

OVERVIEW OF 2007 CAPL OPERATING PROCEDURE

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July, 2007**

DESIRED OUTCOMES FROM TODAY'S PRESENTATION

- An understanding of:
 - Why the update was done and the document objectives.
 - What the major changes are.
- Your belief that a transition to use of the document offers significant positive near-term payoffs.
 - Your company.
 - You personally.
- A greater sense of comfort as you review the materials.
 - The thought that went into them.
 - Our responsiveness to industry concerns.

WHY?

The 1990 CAPL Operating Procedure has generally held up well, so why change it?

- A major update was required because of:
 - Opportunities identified by Industry's experiences with the document.
 - Evolving business needs.
 - Horizontal wells, HSE, technically complex operations, holdings.
 - Changing legal and regulatory landscape.
 - Court cases, increased emphasis on ADR, Limitations Act, increased emphasis on HSE issues.
 - Need to apply "plainer language" principles to simplify the document and reflect a more modern drafting style.
- The challenge was to meet the needs of today and to anticipate the needs of tomorrow in a way in which industry uses the product.

Who?

A cross-section of industry stakeholders directly represented on the Committee, to reflect that the document is an industry document, not just a “land document”.

- “CAPL”-Jim O’Byrne, Carolanne DeBiasio, Lawrence Fisher, Dianne Sawatzky, Brad Taylor, Jim MacLean.
- CAPLA Liaison-Lynn Gregory.
- PASC Liaisons-Bill Lewington (Joint Interest Research), Richard Fischer (Audit).
- PJVA Liaison-Pat Forrest.
- SEPAC Liaison-Dave Savage.
- Legal Liaisons-Mike Thackray and Jeff Geib (Hz Wells).
- Marketing Liaison-Paul Vianello.

- Other functional linkages-Insurance, ADR Experts, HSE, CAPLA Segregation Project, Canada Revenue Agency.

WHEN?

- Competing demands impacted the project schedule significantly.
- Initial industry draft issued in March 2003.
 - Received detailed comments from 18 commenting parties.
 - Update process was slow because of the extent and complexity of the comments, a major editing and competing work demands.
- Second industry draft distributed in October, 2005.
 - Disappointing level of industry response due to high industry activity levels (6 large companies and one other comment).
 - Addressed comments and did another major editing.
- Third draft distributed November, 2006.
 - Detailed comments from 7 major companies, with some specific comments from two other companies.
- Materials were made available through CAPL's web page over the course of the project to optimize accessibility.
- Comments throughout seemed representative of industry views.
 - More than 80% of the comments included to at least some extent, with custom responses to each individual comment.

MAJOR DOCUMENT OBJECTIVES

1. Make required modifications, while maintaining the integrity and substance of the 1990 document.
 - Provide a new and improved “car manual” that provides users with clear and complete answers to their questions.
2. Create a document that will be used widely shortly following completion.
3. Ensure that the document is balanced.
 - Operators and Non-Operators.
 - Operator as the QB of the “team”.
 - Generally win and lose as a team.
 - Operator’s exposure generally limited to its WI.
 - Individual Parties and the Parties collectively.
 - How far can an individual Party go in pursuing its own interest?
 - Inclusion of controls to limit what a Party can do to others.
 - Large companies and small companies.
4. Simplification.
5. Structure document to exploit advances in systems technology.

MAJOR ANTICIPATED CHANGES

Length

The first thing you will notice about the document is that it is materially longer than the 1990 document.

- Increased font size for ease of reading.
- Inclusion of headings for every Subclause for ease of use.
- Splitting up longer provisions for ease of use.
 - Such as 2.03, 5.05B(g), 10.02B, 10.02C&D, 10.07A-E, 12.02.
- Expansion of existing provisions to address recognized issues.
 - Such as 1.05, 2.06, 4.00, 5.03C, 5.05B, 10.02, 10.07, 10.08, 10.10, 10.13, 10.15, 11.03, 12.02, 18.00, 24.00.
- New provisions to address reasonably foreseeable issues.
 - Definitions-extra 32 definitions (+2 pages).
 - HSE Clause (3.05) and associated changes (+1 page).
 - Horizontal Wells (8.00) and associated changes (+1 page).
 - Dual use wells (10.06) and associated changes (+3 pages).
 - Optional Dispute Resolution Article (21.00) (+2 pages).

