

MODIFICATIONS TO 1990 CAPL OPERATING PROCEDURE

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(Ignores Editing Type Changes)

Provision	Modification	Rationale For Change
General Format	<ul style="list-style-type: none"> (i) Major editing and use of increased font size. (ii) Inclusion of a few words of context for the vast majority of cross-references. (iii) Addition of headings for Subclauses. (iv) Annotations have been expanded to emphasize the evolution of certain provisions in the various versions of the document. (v) Eliminated numbering for individual definitions, such as those in Clause 1.01. 	<ul style="list-style-type: none"> (i) Increased industry application of plainer language drafting principles. Greater alignment of format to 1997 CAPL Farmout & Royalty Procedure, 1997 CAPL Overriding Royalty Procedure and 2000 CAPL Property Transfer Procedure. (ii) Simplifies document for users who are not very familiar with the Clause references. (iii) Provides high level context of content for users. (iv) Increase value to users as a reference document. (v) Clause references added no value and made use more difficult for users wishing to add additional definitions.
Def'n of Abandonment	Broadened scope to include Production Facilities and additional reference to ongoing Environmental Liabilities. Associated annotations.	Recognition of evolving environmental expectations for Production Facilities and surface restoration.
Def'n of AFE	<ul style="list-style-type: none"> (i) Added reference to <u>Prairie Pacific</u> case in the annotations. (ii) Added an annotation about downhole coordinates. (iii) Added an annotation about the potential use of an interim AFE if pre-Spud costs are significant for such matters as consultation or required studies. Highlighted the issue again in the miscellaneous annotations in the Addendum at the end of the document. 	<ul style="list-style-type: none"> (i) Additional insights about the way courts look at the nature of the authority granted by an AFE. (ii) Provides greater context for users. (iii) Remind users about an approach that might be considered for complex drilling activities with significant, costly front end work. This is especially relevant for critical sour gas projects.
Def'n of Affiliate	Replaced the definition with one very similar to the CAPL Assignment Procedure. Consequential changes to the annotations.	Link to the CAPL Assignment Procedure. Improve handling of partnerships and trusts.
Def'n of Agreement, Head Agreement, Schedule	Agreement is the entire document, not only the head agreement. Introduced definitions of Head Agreement and Schedule. Consequential changes throughout.	Consistency with other CAPL form documents.

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Def'n of Business Day	Added a Business Day definition under which a business day has its normal meaning (not weekends or statutory holidays).	Allows streamlining of some of the other timing references in the document
Def'n of Casing Point	Qualified the definition to address wells for which there is no Casing Point election under Article 9.00.	Reflect the fact that not all wells have a Casing Point election.
Def'n of Commenced	Introduced a definition of Commenced, with consequential impact in the document for the use of that term, such as Clauses 7.01 and 10.03. Associated annotations for this definition and the most directly related provisions.	Brings greater clarity to the issue of when an Operation is commenced. Annotation identifies a situation in which the Parties may prefer to amend the definition for their particular agreement.
Def'n of Commercial Quantities	(i) Linkage to the dispute resolution Article if a dispute about this determination. (Clause 21.03 and annotation.) (ii) Increased clarity about water, sediment, etc.	(i) Provide a vehicle for resolution if this were to become an issue. (ii) Provide better context for users.
Def'n of Completion	Clear that downhole pump is not within Completion.	Clarification that all artificial lift equipment is within Equipping.
Def'n of Completion Costs	Added references to Recompletion and Reworking.	Allows the definition to apply to costs of a Recompletion and Reworking for the application of the Clause 10.07 cost recovery process to other operations in an existing well.
Def'n of Deepen	Added a definition that includes a qualification for Horizontal Wells.	Greater clarity.
Def'n of Development Well	(i) Added a clarification that the well status is determined as of issuance of the applicable AFE or Operation Notice, with associated annotation. (ii) Clarified how existing "tight holes" are handled when considering existing wells. Associated annotation. (iii) Qualified so that the existing well is not taken into account if the well does not penetrate that formation, even if the Parties could have chosen to drill to that formation on the Joint Lands. Associated annotation. Consequential modification to the definition of Spacing Unit. (iv) Included a proviso respecting use of the distance test when at least one of the wells is a Horizontal Well. Associated annotation. (v) Expanded annotations significantly.	(i) Greater clarity. (ii) Greater clarity. (iii) Mitigate some of the negative outcomes associated with the deeming aspect of the distance test on uphole horizons. (iv) Greater clarity. (v) Expanded annotations to address some of the subtleties of the definition that may not have been appreciated fully.

