 92.5% PDBY COASTAL RE 3.0% PDBY TAQA NORTH 4.5%  NONCONV GOR ALL 5.0% BASED ON 92.5% PDBY HOUSTON OI 100.0%	CAPL 1990 No ROFR Applies OPER: HOUSTON OI  REF INT OPER CONT C00186 A CAPL 1990 No ROFR Applies OPER: HOUSTON OI  RENT INT OPER CONT C00141 A CAPL 1971 No ROFR Applies OPER: HOUSTON OI  RELATED CONTRACTS C00141 A CAPL 1971 No ROFR Applies C00186 A CAPL 1990 No ROFR Applies C00762 A ROFR Unknown PS0007 A ROFR Unknown	<del>100/13-31-020-25-W4/00-</del>
M00903 B	LSE TYPE: FH PNG LEA: LSE DATE: 1970 Aug 24 EFF DATE: 1970 Aug 24 EXP DATE: 1980 Aug 23 INT TYPE: WI MNRL INT: 100.0 EXT CODE: UNITIZED	NG IN BASAL_BELLY_RIVER_SANDST (UNITIZED) (ARROWWOOD GAS UNIT NO. 1)	CUR INT: POOLED HOUSTON OI 69.375% COASTAL RE 2.25% TAQA NORTH 28.375%  REF INT: UNIT HOUSTON OI 93.56963%	NONCONV LOR ALL 12.5% BASED ON 100.0% PDBY HOUSTON OI 92.5% PDBY COASTAL RE 3.0% PDBY TAQA NORTH 4.5%	CUR INT OPER CONT C00186 A CAPL 1990 No ROFR Applies OPER: HOUSTON OI  REF INT OPER CONT	



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Report Id: RP-0053

File Number	Title Information	Lands	Seller's Interests	Encumbrances	Operating Contract	Wells
			BASED ON 100.0% PDTO MERCHANT O 100.0%  <del>ROYALTY INT</del> <del>NONCONV GOR</del> <del>ALL 5.0%</del> <del>BASED ON 69.375%</del> <del>PDTO PIONEER OI 100.0%</del>		C00141 A CAPL 1971 No ROFR Applies OPER: HOUSTON OI  RELATED CONTRACTS C00141 A CAPL 1971 No ROFR Applies C00186 A CAPL 1990 No ROFR Applies C00762 A ROFR Unknown PS0007 A ROFR Unknown	
M00913 B	LSE TYPE: FH PNG LEA: TWP 20 RGE 25 W4M W 31 LSE DATE: 1970 Aug 25 PET TO BASE BELLY_RIVER EFF DATE: 1970 Aug 25 EXP DATE: 1980 Aug 24 INT TYPE: WI MNRL INT: 100.0 EXT CODE: UNITIZED		CUR INT: WI HOUSTON OI 92.5% COASTAL RE 3.0% TAQA NORTH 4.5%  ROYALTY INT NONCONV LOR ALL 12.5% BASED ON 100.0% PDTO MERCHANT O 100.0%  <del>ROYALTY INT</del> <del>NONCONV GOR</del> <del>ALL 5.0%</del> <del>BASED ON 92.5%</del> <del>PDTO PIONEER OI 100.0%</del>	NONCONV LOR ALL 12.5% BASED ON 100.0% PDBY HOUSTON OI 92.5% PDBY COASTAL RE 3.0% PDBY TAQA NORTH 4.5%  NONCONV GOR ALL 5.0% BASED ON 92.5% PDBY HOUSTON OI 100.0%	CUR INT OPER CONT C00141 A CAPL 1971 No ROFR Applies OPER: HOUSTON OI  RELATED CONTRACTS C00141 K CAPL 1971 No ROFR Applies C00762 A ROFR Unknown PS0007 A ROFR Unknown	
M00913 C	LSE TYPE: FH PNG LEA: TWP 20 RGE 25 W4M W 31		CUR INT: POOLED	NONCONV LOR	CUR INT OPER CONT	<del>400/13-31-020-25-W4/00-</del>

**HOUSTON OIL & GAS LTD.**  
**Mineral Schedule "A" Report - seol**

Report Id: RP-0053

File Number	Title Information	Lands	Seller's Interests	Encumbrances	Operating Contract	Wells
	LSE DATE: 1970 Aug 25 EFF DATE: 1970 Aug 25 EXP DATE: 1980 Aug 24 INT TYPE: WI MNRL INT: 100.0 EXT CODE: UNITIZED	NG IN BASAL_BELLY_RIVER_SANDST (UNITIZED) (ARROWWOOD GAS UNIT NO. 1)	HOUSTON OI 69.375% COASTAL RE 2.25% TAQA NORTH 28.375%	ALL 12.5% BASED ON 100.0% PDBY HOUSTON OI 92.5% PDBY COASTAL RE 3.0% PDBY TAQA NORTH 4.5%	C00186 A CAPL 1990 No ROFR Applies OPER: HOUSTON OI	
			REF INT: UNIT HOUSTON OI 93.56963% COASTAL RE 1.677342% TEG OIL&GA 0.43374% TAQA NORTH 2.516008% 1019867 AL 1.80328%	NONCONV GOR ALL 5.0% BASED ON 69.375% PDBY HOUSTON OI 100.0%	REF INT OPER CONT U00001 OPER: HOUSTON OI RENT INT OPER CONT C00186 A CAPL 1990 No ROFR Applies OPER: HOUSTON OI	
			<del>ROYALTY INT</del> <del>NONCONV LOR</del> <del>ALL 12.5%</del> <del>BASED ON 100.0%</del> <del>PDTO MERCHANT O 100.0%</del>		RELATED CONTRACTS C00141 A CAPL 1971 No ROFR Applies C00186 A CAPL 1990 No ROFR Applies C00762 A ROFR Unknown PS0007 A ROFR Unknown U00001 BM	
M00984 A	LSE TYPE: FH PNG LEA: LSE DATE: 2000 Feb 25 EFF DATE: 2000 Feb 25 EXP DATE: 2005 Feb 24 INT TYPE: WI MNRL INT: 100.0 EXT CODE: HBP	TWP 20 RGE 25 W4M SE 31 NG TO BASE BELLY_RIVER	CUR INT: POOLED HOUSTON OI 69.375% COASTAL RE 2.25% TAQA NORTH 28.375%	NONCONV LOR BASED ON 100.0% PDBY HOUSTON OI 69.375% PDBY COASTAL RE 2.25% PDBY TAQA NORTH 28.375%	CUR INT OPER CONT C00186 A CAPL 1990 No ROFR Applies OPER: HOUSTON OI	100/08-31-020-25-W4/00 <del>100/13-31-020-25-W4/00</del>
			REF INT: PPOOL2 TAQA NORTH 100.0%	NONCONV GOR	REF INT OPER CONT	



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Report Id: RP-0053

File Number	Title Information	Lands	Seller's Interests	Encumbrances	Operating Contract	Wells
			ROYALTY INT	ALL 5.0%	C00186 A	
			NONCONV LOR	BASED ON 69.375%	CAPL 1990	
			BASED ON 100.0%	PDBY HOUSTON OI 100.0%	No ROFR Applies	
			PDTO DONOVAN, M 33.34%		OPER: HOUSTON OI	
			PDTO DONOVAN, I 33.33%		RELATED CONTRACTS	
			PDTO DONOVAN, P 33.33%		C00186 A	
			<del>ROYALTY INT</del>		CAPL 1990	
			<del>NONCONV LOR</del>		No ROFR Applies	
			<del>ALL 5.0%</del>		C00762 A	
			<del>BASED ON 69.375%</del>		ROFR Unknown	
			<del>PDTO PIONEER OI 100.0%</del>		PS0007 A	
					ROFR Unknown	
M00914 A	LSE TYPE: FH PNG LEA: TWP 20 RGE 25 W4M E 33 LSE DATE: 1972 Mar 06 PNG TO BASE BELLY_RIVER EFF DATE: 1972 Mar 06 EXCL NG TO BASE EXP DATE: 1982 Mar 05 BASAL_BELLY_RIVER_SANDST INT TYPE: WI MNRL INT: 100.0 EXT CODE: UNITIZED		CUR INT: WI HOUSTON OI 92.5% COASTAL RE 3.0% TAQA NORTH 4.5%	NONCONV LOR ALL 12.5% BASED ON 100.0% PDBY HOUSTON OI 92.5% PDBY COASTAL RE 3.0% PDBY TAQA NORTH 4.5%	CUR INT OPER CONT C00141 A CAPL 1971 No ROFR Applies OPER: HOUSTON OI	
			ROYALTY INT		RELATED CONTRACTS	
			NONCONV LOR	NONCONV GOR	C00141 A	
			ALL 12.5%	ALL 5.0%	CAPL 1971	
			BASED ON 100.0%	BASED ON 92.5%	No ROFR Applies	
			PDTO WILDERMAN, 12.5%	PDBY HOUSTON OI 100.0%	C00762 A	
			PDTO WILDERMAN, 12.5%		ROFR Unknown	
			PDTO RAMIREZ, S 25.0%		PS0007 A	
			PDTO 7U BROWN R 50.0%		ROFR Unknown	
			<del>ROYALTY INT</del>			
			<del>NONCONV LOR</del>			
			<del>ALL 5.0%</del>			
			<del>BASED ON 92.5%</del>			
			<del>PDTO PIONEER OI 100.0%</del>			
M00914 B	LSE TYPE: FH PNG LEA: TWP 20 RGE 25 W4M E 33		CUR INT: WI	NONCONV LOR	CUR INT OPER CONT	



## HOUSTON OIL & GAS LTD. Mineral Schedule "A" Report - seol

Report Id: RP-0053

File Number	Title Information	Lands	Seller's Interests	Encumbrances	Operating Contract	Wells
			PDTO WILDERMAN, 12.5% PDTO WILDERMAN, 12.5% PDTO RAMIREZ, S 25.0% PDTO 7U BROWN R 50.0%  <del>ROYALTY INT</del> <del>NONCONV GOR</del> <del>ALL 5.0%</del> <del>BASED ON 92.5%</del> <del>PDTO PIONEER OI 100.0%</del>	BASED ON 92.5% PDBY HOUSTON OI 100.0%	No ROFR Applies C00194 A CAPL 1990 No ROFR Applies C00762 A ROFR Unknown PS0007 A ROFR Unknown	
M01019 A	LSE TYPE: FH NG LEASI TWP 20 RGE 25 W4M SW 33 LSE DATE: 1969 Apr 17 EFF DATE: 1969 Apr 17 EXP DATE: 1979 Apr 16 INT TYPE: WI MNRL INT: 100.0 EXT CODE: UNITIZED	NG IN BASAL_BELLY_RIVER_SANDST (UNITIZED) (ARROWWOOD GAS UNIT NO. 1)	CUR INT: WI HOUSTON OI 100.0%  REF INT: UNIT HOUSTON OI 93.56963% COASTAL RE 1.677342% TEG OIL&GA 0.43374% TAQA NORTH 2.516008% 1019867 AL 1.80328%  ROYALTY INT NONCONV LOR ALL 12.5% BASED ON 100.0% PDTO 1103596 AL 100.0%  <del>ROYALTY INT</del> <del>NONCONV GOR</del> <del>ALL 5.0%</del> <del>BASED ON 100.0%</del> <del>PDTO PIONEER OI 100.0%</del>	NONCONV LOR ALL 12.5% BASED ON 100.0% PDBY HOUSTON OI 100.0%  NONCONV GOR ALL 5.0% BASED ON 100.0% PDBY HOUSTON OI 100.0%	REF INT OPER CONT U00001 OPER: HOUSTON OI  RELATED CONTRACTS C00762 A ROFR Unknown PS0007 A ROFR Unknown U00001 BQ	
M01019 B	LSE TYPE: FH NG LEASI TWP 20 RGE 25 W4M SW 33 LSE DATE: 1969 Apr 17	NG TO TOP	CUR INT: POOLED HOUSTON OI 92.5%	NONCONV GOR ALL 15.0%	CUR INT OPER CONT C00194 A	100/11-33-020-25-W4/02