Net effect is that users have much clearer answers on their issues.

MAJOR ANTICIPATED CHANGES

Simplification And Format

- Increased font size.
- Use of “plainer language” without sacrificing content.
- Inclusion of headings for each Subclause and several words of context for the vast majority of cross-references.
- Alignment of format more closely to CAPL Farmout & Royalty Procedure and Property Transfer Procedure.
- Shift to more of a “norm based standard”.
 - Designed for more typical transactions, with users expected to modify document to address special circumstances.
 - Such as foothills, unconventional gas, programs in the NWT.
 - Inclusion of special related annotations to assist users in recognizing areas for which modifications may be appropriate.
- Expanded annotations significantly.
 - Information on evolution of clauses as a reference tool when considering issues under previous versions.
 - Detailed review of relevant cases.

MAJOR ANTICIPATED CHANGES

Article 1.00-Definitions And Interpretation

- Addition of many new definitions.
 - For better handling of issues-“Commenced”, “Deepen”, “Earning Agreement”, “Environmental Liabilities”, “Extraordinary Damages”, “Facility Fees”, “Facility Usage”, “First Point of Measurement”, “Gross Negligence or Wilful Misconduct”, “Recompletion”, “Reworking”, “Sidetracking”, “Spud”, “Suspend”, “Title Administrator”.
 - To simplify drafting in other provisions-“Business Day”, “Force Majeure”, “Head Agreement”, “Joint Operation”, “Joint Property”, “Losses and Liabilities”, “Non-Taking Party”, “Operation”, “Outside Substances”.
- Movement of all “interpretation” type provisions to Article 1.00.
 - “No Partnership Or Fiduciary Relationship”, “Governing Law”, “Time Of Essence”, “No Amendment Except In Writing”, “Waiver”, “Supercedes Previous Agreements”, “Limitation On Right Of Acquisition”, “No U.S. Tax Partnership”, “Term”.
- Inclusion of new provisions-Limitations Act, Modifications To Form.

MAJOR ANTICIPATED CHANGES

Article 2.00-Appointment And Replacement Of Operator

- Reworked introduction to Subclause 2.02A to reinforce the expectation that an Operator must be financially viable.
 - Express statement that an Operator being removed immediately under this Subclause may not seek relief at law.
 - Non-Operator's notice must include verifiable evidence substantiating the basis for removal.
- Threshold for Subclause 2.02B removal by at least two Non-Operators increased from more than 50% to at least 60%.
 - Single Party can take over with at least 60%WI, rather than >66%.
- Reduced resignation period from 90 days to 45.
- Clarification of transition process from sale of the Operator's interest.
 - The Operator continues to represent the interest during the period in which the assignment is being effected, with the Operator able to vote for its successor in interest as the new Operator.
- Modified two party scenario-Non-Operator requires >40%WI.

MAJOR ANTICIPATED CHANGES

Article 3.00-Function And Duties Of Operator

- Aligned the Operator's discretionary authority limit under Clause 3.01 to those in the Accounting Procedure, with a default to \$50K.
- Expanded the Operator's authority for activities req'd by regulators.
- Clarified the Operator's authorities for contracting processes-3.03B.
- Clarified interrelationship between good oilfield practice provisions (Clause 3.04 and Subclause 3.05A)/Subclause 3.10A & Article 4.00.
- Recognition of increased importance of environment and safety.
 - Inclusion of general HSE clause (3.05).
 - Clearer statement of expectations in other areas (i.e., Abandonment processes, Term clause).
- Recognition of importance of stakeholder consultation.
 - Clear statement in Clause 3.09 and consequential changes (e.g., a cost item in def'n of Drilling Costs).
- Recognition that a Party other than the Operator might administer Title Documents (3.10).
- Forfeiture of WI by Party unwilling to pay required land costs (3.10E).