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Def'n of Drilling Costs	<p>(i) Clear that community and stakeholder consultation costs incurred under Clause 3.09 are within Drilling Costs and Equipping, as applicable.</p> <p>(ii) Clear that Deepening and Sidetracking costs are a subset of Drilling Costs.</p> <p>(iii) Clear that insurance policies acquired for the Joint Account specifically for the drilling of a well are Drilling Costs (i.e., well control insurance).</p> <p>(iv) Greater clarity on when Abandonment activities are still within Drilling Costs for purposes of the Accounting Procedure. Qualification for special cost allocations under Clause 9.04 and Subclauses 10.06E and 10.08E.</p>	<p>(i) Community and stakeholder consultation associated with surface access and licencing under the Regulations is an issue that has grown significantly in importance in recent years, and can be costly. Clause 3.09 and the definitions of Drilling Costs and Equipping have been modified to bring clarity to this evolving area.</p> <p>(ii) Greater clarity.</p> <p>(iii) Greater clarity.</p> <p>(iv) Align to PASC standards.</p>
Def'n of Earning Agreement	<p>Added definition that covers farmouts and other earning agreements whereby a Party is disposing of a Working Interest in some portion of the Joint Lands in return for the conduct of operations on the Joint Lands or other lands.</p>	<p>For use in dealing with this type of transaction in Article 24.00. Feedback has indicated that users are frustrated by ROFRs for farmout type transactions that include both Joint Lands and other rights. Modifications have been made to Article 24.00 to address this issue, and this definition is used in those provisions.</p>
Def'n of Environmental Liabilities	<p>Definition is very similar to the definition in the 2000 CAPL Property Transfer Procedure.</p>	<p>Reflects an increased emphasis on environmental matters. Offers greater certainty when referring to responsibility for this type of liability (i.e., Article 12.00).</p>
Def'n of Equipping	<p>(i) Clarified that an Equipping includes the listed items individually or in combination.</p> <p>(ii) Expanded the annotations significantly on the evolution of the definition over the various versions of the document.</p> <p>(iii) Clear that a downhole pump is not within Completion.</p> <p>(iv) Clear that community and stakeholder consultation costs incurred under Clause 3.09 are within Drilling Costs and</p>	<p>(i) Some users did not appreciate that a tie in was an Equipping Operation.</p> <p>(ii) Provides a helpful context for users.</p> <p>(iii) Clarification that all artificial lift equipment is within Equipping.</p> <p>(iv) Community and stakeholder consultation associated with surface access and licencing under</p>