**HOUSTON OIL & GAS LTD.**  
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Report Id: RP-0053

File Number	Title Information	Lands	Seller's Interests	Encumbrances	Operating Contract	Wells
	EFF DATE: 1969 Apr 17 EXP DATE: 1979 Apr 16 INT TYPE: WI MNRL INT: 100.0 EXT CODE: UNITIZED	BASAL_BELLY_RIVER_SANDST	COASTAL RE 3.0% TAQA NORTH 4.5%  ROYALTY INT NONCONV GOR ALL 15.0% BASED ON 100.0% PDTO EXXONMOBIL 100.0%  ROYALTY INT NONCONV LOR ALL 12.5% BASED ON 100.0% PDTO 1103596 AL 100.0%  <del>ROYALTY INT</del> <del>NONCONV GOR</del> <del>ALL 5.0%</del> <del>BASED ON 92.5%</del> <del>PDTO PIONEER OI 100.0%</del>	BASED ON 100.0% PDBY HOUSTON OI 92.5% PDBY COASTAL RE 3.0% PDBY TAQA NORTH 4.5%  NONCONV LOR ALL 12.5% BASED ON 100.0% PDBY HOUSTON OI 92.5% PDBY COASTAL RE 3.0% PDBY TAQA NORTH 4.5%  NONCONV GOR ALL 5.0% BASED ON 92.5% PDBY HOUSTON OI 100.0%	CAPL 1990 No ROFR Applies OPER: HOUSTON OI  RELATED CONTRACTS C00151 A General 0000 No ROFR Applies C00194 A CAPL 1990 No ROFR Applies C00762 A ROFR Unknown PS0007 A ROFR Unknown  ROYALTY LINKS C00151 A General 0000 No ROFR Applies	100/11-33-020-25-W4/00
M01020 A	LSE TYPE: FH PNG LEA: TWP 20 RGE 25 W4M NW 33 LSE DATE: 1969 Apr 19 NG IN EFF DATE: 1969 Apr 19 EXP DATE: 1979 Apr 18 INT TYPE: WI MNRL INT: 100.0 EXT CODE: UNITIZED	BASAL_BELLY_RIVER_SANDST (UNITIZED) (ARROWWOOD GAS UNIT NO. 1)	CUR INT: WI HOUSTON OI 100.0%  REF INT: UNIT HOUSTON OI 93.56963% COASTAL RE 1.677342% TEG OIL&GA 0.43374% TAQA NORTH 2.516008% 1019867 AL 1.80328%  ROYALTY INT NONCONV LOR ALL 12.5% BASED ON 100.0%	NONCONV LOR ALL 12.5% BASED ON 100.0% PDBY HOUSTON OI 100.0%	REF INT OPER CONT U00001 OPER: HOUSTON OI  RELATED CONTRACTS C00762 A ROFR Unknown PS0007 A ROFR Unknown U00001 CB	



## HOUSTON OIL & GAS LTD. Mineral Schedule "A" Report - seol

Report Id: RP-0053

File Number	Title Information	Lands	Seller's Interests	Encumbrances	Operating Contract	Wells
					No ROFR Applies	
M00922 A	LSE TYPE: CR PNG LEA CR: 0487040030 LSE DATE: 1987 Apr 10 EFF DATE: 1987 Apr 02 EXP DATE: 1992 Apr 02 INT TYPE: WI MNRL INT: 100.0 EXT CODE: 15	TWP 20 RGE 25 W4M NE 34 NG IN UPPER_BASAL_BELLY_RIVER	CUR INT: POOLED HOUSTON OI 75.0% COASTAL RE 10.0% TAQA NORTH 15.0%  ROYALTY INT NONCONV GOR ALL 7.5% BASED ON 100.0% PDTO SIGNALTA R 100.0%  ROYALTY INT SLIDING SCALE ALL S/S BASED ON 100.0% PDTO ABENERGY 100.0%  <del>ROYALTY INT</del> <del>NONCONV GOR</del> <del>ALL 5.0%</del> <del>BASED ON 75.0%</del> <del>PDTO PIONEER OI 100.0%</del>	NONCONV GOR ALL 7.5% BASED ON 100.0% PDBY HOUSTON OI 92.5% PDBY COASTAL RE 3.0% PDBY TAQA NORTH 4.5%  SLIDING SCALE ALL S/S BASED ON 100.0% PDBY COASTAL RE 40.0% PDBY TAQA NORTH 60.0%  NONCONV GOR ALL 5.0% BASED ON 75.0% PDBY HOUSTON OI 100.0%	CUR INT OPER CONT C00171 A CAPL 1981 No ROFR Applies OPER: HOUSTON OI  RENT INT OPER CONT C00171 A CAPL 1981 No ROFR Applies OPER: HOUSTON OI  RELATED CONTRACTS C00171 A CAPL 1981 No ROFR Applies C00197 A General 0000 No ROFR Applies C00762 A ROFR Unknown PS0007 A ROFR Unknown  ROYALTY LINKS C00197 A General 0000 No ROFR Applies	100/06-34-020-25-W4/00
M00923 A	LSE TYPE: CR PNG LEA CR: 6413A LSE DATE: 1990 Feb 16 EFF DATE: 1965 Aug 09	TWP 20 RGE 25 W4M S 34, NW 34 PNG TO BASE BELLY_RIVER EXCL NG IN BELLY_RIVER_UPPER	CUR INT: WI HOUSTON OI 100.0%  ROYALTY INT	NONCONV GOR ALL 7.5% BASED ON 100.0% PDBY HOUSTON OI 100.0%	RELATED CONTRACTS C00197 B General 0000	

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Report Id: RP-0053

File Number	Title Information	Lands	Seller's Interests	Encumbrances	Operating Contract	Wells
	EXP DATE: 1975 Aug 09 INT TYPE: WI MNRL INT: 100.0 EXT CODE: 15		NONCONV GOR ALL 7.5% BASED ON 100.0% PDTO SIGNALTA R 100.0%	SLIDING SCALE ALL S/S 0 BASED ON 100.0% PDBY HOUSTON OI 100.0%	No ROFR Applies C00762 A ROFR Unknown PS0007 A ROFR Unknown	
			ROYALTY INT SLIDING SCALE ALL S/S 0 BASED ON 100.0% PDTO ABENERGY 100.0%	NONCONV GOR ALL 5.0% BASED ON 100.0% PDBY HOUSTON OI 100.0%	ROYALTY LINKS C00197 B General 0000 No ROFR Applies	
			<del>ROYALTY INT</del> <del>NONCONV GOR</del> <del>ALL 5.0%</del> <del>BASED ON 100.0%</del> <del>PDTO PIONEER OI 100.0%</del>			
M00923 B	LSE TYPE: CR PNG LEA: TWP 20 RGE 25 W4M S 34, NW 34 CR: 6413A LSE DATE: 1990 Feb 16 EFF DATE: 1965 Aug 09 EXP DATE: 1975 Aug 09 INT TYPE: WI MNRL INT: 100.0 EXT CODE: 15	NG IN UPPER_BASAL_BELLY_RIVER	CUR INT: POOLED HOUSTON OI 75.0% COASTAL RE 10.0% TAQA NORTH 15.0%	NONCONV GOR ALL 7.5% BASED ON 100.0% PDBY HOUSTON OI 100.0%	CUR INT OPER CONT C00171 A CAPL 1981 No ROFR Applies OPER: HOUSTON OI	100/06-34-020-25-W4/00
			ROYALTY INT NONCONV GOR ALL 7.5% BASED ON 100.0% PDTO SIGNALTA R 100.0%	SLIDING SCALE ALL S/S 0 BASED ON 100.0% PDBY HOUSTON OI 100.0%	RENT INT OPER CONT C00171 A CAPL 1981 No ROFR Applies OPER: HOUSTON OI	
			ROYALTY INT SLIDING SCALE ALL S/S 0 BASED ON 100.0% PDTO ABENERGY 100.0%	NONCONV GOR ALL 5.0% BASED ON 75.0% PDBY HOUSTON OI 100.0%	RELATED CONTRACTS C00171 A CAPL 1981 No ROFR Applies C00197 B General 0000	
			<del>ROYALTY INT</del>			





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Report Id: RP-0053

File Number	Title Information	Lands	Seller's Interests	Encumbrances	Operating Contract	Wells
	EXP DATE: 2006 Apr 13 INT TYPE: WI MNRL INT: 100.0 EXT CODE: HBP		GRANT THOR 25.0%	PDBY HOUSTON OI 100.0%	No ROFR Applies OPER: HOUSTON OI	
			ROYALTY INT NONCONV LOR ALL 16.667% BASED ON 100.0% PDTO KENNIBAR 100.0%	NONCONV GOR ALL 5.0% BASED ON 50.0% PDBY HOUSTON OI 100.0%	RENT INT OPER CONT C00176 A CAPL 1990 No ROFR Applies OPER: HOUSTON OI	
			<del>ROYALTY INT</del> <del>NONCONV GOR</del> <del>ALL 5.0%</del> <del>BASED ON 50.0%</del> <del>PDTO PIONEER OI 100.0%</del>		RELATED CONTRACTS C00176 A CAPL 1990 No ROFR Applies C00762 A ROFR Unknown PS0007 A ROFR Unknown	
M01002 A	LSE TYPE: FH PNG LEA: TWP 20 RGE 25 W4M SW 35 LSE DATE: 2003 Jan 30 PNG TO BASE MEDICINE_HAT EFF DATE: 2003 Jan 30 EXP DATE: 2007 Jan 29 INT TYPE: WI MNRL INT: 25.0 EXT CODE: HBP		CUR INT: POOLED HOUSTON OI 50.0% TAQA NORTH 25.0% GRANT THOR 25.0%	NONCONV LOR ALL 15.0% BASED ON 100.0% PDBY TAQA NORTH 100.0%	CUR INT OPER CONT C00176 A CAPL 1990 No ROFR Applies OPER: HOUSTON OI	100/13-35-020-25-W4/00  100/13-35-020-25-W4/02
			ROYALTY INT NONCONV LOR ALL 15.0% BASED ON 100.0% PDTO DIANE GERO 100.0%	NONCONV GOR ALL 5.0% BASED ON 50.0% PDBY HOUSTON OI 100.0%	RENT INT OPER CONT C00176 A CAPL 1990 No ROFR Applies OPER: HOUSTON OI	
			<del>ROYALTY INT</del> <del>NONCONV GOR</del> <del>ALL 5.0%</del> <del>BASED ON 50.0%</del> <del>PDTO PIONEER OI 100.0%</del>		RELATED CONTRACTS C00176 A CAPL 1990 No ROFR Applies C00762 A	

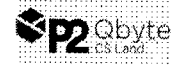




**HOUSTON OIL & GAS LTD.**  
**Mineral Schedule "A" Report - seol**

Report Id: RP-0053

File Number	Title Information	Lands	Seller's Interests	Encumbrances	Operating Contract	Wells
	EXP DATE: 2007 Jan 29 INT TYPE: WI MNRL INT: 25.0 EXT CODE: HBP		GRANT THOR 25.0%	PDBY TAQA NORTH 100.0%	No ROFR Applies OPER: HOUSTON OI  RENT INT OPER CONT C00176 A CAPL 1990 No ROFR Applies OPER: HOUSTON OI  RELATED CONTRACTS C00176 A CAPL 1990 No ROFR Applies PS0007 A ROFR Unknown	
M01037 A	LSE TYPE: FH PNG LEA: TWP 20 RGE 25 W4M SE 35 LSE DATE: 2003 Feb 15 PNG TO BASE MEDICINE_HAT EFF DATE: 2003 Feb 15 EXP DATE: 2007 Feb 14 INT TYPE: WI MNRL INT: 25.0 EXT CODE: HBP		CUR INT: POOLED HOUSTON OI 50.0% TAQA NORTH 25.0% GRANT THOR 25.0%  ROYALTY INT NONCONV LOR ALL 15.0% BASED ON 100.0% PDTO LEMAY, TON 100.0%	NONCONV LOR ALL 15.0% BASED ON 100.0% PDBY TAQA NORTH 100.0%	CUR INT OPER CONT C00176 A CAPL 1990 No ROFR Applies OPER: HOUSTON OI  RENT INT OPER CONT C00176 A CAPL 1990 No ROFR Applies OPER: HOUSTON OI  RELATED CONTRACTS C00176 A CAPL 1990 No ROFR Applies PS0007 A ROFR Unknown	100/13-35-020-25-W4/00  100/13-35-020-25-W4/02