MAJOR ANTICIPATED CHANGES

Article 4.00-Liability And Indemnification Obligations

- Losses from Joint Operations are generally for the Joint Account.
 - Generally win and lose as a team.
 - Operator not receiving incremental compensation from the Non-Operators for assuming the responsibilities of being Operator.
 - Operator trying to do a good job to help the team win.
 - Unreasonable to expect it to assume the role with no incremental rewards above overhead recovery where it is successful, but to assume full responsibility whenever outcomes aren't successful.
 - Who would want to be Operator in that case, particularly for higher cost, higher risk operations?
 - On the other hand, unreasonable to provide that all losses are necessarily for the Joint Account.
 - Some losses result from behaviour that is significantly different from what one expects from an Operator.
 - Operator should retain sole responsibility in those cases.

MAJOR ANTICIPATED CHANGES

Article 4.00-Liability And Indemnification Obligations

- A spectrum of potential loss scenarios.
 - End Point: No one's fault. Loss is for the team.
 - Other End Point: The Operator did something with total disregard for harmful and foreseeable consequences. Crossed the boundary-loss is for the Operator's sole account.
 - "Gross Negligence or Wilful Misconduct"-new definition.
- Series of scenarios in between.
 - The Operator made a little mistake, where I might have done the same thing. Loss is for the team.
 - I would have done it differently, but the Operator's approach was consistent with industry's typical practice. Loss is for the team.
 - Failure to conduct operations in accordance with "good oilfield practice and the Regulations" (3.04 and 3.05A), where conduct is not "Gross Negligence or Wilful Misconduct".
 - Trickier situation because of the element of fault.

MAJOR ANTICIPATED CHANGES

Article 4.00-Liability And Indemnification Obligations

- Interrelationship of “Gross Negligence or Wilful Misconduct” standard and breach of contract may be a big looming issue for our industry.
 - Normal requirements to be successful for a claim for breach of contract are proof of: (i) a contractual duty; (ii) a breach of that duty; and (iii) damages.
- Should Non-Ops have access to the normal breach of contract remedy if the Operator breaches the good oilfield practice type requirement without the conduct also meeting the “Gross Negligence or Wilful Misconduct” test? (Clause 3.04, Subclauses 3.05A & 3.10A)
 - No, not appropriate to place an Operator at risk for operational decisions based on breach of a generic two line obligation.
 - Clear in this document that Non-Operators must be able to prove that the act or omission satisfied the “Gross Negligence or Wilful Misconduct” test to impose sole responsibility on the Operator.
 - Increased protection for Operators on this issue.
 - Operator currently at full risk in 1974, 1981 documents.
 - Unclear if modification in 1990 form protects the Operator.

MAJOR ANTICIPATED CHANGES

Article 4.00-Liability And Indemnification Obligations

- Should an Operator otherwise only be liable for breach of contract if its conduct constitutes Gross Negligence or Wilful Misconduct?
 - Breach of Accounting Procedure obligations?
 - Misappropriation of funds held on behalf of Non-Operators (5.07)?
 - Document applies normal breach of contract regime to these types of non-operational losses-no obligation to prove why it happened.
 - Clear contractual duties, where these are not real time decisions that can put people, property or the environment at risk.
 - Subclause 3.10A maintenance of title as an exception.
 - Believe that proposed handling is consistent with the current document, the current law and industry's expectations.
- Inclusion of a cross-indemnification mechanism for damages for Joint Account (4.03).
- Handling of "Extraordinary Damages" (4.04).
 - Application to Article 4.00 and other breaches of the Agreement, with an exception for breach of the confidentiality Article.