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	<p>Equipping, as applicable.</p> <p>(iv) Added a reference to surface preparation and roads.</p>	<p>the Regulations is an issue that has grown significantly in importance in recent years, and can be costly. Clause 3.09 and the definitions of Drilling Costs and Equipping have been modified to bring clarity to this evolving area.</p> <p>(v) Recognition that surface preparation and road construction may be required to support operations.</p>
Def'n of Extraordinary Damages	<p>Added a definition and annotations respecting indirect and consequential type damages. Consequential changes in Article 4.00.</p>	<p>Adds a significant evolving issue in a manner generally consistent with current international agreements.</p> <p>The definition has to be read in conjunction with Clause 4.04 because of the differentiation between Losses and Liabilities suffered by the Parties themselves and those for which they are seeking indemnification for claims made by third parties.</p>
Def'ns of Facility Fees and Facility Usage	<p>Introduced new definitions and annotations similar to those included in the 1997 CAPL Farmout & Royalty Procedure, with greater flexibility for negotiated arrangements included under (b)(i). The definition of Facility Fees also has a linkage to the JP-05 calculation (or the most current replacement therefor).</p>	<p>Facility Usage links to the definition of Facility Fees. Facility Fees are required in the context of the calculation of cost recoveries accruing under Articles 9.00 and 10.00. The cost recovery provisions have been modified in this document to address the handling of product enhancement costs directly in the calculation. The issue was addressed in a subtle manner in the 1990 document by calculating proceeds at the wellhead, and was not addressed in the earlier versions of the document.</p>
Def'n of First Point of Measurement	<p>Introduced a new definition similar to the Royalty Determination Point definition in the 1997 CAPL Farmout & Royalty Procedure. Associated annotation.</p>	<p>Helpful in the Marketing Article (6.00) and the alternative take in kind election under Clause 10.13.</p>
Def'n of Force Majeure	<p>(i) Moved the content from the Force Majeure Article to a definition, with the inclusion of some additional items within the scope of the definition.</p> <p>(ii) Added a reference to <u>Atcor</u> case in the annotations.</p> <p>(iii) Added an annotation about the "not unreasonable" cost reference.</p>	<p>(i) Formalized the definition under Clause 1.01 and added greater clarity on some issues.</p> <p>(ii) Provides greater context for users about the CAPL type provision.</p> <p>(iii) Provides greater context for users about the CAPL type provision.</p>
Def'n of Gross Negligence or Willful Misconduct	<p>(i) Included a definition, with consequential impact, mostly in Article 4.00. Associated annotations, including a reference to the <u>United Canso</u> case and the approach used in 2000 AAPL "Deep Water" Operating Procedure.</p>	<p>(i) Brings greater clarity to the meaning of the term when the case law is largely in a different context that could place Operators at risk. The definition is mostly based on the corresponding definition in the AIPN international model. The traditional qualification excepting a loss resulting from an</p>

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	(ii) Included an annotation about the potential use of a "Senior Supervisory Personnel" qualification in special circumstances.	<p>authorized act or omission has been modified to be clear that the Operator may only rely on this if the loss was inherent in the authorized act or omission. This ensures that an Operator would not have the benefit of the qualification in circumstances in which it implements an appropriate instruction in a reckless fashion.</p> <p>(ii) Provide additional context for users about the qualification typically used in international and Canadian frontier agreements because of the potential magnitude of loss in those operating environments. This is a qualification that users might consider for select frontier type projects to which the Operating Procedure applies (i.e., foothills critical sour gas projects, "north of 60" projects).</p>
Def'n of Horizontal Leg	Added a number of definitions that refer users to the context in specialized definitions in Clauses 8.01 and 10.01.	Steers users to the definition context that is waiting in specialized Articles.
Def'n of HSE	Added a definition for the term typically used in industry to describe "health, safety and the environment".	To reflect a much greater emphasis on these matters in the document.
Def'n of Joint Account	Covers content in the former "for the Joint Account".	Users tended not to think of the definition as "for the Joint Account" when looking for it.
Def'n of Joint-Operator	Deleted, with consequential impact.	Term wasn't needed.
Def'n of Joint Property	Included a definition.	The concept was used throughout the document without having been defined. Allows for streamlining of drafting.
Def'n of Losses and Liabilities	<p>(i) Included a definition similar to that in the 2000 CAPL Property Transfer Procedure and associated annotations. Consequential changes to the indemnification and liability provisions of the document. Related annotations.</p> <p>(ii) Added an annotation to remind users of the duty at law to mitigate losses.</p>	<p>(i) Allows streamlining of the indemnification and liability provisions in the document. Also addresses legal costs more completely than had been the case.</p> <p>(ii) Provide context for users.</p>
Def'n of Market Price	Included protection against arbitrary allocations of poor hedging contracts or the other least favourable contracts in a Party's corporate supply portfolio to cost recovery accounts or Non-Taking Parties. Optional element allows the Parties to use a corporate "pool" price. Associated annotations.	Modifications required because of the potential for "streaming" of sales under corporate warranty contracts to the least attractive contracts.
Def'n of Non-Taking Party	Created a definition from the content in Article 6.00.	Allows streamlining of the drafting in Article 6.00.
Def'n of Operating Costs	Reworked the definition.	Align more closely to the "operation and maintenance" content in the PASC Accounting Procedure.