**HOUSTON OIL & GAS LTD.**  
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Report Id: RP-0053

File Number	Title Information	Lands	Seller's Interests	Encumbrances	Operating Contract	Wells
M00987 A	LSE TYPE: FH PNG LEA: TWP 20 RGE 26 W4M NE 13 LSE DATE: 2000 Dec 31 PNG TO BASE EFF DATE: 2000 Dec 31 BASAL_BELLY_RIVER_SANDST EXP DATE: 2002 Dec 30 INT TYPE: WI MNRL INT: 100.0 EXT CODE: HBP		CUR INT: WI HOUSTON OI 50.0% CANLIN RES 50.0%	NONCONV GOR ALL 15.0% BASED ON 50.0% PDBY HOUSTON OI 100.0%	CUR INT OPER CONT C00153 A CAPL 1990 No ROFR Applies OPER: HOUSTON OI	100/13-13-020-26-W4/02  100/13-13-020-26-W4/00 <del>100/01-13-020-26-W4/00</del>
			ROYALTY INT NONCONV GOR ALL 15.0% BASED ON 50.0% PDTO CANLIN RES 100.0%	NONCONV LOR ALL 18.0% BASED ON 100.0% PDBY HOUSTON OI 50.0% PDBY CANLIN RES 50.0%	RELATED CONTRACTS C00153 A CAPL 1990 No ROFR Applies C00762 A ROFR Unknown PS0007 A ROFR Unknown	
			ROYALTY INT NONCONV LOR ALL 18.0% BASED ON 100.0% PDTO THURBER, M 33.333% PDTO SNIDER, JU 33.333% PDTO THURBER, D 33.334%	NONCONV GOR ALL 5.0% BASED ON 50.0% PDBY HOUSTON OI 100.0%	ROYALTY LINKS C00153 A CAPL 1990 No ROFR Applies	
			<del>ROYALTY INT</del> <del>NONCONV GOR</del> <del>ALL 5.0%</del> <del>BASED ON 50.0%</del> <del>PDTO PIONEER OI 100.0%</del>			
M00988 A	LSE TYPE: FH PNG LEA: TWP 20 RGE 26 W4M SE 13 LSE DATE: 2000 Dec 31 PNG TO BASE EFF DATE: 2000 Dec 31 BASAL_BELLY_RIVER_SANDST EXP DATE: 2002 Dec 30 INT TYPE: WI MNRL INT: 100.0 EXT CODE: HBP		CUR INT: WI HOUSTON OI 50.0% CANLIN RES 50.0%	NONCONV GOR ALL 15.0% BASED ON 50.0% PDBY HOUSTON OI 100.0%	CUR INT OPER CONT C00153 A CAPL 1990 No ROFR Applies OPER: HOUSTON OI	100/13-13-020-26-W4/02  100/13-13-020-26-W4/00 <del>100/01-13-020-26-W4/00</del>
			ROYALTY INT NONCONV GOR ALL 15.0% BASED ON 50.0% PDTO CANLIN RES 100.0%	NONCONV LOR ALL 18.0% BASED ON 100.0% PDBY HOUSTON OI 50.0% PDBY CANLIN RES 50.0%	RELATED CONTRACTS C00153 A CAPL 1990 No ROFR Applies C00762 A	
			ROYALTY INT			

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Report Id: RP-0053

File Number	Title Information	Lands	Seller's Interests	Encumbrances	Operating Contract	Wells
			NONCONV LOR ALL 18.0% BASED ON 100.0% PDTO THURBER, M 33.333% PDTO SNIDER, JU 33.333% PDTO THURBER, D 33.334%	NONCONV GOR ALL 5.0% BASED ON 50.0% PDBY HOUSTON OI 100.0%	ROFR Unknown PS0007 A ROFR Unknown ROYALTY LINKS C00153 A CAPL 1990 No ROFR Applies	
			<del>ROYALTY INT</del> <del>NONCONV GOR</del> <del>ALL 5.0%</del> <del>BASED ON 50.0%</del> <del>PDTO PIONEER OI 100.0%</del>			
M00989 A	LSE TYPE: FH PNG LEA: TWP 20 RGE 26 W4M SW 13 LSE DATE: 2000 Dec 31 PNG TO BASE EFF DATE: 2000 Dec 31 BASAL_BELLY_RIVER_SANDST EXP DATE: 2002 Dec 30 INT TYPE: WI MNRL INT: 100.0 EXT CODE: HBP		CUR INT: WI HOUSTON OI 50.0% CANLIN RES 50.0%	NONCONV GOR ALL 15.0% BASED ON 50.0% PDBY HOUSTON OI 100.0%	CUR INT OPER CONT C00153 A CAPL 1990 No ROFR Applies OPER: HOUSTON OI	100/13-13-020-26-W4/02  100/13-13-020-26-W4/00 <del>100/01-13-020-26-W4/00</del>
			ROYALTY INT NONCONV GOR ALL 15.0% BASED ON 50.0% PDTO CANLIN RES 100.0%	NONCONV LOR ALL 18.0% BASED ON 100.0% PDBY HOUSTON OI 50.0% PDBY CANLIN RES 50.0%	RELATED CONTRACTS C00153 A CAPL 1990 No ROFR Applies C00762 A	
			ROYALTY INT NONCONV LOR ALL 18.0% BASED ON 100.0% PDTO THURBER, M 33.333% PDTO SNIDER, JU 33.333% PDTO THURBER, D 33.334%	NONCONV GOR ALL 5.0% BASED ON 50.0% PDBY HOUSTON OI 100.0%	ROFR Unknown PS0007 A ROFR Unknown ROYALTY LINKS C00153 A CAPL 1990 No ROFR Applies	
			<del>ROYALTY INT</del> <del>NONCONV GOR</del> <del>ALL 5.0%</del> <del>BASED ON 50.0%</del>			

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File Number	Title Information	Lands	Seller's Interests	Encumbrances	Operating Contract	Wells
			<del>PDTO PIONEER OI 100.0%</del>			
M00990 A	LSE TYPE: FH PNG LEA: TWP 20 RGE 26 W4M NW 13 LSE DATE: 2000 Dec 31 PNG TO BASE EFF DATE: 2000 Dec 31 BASAL_BELLY_RIVER_SANDST EXP DATE: 2002 Dec 30 INT TYPE: WI MNRL INT: 100.0 EXT CODE: HBP		CUR INT: WI HOUSTON OI 50.0% CANLIN RES 50.0%  ROYALTY INT NONCONV GOR ALL 15.0% BASED ON 50.0% PDTO CANLIN RES 100.0%  ROYALTY INT NONCONV LOR ALL 18.0% BASED ON 100.0% PDTO THURBER, M 33.333% PDTO SNIDER, JU 33.333% PDTO THURBER, D 33.334%  <del>ROYALTY INT</del> <del>NONCONV GOR</del> <del>ALL 5.0%</del> <del>BASED ON 50.0%</del> <del>PDTO PIONEER OI 100.0%</del>	NONCONV GOR ALL 15.0% BASED ON 50.0% PDBY HOUSTON OI 100.0%  NONCONV LOR ALL 18.0% BASED ON 100.0% PDBY HOUSTON OI 50.0% PDBY CANLIN RES 50.0%  NONCONV GOR ALL 5.0% BASED ON 50.0% PDBY HOUSTON OI 100.0%	CUR INT OPER CONT C00153 A CAPL 1990 No ROFR Applies OPER: HOUSTON OI  RELATED CONTRACTS C00153 A CAPL 1990 No ROFR Applies C00762 A ROFR Unknown PS0007 A ROFR Unknown  ROYALTY LINKS C00153 A CAPL 1990 No ROFR Applies	100/13-13-020-26-W4/02  100/13-13-020-26-W4/00  <del>100/01-13-020-26-W4/00</del>
M00906 A	LSE TYPE: CR PNG LEA TWP 21 RGE 25 W4M N 4, SW 4 CR: 29766 PNG TO BASE BELLY_RIVER LSE DATE: 1972 Dec 28 EXCL NG IN EFF DATE: 1972 Oct 30 BASAL_BELLY_RIVER_SANDST EXP DATE: 1982 Oct 30 INT TYPE: WI MNRL INT: 100.0 EXT CODE: 15		CUR INT: WI HOUSTON OI 92.5% COASTAL RE 3.0% TAQA NORTH 4.5%  ROYALTY INT SLIDING SCALE ALL S/S 0 BASED ON 100.0%	SLIDING SCALE ALL S/S 0 BASED ON 100.0% PDBY HOUSTON OI 92.5% PDBY COASTAL RE 3.0% PDBY TAQA NORTH 4.5%  NONCONV GOR ALL 5.0%	CUR INT OPER CONT C00141 A CAPL 1971 No ROFR Applies OPER: HOUSTON OI  RELATED CONTRACTS C00141 A CAPL 1971	<del>100/13-04-021-25-W4/00</del> <del>100/13-04-021-25-W4/02</del> 100/06-04-021-25-W4/02

**HOUSTON OIL & GAS LTD.**  
**Mineral Schedule "A" Report - seol**

Report Id: RP-0053

File Number	Title Information	Lands	Seller's Interests	Encumbrances	Operating Contract	Wells
			PDTO ABENERGY 100.0%	BASED ON 92.5%	No ROFR Applies	
			<del>ROYALTY INT</del>	PDBY HOUSTON OI 100.0%	C00762 A	
			<del>NONCONV GOR</del>		ROFR Unknown	
			<del>ALL 5.0%</del>		PS0007 A	
			<del>BASED ON 92.5%</del>		ROFR Unknown	
			<del>PDTO PIONEER OI 100.0%</del>			
M00906 B	LSE TYPE: CR PNG LEA TWP 21 RGE 25 W4M N 4, SW 4 CR: 29766 LSE DATE: 1972 Dec 28 EFF DATE: 1972 Oct 30 EXP DATE: 1982 Oct 30 INT TYPE: WI MNRL INT: 100.0 EXT CODE: 15	NG IN BASAL_BELLY_RIVER_SANDST (UNITIZED) (ARROWWOOD GAS UNIT NO. 1)	CUR INT: WI HOUSTON OI 92.5% COASTAL RE 3.0% TAQA NORTH 4.5% REF INT: UNIT HOUSTON OI 93.56963% COASTAL RE 1.677342% TEG OIL&GA 0.43374% TAQA NORTH 2.516008% 1019867 AL 1.80328%	SLIDING SCALE ALL S/S 0 BASED ON 100.0% PDBY HOUSTON OI 92.5% PDBY COASTAL RE 3.0% PDBY TAQA NORTH 4.5% NONCONV GOR ALL 5.0% BASED ON 92.5% PDBY HOUSTON OI 100.0%	CUR INT OPER CONT C00141 J CAPL 1971 No ROFR Applies OPER: HOUSTON OI REF INT OPER CONT U00001 OPER: HOUSTON OI RELATED CONTRACTS C00141 J CAPL 1971 No ROFR Applies C00762 A ROFR Unknown PS0007 A ROFR Unknown U00001 BZ	100/06-04-021-25-W4/00
			ROYALTY INT			
			SLIDING SCALE			
			ALL S/S 0			
			BASED ON 100.0%			
			PDTO ABENERGY 100.0%			
			<del>ROYALTY INT</del>			
			<del>NONCONV GOR</del>			
			<del>ALL 5.0%</del>			
			<del>BASED ON 92.5%</del>			
			<del>PDTO PIONEER OI 100.0%</del>			



THE FOLLOWING COMPRISES SCHEDULE "B" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED [DATE] BETWEEN HARDIE AND KELLY INC. IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND [SEOL ENERGY INC]

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**Wells and Facilities**

**Wells**

<b><u>License Number</u></b>	<b><u>UWI</u></b>
0260693	100/01-29-020-25W4/0
0054369	100/06-04-021-25W4/0
0133837	100/06-34-020-25W4/0
0071838	100/07-07-020-25W4/0
0268691	100/08-31-020-25W4/0
0243989	100/09-28-020-25W4/0
0049508	100/10-12-020-26W4/0
0044460	100/10-17-020-25W4/0
0053190	100/10-32-020-25W4/0
0335237	100/11-33-020-25W4/0
0259330	100/12-08-020-25W4/0
0275797	100/13-13-020-26W4/0
0259326	100/13-20-020-25W4/0
0291892	100/13-35-020-25W4/0
0261448	100/15-16-020-25W4/0
0280517	100/16-30-020-25W4/0