MAJOR ANTICIPATED CHANGES

Article 5.00-Joint Costs And Expenses

- Modifications to the capital advance process (5.03).
 - Better handling of adjustments.
 - Other modifications to mitigate potential for Operator abuse.
- Increase effectiveness of the default mechanism (5.05B).
 - May take production at wellhead, rather than request proceeds from the purchaser of production (5.05B(e)).
 - May put a defaulting Party in Article 10.00 penalty if it fails to pay costs for an Operation after receiving notice to use (5.05B(f)).
 - Other Non-Operators have opportunity to share extra interest.
 - No access to the other remedies if this one is used.
 - Seizure remedy subject to court approval (5.05B(g)).
 - Attorney in fact mechanism to effect transfers, if required.
- Modified “Commingling Of Funds” provision (5.07), so the right to commingle terminates if the Operator cannot be replaced immediately after a notice under Subclause 2.02A.
 - Greater protection if a court will not allow replacement of Operator.

MAJOR ANTICIPATED CHANGES

Article 6.00-Ownership And Disposition Of Production

- Updates to the Marketing Article and related provisions to reflect shift from “dedicated lands” sales arrangements for natural gas to “corporate warranty” contracts.
 - Modification to the definition of “Market Price” to provide protection against arbitrary allocations of poor hedging arrangements to penalty accounts and a Non-Taking Party.
 - Optional element allows use of “pool” pricing to simplify administration.
- Simplified processes for handling of Non-Taking Party’s volumes (6.02B) relative to the 1990 document.
- Application of Marketing Fee to volumes purchased by a disposing Party for its own account.
- Significant changes to the Marketing Fee calculation (6.04).
 - 1990 Alternate B deleted.
 - % lowered from 2.5% to 1.25% with minimums for gas and sulphur.
 - Calculation for gas generally changed to the outlet of the plant.

MAJOR ANTICIPATED CHANGES

Article 8.00-Horizontal Wells

- Inclusion of provisions addressing Horizontal Wells.
 - Designed around typical scenarios.
 - Operator given a limited discretion to adjust the Operation to reflect real time operational challenges.
 - A largely self-contained Article to minimize impact on other users.
 - Users will still require custom solutions for complex projects.

Article 9.00-Casing Point Election

- Recognition that not all wells have a Casing Point election.
 - Drilling approval may authorize casing and cased hole logs.
- Additional flexibility if the Operator's program is consistent with its original contingent program.
- The Operator may present a two phase program-setting of casing and conduct of remainder of program with a service rig w/n 120 days.
- Flexibility for zonal participation in program if Clause 10.05 applies.
- Clarified interrelationship between Clauses 9.03 and 10.10.
- Deleted Alternate 903B because of infrequent use.

MAJOR ANTICIPATED CHANGES

Article 10.00-Independent Operations

- Clarified requirements for items to be included in Operation Notice.
 - Parallel project to create a precedent form of Operation Notice.
 - Package of materials on CAPL and CAPLA web pages.
- Clarified def'n of Development Well.
 - Timing of determination and relationship to “tight holes”.
 - Exp. handling for shallow wells if only deep production w/n 3.2km.
- Updated restrictions on issuance of Operation Notices (10.02).
 - Limited 48 notice mechanism (10.02B) to situations in which the rig was already on location for a prior Operation.
 - Modified election deferral mechanism (10.02F).
 - Deferral right also applies to each Operation Notice if a joint well then drilled (or being drilled) under Article 7.00 or 10.00.
 - Clarification for Completion and Equipping notices.
 - Clarified that normal response period begins after deferral.
 - Included optional Subclause G to enable users to except shallow drilling programs from the deferral process.

MAJOR ANTICIPATED CHANGES

Article 10.00-Independent Operations

- “Commenced” and Clause 10.03.
 - 1981 test and movement from it in 1990.
 - Contextual outcome in 1990.
 - Def’n of “Commenced”-basically equals Spud for a new well.
 - Onus on users to amend period where appropriate.
 - Operation Notice issued after Operation Commenced.
 - Clause 10.02 applies, but retain legal remedies if damages.
- Alternates in 10.04 for Operator of Independent Operation.
 - Alternate A(a)-Similar to 1990 document.
 - Alternate A(b)-Modified 1981 provision that requires Operator exercising option to conduct the Operation in substantial compliance with the proposed program.
 - Provides better outcome for operating areas where specialized expertise matters (i.e., foothills).
- Extension of Clause 10.05.
 - Election also applies to Completion program in both intervals.