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Def'n of Operation.	Included a definition of Operation that reflects the meaning users have traditionally given the term. Associated annotation.	Clarification that "Operation" extends beyond work associated with Operating Costs in light of the Court's finding in the <u>Ortynsky</u> case.
Def'n of Petroleum Substances	Added a reference to natural gas from coal or shale.	To reflect a growing emphasis on unconventional gas projects.
Def'n of Outside Substances	Created a definition from content in Article 14.00.	Allows streamlining of the drafting in Article 14.00.
Def'n of Paying Quantities	<ul style="list-style-type: none"> (i) Streamlined into a single paragraph. (ii) Linkage to the dispute resolution Article if a dispute about this determination. (Clause 21.03 and annotation.) (iii) Increased clarity about water, sediment, etc. 	<ul style="list-style-type: none"> (i) Simplification. (ii) Provide a vehicle for resolution if this were to become an issue. (iii) Provide better context for users.
Def'n of Production Facility	<ul style="list-style-type: none"> (i) Additional references to disposal wells and injection wells in the non-exhaustive list of items included in the definition, with a consequential change in Paragraph (c) and the annotations. Also clarified expectations about a facility that was designed with a view of handling Outside Substances shortly following initial use. (ii) Modified to exclude all gas plants from the scope of the Operating Procedure, including an update to Paragraph (d). Associated annotations. (iii) Included an optional Paragraph (f) to exclude certain facilities with an estimated cost above a negotiated threshold. Associated annotation. (iv) Expanded the annotations to emphasize the benefits of the PJVA CO&O Agreement when warranted and the rationale for the limitations on the scope of facilities included in the definition. 	<ul style="list-style-type: none"> (i) A clarification of a subtle point that users may not have appreciated under the 1990 document. As the list of production facilities under that document was also not an exhaustive list, disposal and injection wells also arguably fell within the scope of the 1990 provision as long as they met the other tests in the definition. (ii) Most gas plants were already excluded from the scope of the 1990 definition under Paragraph (d). There was a residual concern that all gas plants should be excluded because of the likelihood that they would be ultimately used for Outside Substances. (iii) To provide Parties that wish with the option to include an additional financial control on the facilities to which the Operating Procedure could apply. (iv) Provide greater context for users.
Def'n of proportionate share	Deleted.	Term wasn't needed.
Def'n of Recompletion	Added definition.	Greater clarity.
Def'n of Reworking	Added definition and associated annotation.	Greater clarity.
Def'n of Sidetracking	Added definition and associated annotation.	Greater clarity.