**Pipelines**

**License Number**

676 , segment 2  
42231, segment 1  
24093, segment 1  
36595, segments 1,2,10,11,12,13,14,17,18,22,23,24,26  
10197, segments 7,8,10,11,12,14,21  
20299, segment 2

## Facilities

<u>License Number</u>	<u>Location</u>	<u>Description</u>
F21805	1-7-20-25 W4	Gas Plant
F26445	7-20-20-25 W4	Compressor

# **APPENDIX “B”**

# HOME COPY

## UNIT AGREEMENT

### ARROWWOOD GAS UNIT NO. 1

#### Table of Contents

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EXHIBIT "A" - Tract Participation

EXHIBIT "B" - Plan of the Unit Area

EXHIBIT "C" - Copy of a Portion of the Dual Induction Log

UNIT AGREEMENT

ARROWWOOD GAS UNIT NO. 1

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

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

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

ARTICLE I

DEFINITIONS

101. Definitions

In this agreement:

- (a) "Conservation Board" means the Energy Resources Conservation Board of the Province of Alberta;
- (b) "Effective Date" means the time and date referred to in Article XIV;
- (c) "Lease" means an instrument granting a Working Interest in the Unitized Zone;
- (d) "Outside Substances" means any substances initially obtained from any source other than the Unitized Zone or any Unitized Substances with respect to which royalty has been paid;
- (e) "Party" means a person who is bound by this agreement;
- (f) "Gas" means natural gas together with associated substances, both before and after it has been subjected to any processing and includes all fluid hydrocarbons other than crude oil;

- (g) "Royalty Interest" means any interest other than a Working Interest in Gas, or the proceeds from the sale thereof, produced from the Basal Belly River Formation but does not include the interest of a person as a purchaser of Gas after production;
- (h) "Royalty Owner" means a Party owning a Royalty Interest;
- (i) "Spacing Unit" means the area allocated to a well by the Conservation Board with respect to the Basal Belly River Formation for the purpose of drilling for or producing Gas;
- (j) "Tract" means a parcel of land described and given a Tract number in Exhibit "A";
- (k) "Tract Participation" means the percentage allotted to a Tract and set forth in Exhibit "A";
- (l) "Unit Area" means the lands described in Exhibit "A" and outlined in Exhibit "B";
- (m) "Unit Operator" means the person who is so designated under the Unit Operating Agreement;
- (n) "Unit Operating Agreement" means the agreement entitled "Unit Operating Agreement Arrowwood Gas Unit No. 1" entered into by the Working Interest Owners;
- (o) "Unitized Zone" means the Basal Belly River Formation within the Unit Area;
- (p) "Unitized Substances" means Gas in or obtained from the Unitized Zone;
- (q) "Working Interest" means any right to produce and dispose of Gas from the Basal Belly River Formation including an interest chargeable with any costs of drilling for, recovery of and disposal of Gas therefrom;

- (r) "Working Interest Owner" means a Party owning a Working Interest;
- (s) "Basal Belly River Formation" means the basal sands of the Belly River Group of Upper Cretaceous Age as found in the well Cdn-Sup Farrow 6-23-19-26 (W4M) and recorded on the Dual Induction Log over the interval 3265 feet K.B. to 3362 feet K.B. as identified in Exhibit "C".

## ARTICLE II

### EXHIBITS

#### 201. Exhibits

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

- (a) Exhibit "A" which numbers and describes each Tract and sets forth its Tract Participation, the names of the owners of the Working Interest and their respective shares of the Working Interest;
- (b) Exhibit "B" which is a plan of the Unit Area;
- (c) Exhibit "C" which is a copy of a portion of the Dual Induction Log referred to in subclause 101 (s) hereof.

#### 202. Exhibits Correct

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

#### 203. Correction of Exhibits

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

204. Effective Time

Any corrected exhibit prepared on or before the Effective Date or within 90 days thereafter shall be effective on the Effective Date. Any corrected exhibit prepared thereafter shall be effective at 8:00 a.m. on the first day of the calendar month next following its preparation or on such other date as is determined by the Working Interest Owners.

205. Supply of Exhibits

Each time that an exhibit is revised or corrected pursuant to this agreement, Unit Operator shall supply the Conservation Board and the Department of Energy and Natural Resources with 2 copies each and shall supply each Working Interest Owner with the number of copies of the exhibit it requests. Each Working Interest Owner shall supply each of its Royalty Owners, excepting the Crown, with a copy thereof.

206. Form of Revised or Corrected Exhibits

Exhibits that are revised or corrected shall show the effective time of the revision or correction and shall be numbered consecutively.

ARTICLE III

UNITIZATION AND EFFECT

301. Unitization

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



302. Personal Property Excepted

All lease and well equipment heretofore or hereafter placed by any of the Working Interest Owners on lands comprised in the Unit Area shall be deemed conclusively to be and shall remain personal property belonging to and may be removed by the Working Interest Owners. The Working Interest Owners' rights and interests therein are set forth in the Unit Operating Agreement.

303. Continuation of Leases

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

304. Leases Amended

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

305. Ratification of Leases

Except for a Lease in respect of which a court action has been commenced and is pending on the Effective Date, each Royalty Owner hereby ratifies and confirms any Lease, as amended by this agreement, to which it is a party and agrees that no default exists with respect thereto and that any such Lease is in effect as of the Effective Date.

306. Effect of Unitization on Titles

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

307. Name

The name of the unit hereby constituted is "Arrowwood Gas Unit No. 1".

ARTICLE IV

AUTHORITY TO WORKING INTEREST OWNERS

401. Operations

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

402. Delegation

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

403. Vote of Working Interest Owners

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

ARTICLE V

INCLUSION AND QUALIFICATION OF TRACTS

501. Tracts Included on Effective Date

The Tracts included in the Unit Area as of the Effective Date are those Tracts which are qualified under clause 502:

- (a) before the Effective Date; or
- (b) on or within 90 days after the Effective Date.

502. Qualification of Tracts

A Tract is qualified for inclusion in the Unit Area when its title has been approved by the Working Interest Owners pursuant to clause 1102 and when:

- (a) owners of 100 percent of the Working Interest therein have become Parties and parties to the Unit Operating Agreement and owners of 100 percent of the Royalty Interest therein have become Parties; or
- (b) owners of 100 percent of the Working Interest therein have become Parties and parties to the Unit Operating Agreement and owners of less than 100 percent of the Royalty Interest therein have become Parties, and such owners of Working Interests agree, if required by the other Working Interest Owners, to indemnify the other Working Interest Owners in a form and manner satisfactory to them for any loss or damages that may be suffered by such other Working Interest Owners in respect of claims and demands that, because of the inclusion of the Tract in the Unit Area, may be made by those owners of Royalty Interests in the Tract who have not become Parties; or
- (c) owners of Working Interest therein have agreed with the owners of Working Interests then Parties and parties to the Unit Operating

Agreement as to the basis on which the Tract shall become qualified, where the Tract cannot be qualified pursuant to subclause (a) or (b) of this clause.

503. Revision of Exhibits

Within 120 days after the Effective Date the exhibits shall be revised, if necessary, to set out those Tracts included in the Unit Area under this Article. The revised Exhibit "A" shall set forth the Tract Participations of the Tracts recalculated on the same basis and using the same data as that used in the calculation of Tract Participations in the original Exhibit "A" and so that their summation equals 100 percent. The exhibits as so revised shall be effective as of the Effective Date.

ARTICLE VI

TRACT PARTICIPATION

601. Tract Participation

Each Tract has a Tract Participation as shown on Exhibit "A".

ARTICLE VII

ALLOCATION OF UNITIZED SUBSTANCES PRODUCED

701. Allocation to Tracts

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

702. Distribution Within Tracts

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

703. Calculation of Royalty

The Working Interest Owners of each Tract shall calculate royalty on the Unitized Substances allocated to the Tract at the applicable rate under the Lease, other agreement or instrument relating to the Tract. The Royalty Owners of each Tract agree to accept payment of royalty so calculated in satisfaction of the obligation of a Working Interest Owner to make royalty payments on Unitized Substances under the Lease, agreement or other instrument covering such Tract; but a lessee under a Lease shall not be relieved from making payment of royalty to its lessor if payment is not made by the Working Interest Owner as aforesaid.

704. Taking Unitized Substances in Kind

The Unitized Substances allocated to a Tract shall be delivered in kind at the time and place of production to the Working Interest Owners entitled thereto who may, if there is no interference with unit operations, construct, maintain and operate in the Unit Area all necessary facilities for taking delivery in kind.

705. Failure to Take in Kind

To the extent that a Party entitled to take in kind any of the

Unitized Substances fails to take or otherwise dispose of them at the time and place of production, then so long as such failure continues, Unit Operator, as agent and for the account and at the expense of such Party may sell, store, inject or otherwise dispose of them. Where there is a sale the net proceeds remaining from the sale shall be paid to the Party. Unit Operator may contract for the sale thereof only for the minimum term obtainable which in no event shall exceed 1 year. When Unit Operator has so contracted, the Party may take its share of the Unitized Substances in kind upon the expiration of the current sales contract.

706. Royalty on Outside Substances

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

ARTICLE VIII

USE, LOSS AND STORAGE OF UNITIZED SUBSTANCES

801. Use or Loss

The Working Interest Owners may use as much of the Unitized Substances as they deem necessary for the operation and development of the Unitized Zone including, but not limited to, the injection thereof into the Unitized Zone and in the operation of any plant or plants handling Unitized Substances. Unitized Substances so used or injected and Unitized Substances lost shall be

excluded in allocating Unitized Substances to Tracts, and no royalty or other payment shall be payable in respect thereof.

802.       Storage

The Working Interest Owners are hereby granted the right to inject Unitized Substances into the Unitized Zone for storage. Unitized Substances so injected shall be excluded in allocating Unitized Substances to Tracts, and no royalty or other payment shall be payable in respect thereof until they are recovered from storage and sold or used for operations other than operations hereunder.

ARTICLE IX

ENLARGEMENT OF UNIT AREA

901.       Application to Enlarge

After the expiry of 90 days from the Effective Date, if an owner of a Working Interest in lands in the vicinity of the Unit Area indicated to be potentially productive of Gas from the Basal Belly River Formation makes application therefor, the Working Interest Owners may, upon such terms and conditions as they may determine, approve the admission of the lands into the Unit Area. If the lands qualify under clause 502, the Unit Area shall be enlarged to include them. Even though an owner of a Royalty Interest in lands approved hereunder for admission into the Unit Area is a Party, the lands shall not qualify for inclusion in the Unit Area unless the owner again executes and delivers a counterpart of this agreement to Unit Operator or the lands otherwise qualify pursuant to subclause (b) or (c) of clause 502. The owner of a Working Interest in lands approved for admission into the Unit Area who is a Party and has made or joined in the application for the admission of said lands need not again execute this agreement.

902. Adjustment of Tract Participation

The Tract Participation of each Tract added pursuant to clause 901 shall be determined by the Working Interest Owners. The Tract Participations shall then be adjusted so that:

- (a) the ratios of the Tract Participations of Tracts shown on Exhibit "A" immediately prior to the enlargement of the Unit Area remain the same the one to the other; and
- (b) the total of the Tract Participations for all Tracts of the enlarged Unit Area equals 100 percent.

903. Exhibits

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

904. Effective Time of Enlargement

An enlargement of the Unit Area and an adjustment of Tract Participations under this Article shall become effective at 8:00 a.m. on the first day of the first calendar month following approval of admission under clause 901 and Tract qualification under clause 502.

905. No Retroactive Adjustment

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

ARTICLE X

DISPUTES

1001. Disputes

If the title or right of a Party to receive in kind all or any portion of the Unitized Substances allocated to a Tract, or any share of the proceeds from



the sale thereof, is in dispute, the Party concerned shall forthwith give notice thereof to Unit Operator. If Unit Operator is so notified or if Unit Operator is directed to do so by the Working Interest Owners in the event that it is otherwise informed of the dispute, Unit Operator shall withhold and sell the portion of Unitized Substances the title or right to which is in dispute, and hold in trust the proceeds from the sale thereof until:

- (a) the Party concerned furnishes security in a form and manner satisfactory to the Working Interest Owners for the proper accounting thereof to the rightful owner or owners if the title or right of the Party shall fail in whole or in part, whereupon the proceeds shall be paid to the Party; or
- (b) the title or right thereto is established by a final judgment of a Court or otherwise to the satisfaction of the Working Interest Owners, whereupon such proceeds shall be paid to the Party rightfully entitled.