MAJOR ANTICIPATED CHANGES

Article 10.00-Independent Operations

- New Clause 10.06 for wells serving Joint Lands and other lands.
 - A complex issue resulting from increased stratification of rights.
 - Restriction on evaluation of 100% zones using a joint well.
 - Handling of wells that were initially drilled as deep tests in 100% rights where Completion later proposed in the Joint Lands.
 - Users who have faced this issue typically want it addressed.
 - Positional negotiations-equalization of drilling costs.
 - Drilling party typically wants to use 100% of new drill costs.
 - Receiving Party often wants to step into Completion with no equalization of drilling costs.
 - Most frequent negotiated outcome is equalization to Joint Account on 50% of notional new drill costs plus well info for formations to which the reimbursement pertains.
 - Document basically reflects this approach.
 - Change to 10.02B response where rig on location-7 Bus Days.
 - Also addresses situation in which a well is being acquired from a third party for use in evaluation of the Joint Lands.

MAJOR ANTICIPATED CHANGES

Article 10.00-Independent Operations

- Increased certainty in the cost recovery mechanism (10.07).
 - Clarified status of Non-Participating Party for subsequent uphole activity prior to cost recovery.
 - Cost recovery applies to wellbore and production therefrom.
 - Generally, same outcome as in prior versions of document.
 - Corrected flaw where non-participant had participated in all associated costs prior to the uphole work (10.07B and 10.08B).
 - Clearer treatment of handling costs (“Facility Fees”).
 - Linkage of pricing to a “Market Price” because of hedging and lack of transparency in corporate warranty gas sales.
 - Additional annotations to assist users in understanding subtleties and potential alternatives to traditional approach.
 - Possible cash buyout of penalty for a negotiated \$ amount?
 - Shifts risk for well performance to the former non-participant.
 - Allows the applicable Participating Parties to recover a reward on the front end with favourable tax consequences to them.

MAJOR ANTICIPATED CHANGES

Article 10.00-Independent Operations

- Increased certainty for Operations conducted on an existing well under Clause 10.08.
 - Clarified the impact of Suspended wells on the ability to propose additional Operations in the well.
 - Operation permitted if well not Completed w/n 36 months of rig release or a Suspended well has been on production, but has been Suspended for at least 24 consecutive months.
 - Non-Participating Party generally on sidelines for conduct of additional Operations in an Independent Well.
 - Exception if it participated in drilling and setting casing and additional Completion proposed after initial unsuccessful effort.
 - Non-Participating Party's right for Deepening or Sidetracking.
 - Right to re-elect to participate in original Operation, with a qualification for the abandoned portion of Sidetracked well.
 - Change in scope, but may not be appropriate in foothills.
 - Right to take in kind when presented with notice for Equipping.

MAJOR ANTICIPATED CHANGES

Article 10.00-Independent Operations

- Clause 10.10 clarifications.
 - Modified Title Preserving Well def'n to add an extra year to the term if a Title Document may be extended at option of the holder by paying a higher rental (i.e., BC Drilling Licence).
 - Clearer that process can apply to multiple Title Documents.
 - Determined on a TD by TD basis, but can apply to several.
 - Clearer that a well can be both a TPW and a Subsequent TPW.
 - Modified impact on DSU where multiple wells in parallel.
 - New Subclause D for temporary continuations (i.e., AB Sec 16).
 - A significant gap in all prior documents, where multiple wells.
 - Redetermine outcomes at end of the temporary continuation.
 - Retention based on activity vs retention based on productivity.
 - Clarified handling of costs for deeper portion of Independent Well if Non-Participating Party is forfeiting some zones and subject to cost recovery in others that weren't at risk of expiry.
 - Avoids "double dip" of reward for the deep costs.

MAJOR ANTICIPATED CHANGES

Article 10.00-Independent Operations

- Production Facility provisions.
 - Moved former Clauses 1021 and 1022 to Clauses 10.13 & 10.14.
 - Modified the take in kind election.
 - No right to make this election if the nature of the Production Facility doesn't allow a Party to take in kind without using it.
 - Included an election to pay a fee in Clause 10.13.
 - Included protection for Receiving Parties if they believe that the proposed facility does not meet the criteria in the def'n of Production Facility.
 - Included a right to pay out the cost recovery in cash (Subclause 10.13E).
 - Lowered the cost recovery on an expansion from 200% to 150%.

MAJOR ANTICIPATED CHANGES

Article 10.00-Independent Operations

- Major restructuring to payout statement provision (Clause 10.15).
 - Moved from monthly statements to a distribution frequency similar to that in the CAPL Farmout & Royalty Procedure.
 - There will be targeted compliance in practice, as warranted.
 - Clarified that the calculation is on a financial month basis, with a consequential impact on the adjustment process.
 - Audit can extend to other Participating Parties.
 - Non-Participating Party may conduct an audit at the expense of the Participating Parties if the Operator/Proposing Party is not in compliance with obligations and non-responsive to request.
- Distribution of information to a Non-Participating Party (10.19).
 - Clarified information to be provided, esp for Completion data.
 - Basically, what you have in hand at the required time.
 - Increased time for distribution by 60 days (i.e., 150 days after rig release of a new drill, rather than 90).
 - No duty to provide “experimental” data as per the Regulations.

MAJOR ANTICIPATED CHANGES

Articles 11.00&12.00-Surrender And Abandonment

- Beefed up both Articles to address ongoing responsibility for accrued liabilities (e.g., previously approved Operations, emergencies prior to the effective date of the transfer).
- Added a revocation right in the Abandonment Article comparable to that in the surrender Article.
 - Applies if any Party agrees to accept the interest.
- Clear that transfers under the Abandonment Article are on an “as is, where is” basis.
- Restricted the impact of the forfeiture under the Abandonment Article to the wellbore and the exploitation of P&NG from the well in which a formation had been Completed.
 - Does not affect the assigning Party’s WI rights at another location or through another wellbore (including a Sidetracking).
 - Can reacquire WI in well if used for uphole activity in Joint Lands.
- Added an annotation explaining the difference between Abandonment Article and a plugging back and Recompletion (Clause 10.08).

MAJOR ANTICIPATED CHANGES

Article 13.00-Operation Of Segregated Interests

- Segregation update in Article 13.00 and 24.00 to reflect CAPLA's efforts in this area.
 - Handle in a way that is consistent with the current handling for operational issues.
 - Net effect is that it's OK if only third parties holding interests in the relevant lands receive a copy of the NOA.
 - Segregated interests typically set up as "splits" in the contracts database.
 - Why should a Party be required to receive a NOA for lands in which there is no consent or ROFR obligation to it?
 - Also OK to bundle "segregated Agreements" in a single NOA as long as outcomes are clear (24.04B).

MAJOR ANTICIPATED CHANGES

Article 14.00-Operation Of Joint Production Facilities

- Def'n of Production Facilities.
 - Clarified definition for items like water disposal facilities.
 - Modified to exclude all gas plants from scope.
 - Gas plants of any complexity had already been excluded because of the restrictions in Paragraph (iv) of 1990 def'n.
 - Included an optional Paragraph to exclude certain facilities with an estimated cost above a negotiated threshold.
- Significant change to shift management of a Production Facility from the Operating Procedure to a CO&O Ag't based on the then current PJVA model in certain circumstances (Clause 14.02).
 - Any owner may require, by notice, if used for Outside Substances.
 - Automatic if the facility no longer meets the def'n requirements.
- Added a notice and response mechanism for 3rd party use. (14.04)
- Adjustment process for Operating Costs. (14.05)
- Other finetuning changes.