If Unit Operator does not comply with this clause because it is not notified of a dispute by a Party concerned, that Party hereby agrees to indemnify and save harmless Unit Operator from any loss or damage suffered because of anything done or omitted to be done by Unit Operator because it was not notified.

#### ARTICLE XI

#### APPROVAL OF TITLES

##### 1101. Titles Committee

The Working Interest Owners shall appoint a titles committee which shall investigate the ownership of all Tracts. Each Working Interest Owner shall submit to the titles committee such title data and information as the titles committee may reasonably require from time to time. The titles committee

shall report the result of its investigation to the Working Interest Owners specifying the titles to Tracts which it unanimously recommends for approval.

1102. Approval of Titles by Working Interest Owners

The Working Interest Owners may approve:

- (a) the titles of Working Interest Owners to Tracts which have been unanimously recommended for approval by the titles committee; and
- (b) the titles of Working Interest Owners to Tracts which have not been unanimously recommended for approval by the titles committee but with respect to which such Working Interest Owners have agreed to indemnify the other Working Interest Owners, in a form and manner satisfactory to them, from loss or damage that may be suffered by them in respect of claims and demands made because of subsequent failure of the Working Interest Owners' title.

Notwithstanding the foregoing, the Working Interest Owners may approve any title that has not been unanimously approved by the titles committee.

1103. Subsequent Failure of Title

If the title of a Working Interest Owner to a Tract fails, the Tract shall be excluded from this agreement and the Unit Operating Agreement as of 8:00 a.m. on the first day of the calendar month in which the failure of title is finally determined unless:

- (a) any other Party is held or declared to own the title in which event that Party shall be bound by this agreement and the Unit Operating Agreement in respect of the Tract; or
- (b) by the last day of the next following calendar month the Tract qualifies for inclusion in the Unit Area pursuant to clause 502.

1104. Revision of Exhibits

Unit Operator shall revise the exhibits to reflect any change in

ownership in or exclusion from this agreement of a Tract pursuant to clause 1103. Where a Tract is excluded, the Tract Participations of the other Tracts shall each be increased, without changing their ratios the one to the other, so that their summation equals 100 percent. The revised exhibits shall be effective as of 8:00 a.m. on the first day of the calendar month in which the failure of title referred to in clause 1103 is finally determined.

ARTICLE XII

TRANSFER OF INTEREST

1201. Disposition

In this clause "disposition" means a sale, assignment, transfer, lease, sublease, conveyance, parting with possession, or any transaction of a similar nature whether by trust or otherwise. A disposition of an interest owned by a Party in a Tract shall cover the whole or an undivided interest in the Party's interest in such Tract. A disposition shall not be binding on Unit Operator until Unit Operator has been given notice of such disposition by one of the Parties. The acquiring party shall execute and deliver one counterpart of this agreement to the Unit Operator. Unit Operator shall revise the exhibits to reflect each disposition of an interest in a Tract and the revised exhibits shall be effective as of 8:00 a.m. on the first day of the calendar month next following the calendar month in which the notice is received by Unit Operator.

ARTICLE XIII

IN GENERAL

1301. Execution in Counterpart

This agreement may be executed in separate counterparts and all the executed counterparts together shall constitute one agreement.

1302. Dual Capacity

If a Party owns a Working Interest and a Royalty Interest, its execution of this agreement shall constitute execution in the capacities of a Working Interest Owner and a Royalty Owner.

1303. Subsequent Execution

An owner of an interest in a Tract who has not become a Party as of the date the Tract was included in the Unit Area under Article V or IX, may become a Party with respect to that interest only on such terms and conditions as may be prescribed by the Working Interest Owners.

1304. No Partnership

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

1305. Force Majeure

Neither Unit Operator nor any Party shall be deemed to be in default with respect to non-performance of its obligations hereunder, other than financial, if and so long as its non-performance is due, in whole or in part, to any cause beyond its reasonable control, but lack of funds shall not be a cause beyond a Party's reasonable control. The performance of such obligations shall begin or be resumed within a reasonable time after such cause has been removed. Neither this agreement nor any Lease or any other agreement or instrument relating to the Unitized Zone or Unitized Substances shall terminate by reason of suspension of unit operations for the cause set forth in this clause.

1306. Taxes

Each Party shall be separately liable to the extent of its ownership for all taxes on Unitized Substances and with respect to the production or sale of Unitized Substances. A Working Interest Owner may, at any time and from time to time, pay such taxes on behalf of its Royalty Owner and deduct the amount of the payment from the Royalty Owner's royalty. Those taxes with respect to the

production or sale of Unitized Substances shall be adjusted so that they are borne as if the basis of taxation was the allocation of Unitized Substances hereunder.

1307. Right of Redemption

A Working Interest Owner may, at any time and from time to time, with full rights of subrogation, redeem for its Royalty Owner any agreement for sale, mortgage, or other lien or encumbrance of any kind or nature affecting any interest in the Unit Area in the event of default of payment by the Royalty Owner and deduct the amount of any payment made hereunder from the Royalty Owner's royalty.

1308. Interpretation

The clause headings in this agreement shall not be considered in interpreting the text.

1309. Number and Gender

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

1310. Time

In this agreement all times are Mountain Standard Time.

ARTICLE XIV

EFFECTIVE DATE

1401. Effective Date

The unitization provided for herein shall become effective at 8:00 a.m. on the first day of the first calendar month following the date of the qualification under clause 502 of Tracts having a combined Tract Participation of more than eighty-five percent of the total Tract Participation as originally set out in Exhibit "A".

1402. Notice of Effective Date

As soon as possible after the Effective Date Unit Operator shall notify all Working Interest Owners, the Conservation Board and the Department of Energy and Natural Resources of the Effective Date and of the Tracts qualified as of the Effective Date, and each Working Interest Owner shall advise each of its Royalty Owners, excepting the Crown, of the Effective Date.

1403. Release of Parties

This agreement shall cease to bind the Parties if the unitization provided for herein has not become effective on or before the 1st day of July, 1977.

ARTICLE XV

TERM

1501. Effect of Execution and Delivery

Subject to clause 1403 this agreement is binding upon a person who executes and delivers a counterpart thereof to Unit Operator, and that person is bound by this agreement as of the time of such delivery. This agreement inures to the benefit of and is binding upon the heirs, executors, administrators, successors and assigns of the Parties, but if a proposed Tract is not included in the Unit Area under Article V, the Parties owning interests therein shall be completely released from this agreement with respect to it upon the expiration of 90 days after the Effective Date.

1502. Termination

This agreement terminates 90 days after all wells for the production of Unitized Substances in the Unit Area have been abandoned, plugged or disposed of or upon the termination of the Unit Operating Agreement, and thereafter the Parties shall be governed by the terms and provisions of their Leases and other

**EXHIBIT A**

**ATTACHED TO AND MADE PART OF THE AGREEMENT ENTITLED**

**UNIT AGREEMENT**

**UNIT NAME: ARROWWOOD GAS UNIT NO. 1**

**LIST OF ABBREVIATIONS**

**WORKING INTEREST OWNERS**

1019867 ALBERTA

1019867 ALBERTA LTD.

COASTAL RES

COASTAL RESOURCES LIMITED

HOUSTON

HOUSTON OIL & GAS LTD.

TAQA

TAQA NORTH

## EXHIBIT A

ATTACHED TO AND MADE PART OF AN AGREEMENT ENTITLED

## UNIT AGREEMENT

UNIT NAME: ARROWWOOD GAS UNIT NO 1

OPERATOR: HOUSTON

TRACT NUMBER	LAND DESCRIPTION	TRACT PARTICIPATION	WORKING INTEREST OWNERS	SHARE OF WORKING INTEREST	SHARE OF TRACT PARTICIPATION
1	19-25 W4: 18	2.897600	HOUSTON COASTAL RES TAQA	92.500000 3.000000 4.500000	2.680280 0.086928 0.130392
2	19-25 W4: 19	0.840240	COASTAL RES TAQA HOUSTON	2.000000 3.000000 95.000000	0.016805 0.025207 0.798228
3	19-25 W4: 30	0.465920	HOUSTON	100.000000	0.465920
4	19-25 W4: 31	0.577580	HOUSTON	100.000000	0.577580
5	19-25 W4: E 31	0.577590	HOUSTON COASTAL RES TAQA	92.500000 3.000000 4.500000	0.534270 0.017328 0.025992
6	19-26 W4: 9	0.333730	HOUSTON	100.000000	0.333730
7	19-26 W4: 13	4.649870	HOUSTON	100.000000	4.649870
8	19-26 W4: 14	8.160490	HOUSTON COASTAL RES TAQA	98.750000 0.500000 0.750000	8.058484 0.040802 0.061204
9	19-26 W4: 15	2.699350	HOUSTON	100.000000	2.699350
10	19-26 W4: 16	1.315800	HOUSTON COASTAL RES TAQA	98.750000 0.500000 0.750000	1.299352 0.006579 0.009869
11	19-26 W4: 21	0.788750	HOUSTON	100.000000	0.788750
12	19-26 W4: 22	3.016170	HOUSTON COASTAL RES TAQA	98.750000 0.500000 0.750000	2.978468 0.015081 0.022621
13	19-26 W4: 23	5.783660	HOUSTON	100.000000	5.783660
14	19-26 W4: 24	5.553460	HOUSTON COASTAL RES TAQA	98.750000 0.500000 0.750000	5.484042 0.027767 0.041651
15	19-26 W4: SE 25	0.794520	HOUSTON	100.000000	0.794520
16	19-26 W4: SW 25	0.794520	HOUSTON COASTAL RES TAQA	92.500000 3.000000 4.500000	0.734931 0.023836 0.035753
17	19-26 W4: N 25	1.589030	HOUSTON COASTAL RES TAQA	97.500000 1.000000 1.500000	1.549305 0.015890 0.023835
18	19-26 W4: NW & S26	2.909370	HOUSTON	100.000000	2.909370
19	19-26 W4: NE26	0.969790	HOUSTON COASTAL RES TAQA	98.750000 0.500000 0.750000	0.957668 0.004849 0.007273

EFFECTIVE DATE: JANUARY 1, 2018

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## EXHIBIT A

ATTACHED TO AND MADE PART OF AN AGREEMENT ENTITLED

## UNIT AGREEMENT

UNIT NAME: ARROWWOOD GAS UNIT NO 1

OPERATOR: HOUSTON

TRACT NUMBER	LAND DESCRIPTION	TRACT PARTICIPATION	WORKING INTEREST OWNERS	SHARE OF WORKING INTEREST	SHARE OF TRACT PARTICIPATION
20	19-26 W4: N & SE 27	1.228960	TAQA COASTAL RES HOUSTON	40.000000 26.666667 33.333333	0.491584 0.327723 0.409653
21	19-26 W4: SW 27	0.409650	HOUSTON	100.000000	0.409650
22	19-26 W4: 34	0.470180	HOUSTON COASTAL RES TAQA	98.750000 0.500000 0.750000	0.464303 0.002351 0.003526
23	19-26 W4: 35	2.535720	HOUSTON COASTAL RES TAQA	98.750000 0.500000 0.750000	2.504023 0.012679 0.019018
24	19-26 W4: 36	6.879120	HOUSTON COASTAL RES TAQA	98.750000 0.500000 0.750000	6.793131 0.034396 0.051593
27	20-25 W4: NW & S 6	4.837820	HOUSTON COASTAL RES TAQA	94.380000 2.248000 3.372000	4.565935 0.108754 0.163131
28	20-25 W4: 7	1.709540	HOUSTON COASTAL RES TAQA	92.500000 3.000000 4.500000	1.581325 0.051286 0.076929
29	20-25 W4: W 8	0.339650	HOUSTON	100.000000	0.339650
30	20-25 W4: SE 8	0.169830	1019867 ALBERTA	100.000000	0.169830
31	20-25 W4: NE 8	0.169830	HOUSTON COASTAL RES TAQA	92.500000 3.000000 4.500000	0.157093 0.005095 0.007642
34	20-25 W4: 16	0.895990	HOUSTON COASTAL RES TAQA	92.500000 3.000000 4.500000	0.828790 0.026880 0.040320
35	20-25 W4: 17	9.553650	HOUSTON COASTAL RES TAQA	92.500000 3.000000 4.500000	8.837126 0.286610 0.429914
36	20-25 W4: 18	0.938320	HOUSTON COASTAL RES TAQA	92.500000 3.000000 4.500000	0.867946 0.028150 0.042224
37	20-25 W4: 19 (LSD 1,3,5,7)	0.148030	HOUSTON COASTAL RES TAQA	92.500000 3.000000 4.500000	0.136928 0.004441 0.006661
38	20-25 W4: 19 (LSD 2,4,6,8)	0.148030	HOUSTON COASTAL RES TAQA	92.500000 3.000000 4.500000	0.136928 0.004441 0.006661