MAJOR ANTICIPATED CHANGES

Articles 15.00-17.00: Encumbrances, Force Majeure, Incentives

- Moved former Article VIII re Encumbrances to Article 15.00.
- Clarified that Force Majeure (Article 16.00) applies to performance of all obligations, including the period for Commencement.
- Added a new Subclause B in Incentives Article (17.00) re “grouping” type entitlements.
 - Applied first to the Joint Lands, with each Party sharing any excess proportionate to participation in applicable Operation.
 - Consequential change to Subclause 3.10C where a right to land selection of only some Joint Lands under a Title Document is due to an Independent Operation.

MAJOR ANTICIPATED CHANGES

Article 18.00-Confidentiality And Use Of Information

- Expanded Clause 18.01 significantly to reflect operational requirements and practices.
 - Modified Paragraph (c) of 1990 document to provide greater ability to disclose data on a confidential basis to potential farmees, purchasers and merger candidates.
 - Added Paragraph (f) to address disclosures required under legal or administrative proceedings.
 - Added qualifiers at the end of the provision about the reference to public domain.
- Added a new Clause 18.02 for obligations associated with disclosure of proprietary data.
- Clarified that the Participating Parties may disclose information w/o consent of the Non-Participating Parties (18.03).
- Parties responsible for their own evaluation of information (18.06).

Article 19.00-Public Announcements

- New Clause to address public announcements.
 - Flexibility for emergencies and stock exchange requirements.

MAJOR ANTICIPATED CHANGES

Article 21.00-Dispute Resolution

- Inclusion of an optional ADR Article.
 - Part of a major industry initiative (“C2C”) to improve dispute resolution processes in industry disputes-“Let’s Talk” report.
 - Made the Article optional after industry feedback on the initial draft.
 - Major choices were: (i) not to make it optional knowing that industry was not ready for the provision; (ii) to water down the content to obtain consensus; or (iii) to preserve content for the future by making it optional.
- Foundation of the Article is a strong preference for Parties to resolve their own disputes through negotiation.
- Layered approach to DR (Negotiation, Request for Secondary Negotiations, Mediation, Arbitration, Litigation).
 - May initially appear to be a collection of words and processes.
 - Provisions are actually designed to emphasize relationships and to reinforce desired behaviours.
 - Easy to lose sight of this when presented with process layers.

MAJOR ANTICIPATED CHANGES

Article 24.00-Disposition Of Interest

- Modifications to this Article to reflect industry's A&D experiences.
 - Expanded annotations significantly to assist users in understanding potential issues more fully.
 - Inclusion of a negotiated expiry date on ROFRs.
 - Expectation that many Parties would prefer temporary ROFR.
 - Pick a date 75 years away if you want the status quo result.
 - Upgrades in the ROFR provision to increase clarity (24.01B(d)).
 - Farmouts, large scale farmouts.
 - Modifications to Clause 24.02 to improve clarity.
 - Clearer for multiple transactions to different assignees, *bona fide* single transaction to multiple assignees.
 - Increased 5% threshold in Paragraph 24.02(d) to 10%.
 - Handling of *bona fide* Earning Agreements.
 - Def'n of Earning Agreement; new 24.02(e) and (f).
 - 35% test in (e); optional (f) excludes all broader farmouts.
 - Incorporation of CAPL Notice of Assignment Procedure.

SO, WHAT'S IN IT FOR YOU AND YOUR COMPANY?

Obtaining familiarity with this document in the near-term:

- Better enables you to understand and address issues you have with your current agreements.
 - Enhanced efficiency, better business outcomes and more constructive business relationships.
- Provides you with additional insights that you can use in structuring new agreements or in updating existing agreements of strategic importance.
- Positions you to use the document more quickly following its completion.
- Improves your personal and organizational capability in this area.

This document offers significant benefits to Operators, Non-Operators, large companies and small companies.

- It is in our best interest as an industry to optimize it and transition to use as quickly as is feasible.
- The experience with the 1990 form showed that the initial change management effort was small relative to the gains industry obtained.