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EXHIBIT A

ATTACHED TO AND MADE PART OF AN AGREEMENT ENTITLED  
UNIT AGREEMENT

UNIT NAME: ARROWWOOD GAS UNIT NO 1

OPERATOR: HOUSTON

TRACT NUMBER	LAND DESCRIPTION	TRACT PARTICIPATION	WORKING INTEREST OWNERS	SHARE OF WORKING INTEREST	SHARE OF TRACT PARTICIPATION
39	20-25 W4: NE 19 <i>12.580 to Jay 1/17 HWA</i>	0.148030	HOUSTON COASTAL RES TAQA	92.500000 3.000000 4.500000	0.136928 0.004441 0.006661
40	20-25 W4: NW 19	0.148030	HOUSTON COASTAL RES TAQA	92.500000 3.000000 4.500000	0.136928 0.004441 0.006661
41	20-25 W4: 20	2.390100	HOUSTON COASTAL RES TAQA	92.500000 3.000000 4.500000	2.210842 0.071703 0.107555
42	20-25 W4: SW 21	0.433740	HOUSTON	100.000000	0.433740
43	20-25 W4: SE 21	0.433740	1019867 ALBERTA	100.000000	0.433740
44	20-25 W4: NE 21	0.433740	HOUSTON COASTAL RES TAQA 1019867 ALBERTA	25.000000 25.000000 25.000000 25.000000	0.108435 0.108435 0.108435 0.108435
45	20-25 W4: S 28	1.377000	HOUSTON COASTAL RES TAQA	92.500000 3.000000 4.500000	1.273725 0.041310 0.061965
46	20-25 W4: N 28	1.377000	HOUSTON COASTAL RES TAQA	92.500000 3.000000 4.500000	1.273725 0.041310 0.061965
47	20-25 W4: 29	2.085280	HOUSTON COASTAL RES TAQA	92.500000 3.000000 4.500000	1.928884 0.062558 0.093838
48	20-25 W4: 30	0.471610	HOUSTON COASTAL RES TAQA	92.500000 3.000000 4.500000	0.436239 0.014148 0.021223
49	20-25 W4: W 31	0.183050	HOUSTON COASTAL RES TAQA	92.500000 3.000000 4.500000	0.169321 0.005492 0.008237
51	20-25 W4: NE 31	0.091530	HOUSTON COASTAL RES TAQA	92.500000 3.000000 4.500000	0.084665 0.002746 0.004119
52	20-25 W4: SW 32	1.167200	HOUSTON COASTAL RES TAQA	92.500000 3.000000 4.500000	1.079660 0.035016 0.052524
53	20-25 W4: N & SE 32	3.501590	HOUSTON COASTAL RES TAQA	92.500000 3.000000 4.500000	3.238970 0.105048 0.157572

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## EXHIBIT A

ATTACHED TO AND MADE PART OF AN AGREEMENT ENTITLED

## UNIT AGREEMENT

UNIT NAME: ARROWWOOD GAS UNIT NO 1

OPERATOR: HOUSTON

TRACT NUMBER	LAND DESCRIPTION	TRACT PARTICIPATION	WORKING INTEREST OWNERS	SHARE OF WORKING INTEREST	SHARE OF TRACT PARTICIPATION
54	20-25 W4: SW 33	0.326300	HOUSTON	100.000000	0.326300
55	20-25 W4: E 33	0.652610	HOUSTON COASTAL RES TAQA	92.500000 3.000000 4.500000	0.603665 0.019578 0.029367
56	20-26 W4: E 1	1.126820	HOUSTON COASTAL RES TAQA	97.500000 1.000000 1.500000	1.098650 0.011268 0.016902
57	20-26 W4: SW 1	0.563410	HOUSTON COASTAL RES TAQA	92.500000 3.000000 4.500000	0.521155 0.016902 0.025353
58	20-26 W4: NW1	0.563410	HOUSTON COASTAL RES TAQA	97.500000 1.000000 1.500000	0.549325 0.005634 0.008451
59	20-26 W4: 2	1.230510	HOUSTON COASTAL RES TAQA	98.750000 0.500000 0.750000	1.215128 0.006153 0.009229
60	20-26 W4: 11	0.245440	HOUSTON COASTAL RES TAQA	98.750000 0.500000 0.750000	0.242372 0.001227 0.001841
61	20-26 W4: 12	1.055670	HOUSTON COASTAL RES TAQA	98.750000 0.500000 0.750000	1.042474 0.005278 0.007918
62	21-25 W4: SE 4	0.317510	HOUSTON COASTAL RES TAQA	92.500000 3.000000 4.500000	0.293697 0.009525 0.014288
63	21-25 W4: N & SW 4	0.952550	HOUSTON COASTAL RES TAQA	92.500000 3.000000 4.500000	0.881108 0.028577 0.042865
64	21-25 W4: 5	1.199710	1019867 ALBERTA	100.000000	1.199710
65	20-25 W4: NW 21	0.433740	HOUSTON	100.000000	0.433740
66	20-25 W4: NW 33	0.326310	HOUSTON	100.000000	0.326310
67	20-25 W4: NE 6	1.612610	HOUSTON COASTAL RES TAQA	94.370000 2.252000 3.378000	1.521820 0.036316 0.054474
		<b>100.000000</b>			<b>100.000000</b>

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7	8	9	10	11	12	7	8	9	10	11	12
6	5	4	3	2	1	6	64	63	3	2	1
31	32	33	34	35	36	49	51	66	34	35	36
30	29	28	27	26	25	50	52	53	54	55	27
19	20	21	24	40	39	48	47	46	27	26	25
18	17	16	15	14	13	41	65	44	22	23	24
7	8	9	10	60	61	28	31	42	43	15	14
6	5	4	3	59	58	29	30	36	35	34	13
31	32	33	22	23	24	4	5	32	33	34	35
30	29	28	21	20	18	19	17	29	28	27	26
19	20	11	12	13	14	2	20	21	22	23	24
18	17	10	9	8	7	1	17	16	15	14	13
7	8	6	10	11	12	7	8	9	10	11	12
6	5	4	3	2	1	6	5	4	3	2	1

Twp. 21

Twp. 20

Twp. 19

37	38	37	38
38	37	38	37

EXHIBIT "B"

Attached to and made part of the Agreement entitled Unit Agreement Arrowwood Gas Unit No.1



# DOME COPY

## UNIT OPERATING AGREEMENT

### ARROWWOOD GAS UNIT NO. 1

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UNIT OPERATING AGREEMENT

ARROWWOOD GAS UNIT NO. 1

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

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

ARTICLE I

DEFINITIONS

101. Definitions

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

- (a) "Commencement Date" means the time and date referred to in Article XVI;
- (b) "for the Joint Account" means for the benefit and risk and at the expense of the Parties in accordance with their Unit Participations;
- (c) "Party" means a person who is bound by this agreement;
- (d) "Unit Agreement" means the agreement entitled "Unit Agreement Arrowwood Gas Unit No. 1";
- (e) "Unit Facilities" means all real and personal property of every kind, nature and description (excepting Unitized Substances, the Unitized Zone, rental equipment and Unit Operator's solely owned equipment) in the possession of Unit Operator pursuant to this agreement;
- (f) "Unit Operations" means any operations authorized and provided for in the Unit Agreement and this agreement, or either of them, for or in respect of the development and operation of the Unitized Zone for the production of Unitized Substances;

- (g) "Unit Participation" of a Party means the sum of the Party's shares of Tract Participations as set forth in Exhibit "D";
- (h) "Unit Well" means a well listed in Exhibit "E" and any well drilled or acquired for the Joint Account.

ARTICLE II

CONFIRMATION OF UNIT AGREEMENT

201. Confirmation of Unit Agreement

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

ARTICLE III

EXHIBITS

301. Exhibits Incorporated

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

302. Exhibits Attached

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

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



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

(d) Exhibit "G" which sets forth the Insurance Provisions.

303. Revisions and Corrections

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

304. Conflicts

If a provision of Exhibit "F" conflicts with a provision in the body hereof, the latter shall prevail.

ARTICLE IV

SUPERVISION AND CONTROL OF UNIT OPERATIONS

401. Operating Committee

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

402. Chairman

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

403. Meetings

The Operating Committee shall hold meetings whenever called by Unit

Operator, or if there is no Unit Operator, by Parties having Unit Participations totalling 5 percent or more. Unit Operator may call meetings at any time on its own motion, and shall call meetings whenever requested to do so by Parties having Unit Participations totalling 5 percent or more. Unless the representatives of all Parties in writing waive their right to notice, at least 10 days' notice of each meeting shall be given to the Parties, with an agenda attached. Reasonable details of matters on the agenda shall be given. Matters not on the agenda may be voted upon only if the representatives of all Parties, whether or not present at the meeting, unanimously agree.

404. Voting Procedure

The representatives of the Parties shall determine all matters properly coming before the Operating Committee as follows:

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

(b) Vote Required - Generally. Except as otherwise provided in this agreement, the Operating Committee shall determine matters by the affirmative vote of Parties having voting interests totalling 70 percent or more;

*General*  
*90% Special Matters*  
*(See Pg 5)*

(c) Negative Vote.

(i) If any motion put to a vote of the Operating Committee in meeting assembled, or in accordance with the provisions of subclause (e) (ii) hereof, is defeated by the negative vote of only one Owner by itself holding a sufficient Voting Interest to defeat such motion, the motion shall carry nevertheless unless the vote of such Owner is supported by the vote of one other Owner;

(ii) This negative vote provision does not apply to a vote under clause 404 (d)(i).

(d) Vote Required - Special Matters.

(i) Removal of Unit Operator

Unit Operator may be removed by the affirmative vote of Owners having Voting Interests totalling ninety percent (90%) or more of the remaining Voting Interest after excluding the Voting Interest of the Unit Operator;

(ii) Qualification of Tracts - Matters in respect of the qualification of Tracts for inclusion in the Unit Area shall be determined by the affirmative vote of Parties having voting interests totalling ninety percent (90%) or more, but if a Party having a voting interest of ten percent (10%) or more is the only one voting negatively, the motion shall be carried even though the voting interests of the Parties voting affirmatively total less than ninety percent (90%);

(iii) Enlargement of Unit Area - Matters in respect of the enlargement of the Unit Area shall be determined by the affirmative vote of Parties having voting interests totalling ninety percent (90%) or more, but if a Party having a voting interest of ten percent (10%) or more is the only one voting negatively, the motion shall be carried even though the voting interests of the Parties voting affirmatively total less than ninety percent (90%);

(iv) Amendment or Replacement of Exhibits - Exhibits may be amended or replaced by the affirmative vote of Parties having voting interests totalling ninety percent (90%) or more, but if a Party having a voting interest of ten percent (10%) or more is the only one voting negatively, the motion shall be carried

even though the voting interests of the Parties voting affirmatively total less than ninety percent (90%);

(v) Termination - The Unit Agreement, pursuant to the provisions thereof, and this agreement, may be terminated by the affirmative vote of Parties having voting interests totalling ninety-five (95%) or more.

(e) Vote by Notice

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

(ii) The Chairman may submit any matter with reasonable details to each Party by mail ballot notice. Each Party shall by notice cause its vote to be received by the Chairman within 12 days from the date of receipt of the mail ballot notice. Such vote shall be binding unless the Chairman calls a meeting or is requested to call a meeting pursuant to clause 403 within 5 days from the receipt of mail ballot notice. The chairman shall promptly notify each Party of the result of a vote hereunder.

(f) Failure to Vote - A Party who does not vote on any matter shall be deemed conclusively to have voted affirmatively, but in recording the vote in the minutes, the Party shall be shown as having been present and abstained, been absent, or failed to vote pursuant to a mail ballot notice, as the case may be.

(g) Affiliates - In determining the number of parties having voted or deemed to have voted on any matter hereunder, affiliate corporations shall be conclusively deemed to be one party only. For the purposes

hereof an affiliate corporation shall mean a corporation fulfilling one of the following requirements:

- (i) a corporation the majority of whose voting stock is owned by a party hereto;
- (ii) a corporation owning the majority of the voting stock of a party hereto;
- (iii) a corporation the majority of whose voting stock is owned by any other corporation, which other corporation also owns the majority of the voting stock of a party hereto.

405. Initial Voting Interest

Each Party shall, during the period from the Commencement Date until 90 days after the Effective Date, be deemed conclusively to have a voting interest equal to the proportion, expressed as a percentage, that its Unit Participation bears to the combined Unit Participations of the Parties, as set forth in Exhibit "D".

406. Minutes

Unit Operator shall keep minutes of the proceedings of each meeting of the Operating Committee and a copy thereof shall be forwarded to each Party. The minutes shall include the names of the representatives present, the Parties they represent, and any formal action taken by the Operating Committee. Such minutes shall be deemed to be correct and shall be binding on all Parties unless objection in writing is made in respect thereof to the Unit Operator within 30 days after the day such minutes shall have been deemed to be received by the Parties.

407. Parties Bound by Voting

A determination of a matter by the voting of Parties in accordance

with this agreement shall be binding upon all the Parties.

ARTICLE V

RIGHTS AND POWERS OF THE OPERATING COMMITTEE

501. Rights and Powers of the Operating Committee

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

ARTICLE VI

INDIVIDUAL RIGHTS AND PRIVILEGES OF THE PARTIES

601. Reservation of Rights

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

602. Specific Rights

Each Party shall have:

- (a) at all reasonable times upon notice to Unit Operator, the right to inspect all records and data pertaining to Unit Operations in the possession of Unit Operator and the right of access to the Unit Area, at the Party's sole risk and expense, to inspect Unit Operations and the Unit Facilities;
- (b) the right to conduct operations on its Tracts for the discovery and production of Petroleum Substances other than Unitized Substances on

condition that the Party shall protect the Unitized Zone and prevent interference with Unit Operations.

ARTICLE VII

UNIT OPERATOR

701. Unit Operator

The Parties hereby designate Hudson's Bay Oil and Gas Company Limited as Unit Operator and Hudson's Bay Oil and Gas Company Limited agrees to act in that capacity.

702. Resignation or Removal

Unit Operator may resign at any time by giving 90 days notice to the Parties. Unit Operator may be removed by a vote of the Operating Committee. A Unit Operator who resigns or is removed shall continue to have all its rights, powers, duties and obligations as Unit Operator hereunder until 8:00 a.m. on the first day of the month immediately following the month in which the said period of 90 days expires or until a designated successor Unit Operator has taken over Unit Operations, whichever is the sooner. If Unit Operator becomes bankrupt or insolvent it shall thereupon cease to be Unit Operator.

703. Designation of Successor

If Unit Operator resigns or is removed or ceases to be Unit Operator, a successor Unit Operator shall forthwith be designated by the Operating Committee. In voting on the successor a Unit Operator may not vote to succeed itself.

704. Takeover by Successor

Upon the effective time of a resignation, removal of cessation, the departing Unit Operator shall turn over to its successor, or if no successor has

been designated, to the Parties or to any one of them on behalf of all, control and possession of all Unit Facilities, unit production on hand, documents, books, records and accounts (or copies thereof) pertaining to the performance of its functions as Unit Operator, together with all monies held by it in its capacity as Unit Operator. If the title to any real property included in the Unit Facilities is held in its name, it shall continue to hold such property in trust for the Parties unless otherwise directed by the Operating Committee.

705. Audit upon Change of Unit Operator

Within 90 days of the effective time of a Unit Operator's resignation, removal or cessation as Unit Operator, the Operating Committee shall cause an audit to be made of the records of the departing Unit Operator and the cost of such Audit shall be for the Joint Account.

ARTICLE VIII

PERFORMANCE BY UNIT OPERATOR

801. Status

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

802. Rights, Powers, Duties and Obligations

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

- (a) make all necessary reports relating to Unit Operations to the appropriate governmental agency;



- (b) keep in Canada true and correct books, accounts and records of the Unit Operations and furnish to each Party on or before the 15th day of each calendar month a statement of the amount of Unitized Substances produced and the disposition and inventory of such production in the preceding calendar month and such other data and information as the Operating Committee may require;
- (c) furnish to each Party such reports of Unit Operations as the Operating Committee may direct and consult with the Operating Committee and keep the Parties advised of all matters arising in connection with Unit Operations which Unit Operator considers important;
- (d) conduct all Unit Operations in a good and workmanlike manner, in accordance with good oil and gas field practices and in accordance with all applicable laws;
- (e) keep the Leases, the Unit Area and the Unit Facilities free from all liens and encumbrances resulting or arising from Unit Operations, except the lien of Unit Operator hereunder and except liens being contested in good faith;
- (f) comply and require its contractors to comply with The Workers' Compensation Act and carry and require its contractors to carry, with respect to Unit Operations, such liability insurance for the benefit of the Parties as Unit Operator may deem necessary. Unit Operator shall carry insurance for the Joint Account as set forth in Exhibit "G". Nothing herein shall prevent a Party from procuring and maintaining at its sole cost and expense and for its sole benefit such insurance on Unit Facilities as it shall determine if the Party's insurance

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

- (g) let contracts for portions of Unit Operations on a competitive basis or use its own facilities and equipment for such operations and charge in accordance with Paragraph 307 of Exhibit "F".

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

803. Employees

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

804. Expenditures

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

- (a) an expenditure for any undertaking, the total estimated cost of which is not in excess of ~~\$20,000~~; *now 25,000 see Amending Agmt. 01/01/81 attached*
- (b) expenditures which it deems necessary in emergencies to protect lives or property; and
- (c) expenditures not in excess of ~~\$5,000~~ <sup>10,000</sup> *DITTO* for the full settlement of each damage claim resulting or arising from Unit Operations.

ARTICLE IX

LIABILITIES AND OBLIGATIONS

901. Liability of Unit Operator

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

902. Taxes, Rentals and Royalties

Each Party shall pay or be responsible for the payment of all taxes (other than taxes on Unit Facilities which shall be paid by Unit Operator for the Joint Account) rentals and royalties applicable to the Party's Working Interest in the respective Tracts and shall indemnify and save harmless all other Parties from all claims, suits, loss, costs, expenses and damages paid or incurred by them as a result of its failure to do so.

ARTICLE X

UNIT FACILITIES

1001. Delivery of Wells and Equipment

Upon the Effective Date each Party shall deliver to Unit Operator

the exclusive use and possession of such Party's interest in:

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

1002. Delivery of Records

Upon the Effective Date each Party shall deliver to Unit Operator copies of all records and information pertaining to Unit Wells, and any other pertinent information and records requested by Unit Operator.

1003. Testing of Unit Wells

If, by a test conducted by Unit Operator within 90 days after the Effective Date, any Unit Well is found by Unit Operator not to be in sound working condition, the Party delivering it shall bear the entire cost and risk of putting it in sound working condition; provided that if a Party disagrees with Unit Operator's finding, the matter shall be finally decided by the Operating Committee. Either the Party shall authorize Unit Operator to carry out the remedial work on its behalf, or the Operating Committee shall determine how and by whom the work shall be carried out or the amount that, in lieu of the work being carried out, shall be paid by the Party to Unit Operator for the Joint Account. All costs incurred by Unit Operator hereunder, or the amount to be paid by the Party in lieu thereof, shall be deemed conclusively to be amounts owing by the Party within the meaning of Article XII.

1004. Adequacy of Wellsite and Other Operating Equipment

If, within 90 days after the Effective Date, Unit Operator determines

that a Unit Well does not have adequate wellsite and other operating equipment, the Party delivering it shall bear the entire cost and risk of providing and installing adequate wellsite and other operating equipment; provided that if a Party disagrees with Unit Operator's decision, the matter shall be finally decided by the Operating Committee. Either the Party shall authorize Unit Operator to provide and install the necessary equipment on its behalf or the Operating Committee shall determine who shall provide and install the equipment or the amount that, in lieu of the equipment being provided and installed, shall be paid by the Party to Unit Operator for the Joint Account. All costs incurred by Unit Operator hereunder or the amount to be paid by the Party in lieu thereof, shall be deemed conclusively to be amounts owing by the Party within the meaning of Article XII.

1005. Representation and Indemnity

Each Party represents that the Unit Facilities which it delivers pursuant to clause 1001 are free and clear of any liens, charges, encumbrances, suits or actions of whatsoever kind or nature, and each Party indemnifies and agrees to hold harmless the other Party from any and all liability, loss, cost or damage sustained by them and resulting from failure of or deficiencies in its title to the Unit Facilities which it so delivers.

1006. Agreements for Use of Facilities

With the prior approval of the Operating Committee, Unit Operator may enter into agreements with any person to operate facilities other than Unit Facilities or for the use or joint use by any person of any Unit Facilities, or for the use or joint use by Unit Operator of any facilities owned by any person, and all costs and expenses recovered or incurred pursuant to said agreements shall be for the Joint Account.

ARTICLE XI

ADJUSTMENT OF INVESTMENT

1101. Value of Unit Wells

Each Unit Well listed in Exhibit "E" shall for the purpose of equalization of investment be deemed to have a value of \$127,000 with the exception of wells 7-2-20-26, 10-34-19-26 and 10-15-19-26 which shall have a value of \$117,554, \$113,120 and \$103,374 respectively.

1102. Inventory and Evaluation

The Operating Committee shall appoint an inventory committee which shall make an inventory and evaluation of such of the wellsite and other operating equipment delivered to Unit Operator as the Operating Committee considers to be controllable equipment. Each Party shall, upon request by the inventory committee, submit to it promptly a complete statement of the controllable equipment delivered by the Party to Unit Operator. The inventory committee shall price the controllable equipment at its current new price adjusted for condition as of the Effective Date and report its inventory and evaluation to the Operating Committee.

1103. Investment Adjustment

Each Party shall be credited with the value of its interests in the Unit Wells delivered by it to Unit Operator and charged with an amount equal to that obtained by multiplying the total value of all Unit Wells delivered to Unit Operator by the Party's Unit Participation. If the charge against any Party is greater than the amount credited to it, the resulting net charge shall be payable and in all other respects treated as an item of unit expense chargeable against the Party. If the credit to any Party is greater than the amount charged against it, the resulting net credit shall be paid to the Party by Unit Operator out of funds received from other Parties in settlement of net charges against them.

1104. General Facilities

With the approval of the Operating Committee, Unit Operator may acquire warehouses, warehouse stocks, lease houses, camps, office buildings and automobiles and other service equipment necessary for Unit Operations.

1105. Ownership of Unit Facilities

Each Party shall own an undivided interest in the Unit Facilities that is equal to its Unit Participation.

1106. Adjustment on Failure of Title

The Operating Committee shall determine whether any compensation shall be payable by the other Parties to a Party whose title to a Tract fails for such Party's undivided interest so lost in the Unit Facilities, and the amount of such compensation.

1107. Pre-Unit Costs

With the approval of the Operating Committee any or all costs and expenses incurred prior to the Effective Date that are directly related to effecting unitization hereunder shall be for the Joint Account.

ARTICLE XII

COST OF UNIT OPERATIONS

1201. Basis of Charges to Parties

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

1202. Forecasts

As soon as practicable after the Effective Date, Unit Operator shall prepare and submit to the Operating Committee a forecast of proposed expenditures for Unit Operations for the remainder of the calendar year, and on or before the last day of each October thereafter shall prepare and submit to the Operating Committee a forecast of proposed expenditures for Unit Operations in the succeeding calendar year. Such forecasts shall set forth the proposed expenditures by four month periods, showing the capital items separately. If the Operating Committee does not approve a forecast, or any portion thereof, such forecast or the portion thereof not approved shall be revised by Unit Operator in accordance with the instructions of the Operating Committee. A copy of each forecast and revised forecast shall be promptly furnished to each Party. Approval of a forecast by the Parties shall constitute approval of all operating and maintenance expenditures set forth therein but shall not constitute approval of any capital expenditures set forth therein. Except as otherwise provided in Clause 804 all capital expenditures set forth in a forecast shall be approved in accordance with Article IV of this agreement.

1203. Advance Billings for Capital Items

Unit Operator may submit to each Party on or before the 1st day of any calendar month a reasonable estimate of approved capital items for that calendar month with a request for payment in advance. On or before the 15th day of such month each Party shall pay Unit Operator its share thereof. Unit Operator's monthly billings shall reflect credit for any advances, and any differences between actual costs and expenses and amounts advanced will be adjusted as required.

1204. Operating Fund

Unit Operator may by notice require the Parties to advance for an



operating fund their respective proportions of one-twelfth of the expenditures, other than expenditures for capital items, proposed for a calendar year in an approved forecast. After the establishment of the operating fund, each Party shall remit its share of actual costs and expenses in accordance with clause 1205, thus maintaining the operating fund intact. The amount of the operating fund may be increased or decreased at the direction of the Operating Committee, who may review the matter annually or whenever requested by a Party.

1205. Regular Billings

Unit Operator shall bill each Party on or before the last day of each month for its share of charges recorded during the preceding calendar month in accordance with Exhibit "F". Each Party shall pay all such bills within 30 days after receipt.

1206. Commingling of Funds

Unit Operator may commingle funds received by it hereunder with its own funds.

1207. Unit Operator's Remedies

If a Party fails to pay when due a bill rendered by Unit Operator, Unit Operator may give the Party a notice of non-payment. After receipt of such notice, the amount unpaid as set forth in the notice shall, at Unit Operator's discretion, bear interest at a rate equivalent to the prime rate of interest then quoted by the chartered bank used by Unit Operator plus 3 percent per annum, which interest shall be for Unit Operator's sole account. Further, Unit Operator may, after notice of non-payment and while the bill remains unpaid, without limiting Unit Operator's other rights at law, exercise any or all of the following remedies:

- (a) set off against the amount unpaid sums due or accruing to the Party from Unit Operator hereunder;

- (b) by notice accompanied by a copy of this agreement to any purchaser of the Party's share of production, require such purchaser to pay to Unit Operator the proceeds of such production which shall be applied towards payment of the amount unpaid and Unit Operator is hereby constituted irrevocably the attorney of the Party for the purpose of executing the instruments necessary to effect an assignment of such proceeds.

Books and records kept by Unit Operator with respect to Unit Operations shall constitute conclusive proof of the existence or nonexistence of any default, subject, however, to all rights of inspection, verification and audit provided in this agreement. The exercise of the rights granted in this clause shall not relieve a defaulting Party from its obligations to pay royalty currently, as provided elsewhere in this agreement.

1208. Contribution by Parties

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

ARTICLE XIII

SURFACE RIGHTS

1301. Submission of List to Unit Operator

As soon as reasonably possible after executing this agreement, each

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

1302. Surface Rights Required for Unit Operations

Unit Operator shall, as soon as practicable after the receipt of each of the aforesaid lists, advise in writing the Party submitting the list which, if any, of its listed surface rights will be required for Unit Operations. Subject to the other provisions of this Article, each Party shall continue to hold the surface rights so required and pay the applicable rentals and bill Unit Operator for the amount of rentals applicable to periods subsequent to the Effective Date. Unit Operator shall reimburse each Party for rentals so paid and the amounts thereof shall be for the Joint Account. Notwithstanding the foregoing, each Party holding surface rights required for Unit Operations may, at any time at its election, assign such surface rights to Unit Operator in accordance with clause 1304.

1303. Surface Rights Jointly Used

Where there is a well or wells on a Tract in addition to a Unit Well, and surface rights are being used for production jointly from one or more of such other wells and the Unit Well, the rentals applicable to the surface rights shall be divided equally between the wells with respect to which the surface rights are being jointly used, and Unit Operator shall only be billed for the portion of such rentals which is applicable to the production of Unitized Substances from the Unit Well. For the purpose of this clause, a well producing from more than one formation shall be considered a Producing Well for each such formation.

1304. Assignment of Surface Rights

Unit Operator may require that any surface rights which are being used solely for Unit Operations be assigned to it. Any such assignment shall, however,

contain an express reservation to the assignor of the right at any time upon request to use the assigned surface rights jointly with Unit Operator on the basis provided in clause 1303. When the assigned surface rights are no longer required, Unit Operator shall so notify the assignor. The provisions of clause 1305 shall apply, mutatis mutandis, in respect of any surface rights which are the subject of a notice given under this clause.

1305. Surface Rights No Longer Required

Unit Operator may notify a Party that its surface rights or any of them are no longer required for Unit Operations, but any such notice shall be given at least 60 days prior to the date on which notice of surrender must be given to the surface owner or the accrual of a rental obligation, whichever is sooner. Unit Operator shall clean up the surface to the satisfaction of any governmental body having jurisdiction and to the reasonable satisfaction of the owner and occupier thereof. After giving such notice Unit Operator shall be relieved of its responsibility and liability with respect to the surface rights except any obligations already accrued, and shall be denied all benefit with respect to the surface rights, and shall thereafter be held harmless by the Party holding them from responsibility and liability as to the surface rights, which shall not thereafter be subject to this agreement.

1306. Surface Rights Held in Fee Simple

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

1307. Acquisition of Additional Surface Rights

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

1308. Sharing of Surface Rights

Notwithstanding the provisions of clause 1006, Unit Operator may enter into agreements with a person for the sharing of any surface rights and all revenues obtained and expenses incurred by Unit Operator pursuant to such agreements shall be for the Joint Account.

ARTICLE XIV

ABANDONMENT OF WELLS

1401. Rights of Former Owners

If the Operating Committee decides to plug and abandon permanently any Unit Well, Unit Operator shall give notice of this decision to the Party owning the Working Interest in the Tract upon which the well is located. The Party may elect by notice to Unit Operator within 60 days, or 48 hours if a drilling rig is in place, of receipt of notice, to take over and own the well and deepen or plug it back to a formation other than the Unitized Zone. Within 10 days after the Party has so elected it shall pay to Unit Operator for the Joint Account the fair net salvage value of the production casing and equipment in and on the well, as estimated and fixed by the Operating Committee. Unit Operator shall seal off the Unitized Zone in the well before handing it over to the Party and thereupon Unit Operator shall be relieved of its responsibility and liability with respect to the well, except any obligations already accrued, and shall be denied all benefit with respect to the well and shall thereafter be held harmless by the Party so electing from responsibility and liability as to the well, which shall not thereafter be subject to this agreement.

1402. Surface Clean-up

Upon the abandonment of any well in the Unit Area, Unit Operator or

the Party abandoning the well shall clean up the surface at the well site to the satisfaction of any governmental body having jurisdiction and to the reasonable satisfaction of the owner and occupier thereof.

ARTICLE XV

TERM OF AGREEMENT

1501. Term

This agreement is binding upon a person who executes and delivers a counterpart thereof to Unit Operator, and that person is bound by this agreement as of the time of such delivery. Subject to Article XVI, this agreement shall remain in full force and effect while Unitized Substances are produced or are capable of being produced from the Unitized Zone in paying quantities and thereafter until all Unit Wells have been plugged and abandoned, and the Unit Facilities have been salvaged and the accounts between the Parties have been settled. Notwithstanding anything herein contained, this agreement may be terminated by the vote provided for in clause 404 (c)(v).

ARTICLE XVI

COMMENCEMENT DATE

1601. Commencement Date

Although this agreement is binding upon a person from the time that person executes and delivers 1 counterpart hereof to Unit Operator, the Commencement Date for actions to be taken by the Parties to carry out the purposes of this agreement in accordance with its provisions shall be at 8:00 a.m. on the day next following the day when Unit Operator is satisfied that owners of Working Interests having Unit Participations totalling 75 percent or more, as set forth

in the original Exhibit "D", have become Parties. Unit Operator shall notify the Parties thereof. If the unitization provided for in the Unit Agreement has not become effective within the time limited therein, this agreement shall thereupon terminate. If this agreement so terminates, all expenditures made in anticipation of the unitization becoming effective shall be borne by the Parties in the proportion that the voting interest of each bears to the combined voting interests of all the Parties.

## ARTICLE XVII

### ABANDONMENT OF OPERATIONS

#### 1701. Rights to Operate

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

#### 1702. Salvaging Wells

With respect to all wells not taken over for continued operations pursuant to clause 1701, Unit Operator shall, for the Joint Account, salvage as much of the casing and equipment in or on such wells as can economically and reasonably be salvaged; and cause the wells to be properly plugged and abandoned.

#### 1703. Cost of Salvaging

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

ARTICLE XVIII

GENERAL

1801. United States Internal Revenue Provisions

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

1802. Affects Working Interest Only

The agreement affects only the Working Interests of the Parties. Any Royalty Interest is governed solely by the Unit Agreement.

1803. Execution Without Prejudice

The execution of this agreement by Parties who claim title to any interest in the Unit Area shall not constitute a waiver of any such claim, but any Party who succeeds to the title to a Working Interest in a Tract shall be bound by this agreement with respect to such Working Interest.

1804. Lien on or Assignment of Production

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



1805. No Partitioning

A Party shall not resort to any action for partition or sale in lieu of partition of the Unit Facilities or any lands affected by this agreement.

1806. No Surrender Without Consent

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

1807. Waivers

A waiver of any breach of a provision of this agreement shall not be binding upon a Party unless it is in writing and signed and such waiver shall not affect a Party's rights with respect to any other or future breach.

1808. Suits

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

1809. Further Assurances

Each Party shall from time to time and at all times do all such further acts and execute and deliver all such further deeds and documents as required in order fully to perform and carry out this agreement.

1810. Restriction on Dispositions

A Party shall not make any disposition of a Working Interest which does not include a corresponding interest in the Unit Facilities. No Working Interest shall be owned apart from a corresponding interest in the Unit Facilities and vice versa.

1811. Notices and Communications

All notices or communications hereunder shall be in writing and in lieu of personal service may be given or made by prepaid telegram or by mailing in a sealed and properly addressed envelope with postage prepaid. Notices or

MEMORANDUM OF AGREEMENT made this 1st day of JANUARY A.D., 1981

AMONG:

Those parties set forth and described in Schedule "A" hereto who either entered into an agreement entitled "Unit Operating Agreement - Arrowwood Gas Unit No. 1 (hereinafter called the "Unit Operating Agreement") or have succeeded to the interest therein of a signatory party to the Unit Operating Agreement.

WHEREAS the parties hereto comprise the participating owners under the Unit Operating Agreement and they desire to amend the Unit Operating Agreement;

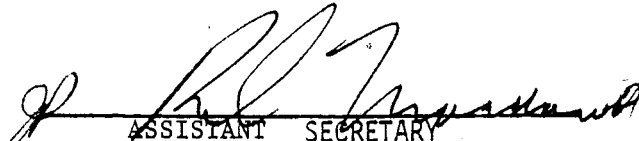
NOW THEREFORE THIS AGREEMENT WITNESSETH THAT in consideration of the covenants and agreements hereinafter set forth the parties hereto covenant and agree as follows:

1. Clause 804(a) of Article VIII of the Unit Operating Agreement is hereby amended by deleting the words "Twenty thousand (\$20 000.00) Dollars" and replacing them with the words "Twenty five thousand (\$25 000.00) Dollars", or such other amount as may be approved from time to time by the Operating Committee voting in accordance with Clause 404(b).
2. Clause 804(c) of Article VIII of the Unit Operating Agreement is amended by deleting the figure "\$5 000.00" and by substituting therefore "Ten thousand (\$10 000.00) Dollars", or such other amount as may be approved from time to time by the Operating Committee voting in accordance with Clause 404(b).
3. Save as specifically altered and amended by the terms of this Agreement, the terms and conditions of the Unit Operating Agreement are hereby ratified and confirmed.
4. This Agreement may be executed in as many counterparts as are necessary and all the counterparts together shall constitute one Agreement.

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

DATE: \_\_\_\_\_

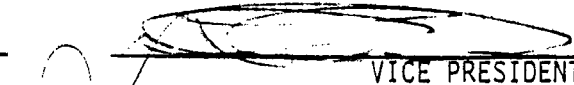

  
\_\_\_\_\_  
VICE PRESIDENT

  
\_\_\_\_\_  
ASSISTANT SECRETARY

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

CANADIAN WESTERN NATURAL GAS  
COMPANY LIMITED

DATE: February 5, 1981

D.L. WEISS  
VICE PRESIDENT - GAS SUPPLY

D.E. PEARCE  
SECRETARY