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Def'n of Spacing Unit	<p>(i) Added annotations respecting Horizontal Wells and holdings.</p> <p>(ii) Added a stratigraphic component to (a), with associated annotation.</p>	<p>(i) Context for users about: (i) the rationale for not including special provisos respecting Horizontal Wells in the definition; and (ii) the impact of holdings on cost recovery wells.</p> <p>(ii) Greater clarity for users and enhanced handling of outcomes for shallow exploratory wells under the definition of Development Well.</p>
Def'n of Suspend	Added definition.	Greater clarity.
Def'n of Title Administrator	Included a definition and associated annotations. Consequential changes in Clause 3.10.	The document has historically presumed that the Operator was also the administrator of the title documents when this assumption wasn't necessarily true (i.e., Operator had farmed in to earn rights only to the base of the H formation). Modified the document to clarify the rights and obligations if a different Party is the administrator of the title documents. The onus is on the Parties to address with a custom solution if a third party is the administrator of the Title Documents.
Def'n of Title Documents	Modified to clarify expectations about "successor" documents, with related annotations.	Clarification that replacement documents fall within the scope of the definition only if acquired as a matter of right or as mutually agreed.
Def'n of Working Interest	<p>(i) Added a reference to other Joint Property.</p> <p>(ii) Added an annotation about differences from registered interests and changes to Working Interest driven by the document.</p>	<p>(i) Reflects the fact that a Working Interest isn't limited to Joint Lands and Production Facilities.</p> <p>(ii) Provides greater context for users.</p>
Clause 1.02	<p>(i) Added a new Paragraph A(f) about the use of the term "including", with a related annotation.</p> <p>(ii) Added a new Paragraph A(i) that a freehold lessor (i.e., EnCana) that is also a Working Interest owner is wearing only its Working Interest owner hat for the purposes of the application of the Operating Procedure to it. (Its lessor interest is not affected directly.) Associated annotation.</p> <p>(iii) Added a new Paragraph A(j) that GST type refundable taxes are not taken into account in calculating costs, with a related annotation.</p> <p>(iv) Modified the timing in Paragraph A(k), so that the day of response counts.</p> <p>(v) Included an annotation to alert users to a subtle point about calculating the response period for 24 and 48 hour notices. Modified the last sentence to be clear that</p>	<p>(i) Clarifies that the term is used in the context of a non-exhaustive list of examples.</p> <p>(ii) A clarification that will address those situations without need for custom amendments to the Operating Procedure for those types of agreements.</p> <p>(iii) Brings clarity to the issue for cost recovery calculations.</p> <p>(iv) Linkage to general timing in the Alberta Rules of Court.</p> <p>(v) Clarification for users.</p>

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	<p>the provision does not allow a Party to defer its response to a Casing Point election to the next Business Day. Associated annotation.</p> <p>(vi) Added a reference in Paragraph A(k) that the contemplated “act” included a response to a notice within a prescribed period. Associated annotation.</p> <p>(vii) Added a new Paragraph A(l) that applies the provisions of Clause 1.02 to the remainder of the Agreement on a <i>mutatis mutandis</i> basis. Related annotation.</p> <p>(viii) Added a new B to override the legal doctrine of <i>contra proferentem</i>. Associated annotation and case references respecting the <u>Mobil</u> and <u>Morrison</u> cases.</p>	<p>(vi) Clarification for users.</p> <p>(vii) Increases the clarity of interpretation in the remainder of the Agreement.</p> <p>(viii) Recognition that all Parties, in effect, participate in the drafting of the Agreement through the use of standard industry documents.</p>
Clauses 1.03 and 1.04	<p>(i) Major editing.</p> <p>(ii) Clarification that well classifications in the Operating Procedure apply, rather than the well classifications under the Regulations.</p> <p>(iii) Added a proviso in Clause 1.04 requiring the Parties to attempt in good faith to negotiate the inclusion of a replacement for a severed provision.</p>	<p>(i) Greater alignment to the corresponding provisions in the 2000 CAPL Property Transfer Procedure.</p> <p>(ii) Clarification for users that reflects historic intention and practice.</p> <p>(iii) Reflects the Parties’ expectations if this ever occurred.</p>
Clause 1.05	<p>(i) Moved from 1501 of 1990.</p> <p>(ii) Expanded the reference to fiduciary obligations and the duty of good faith, with related annotations in this Clause and in the miscellaneous annotations in the Addendum at the end of the document.</p> <p>(iii) Added annotation about the potential legal and tax consequences of a partnership arrangement.</p> <p>(iv) Added Subclauses B and C.</p>	<p>(i) A theme that applies to the general interpretation Article of the document.</p> <p>(ii) Court cases pertaining to fiduciary obligations and the issue of good faith, especially <u>Amoco v. Mesa</u>.</p> <p>(iii) Add context for users about the choice of terminology.</p> <p>(iv) To reinforce the fact that the Parties are ultimately competitors and to ensure that the Operator does not have special obligations relative to the other Parties with respect to opportunities outside the Joint Lands.</p>
Clause 1.06	<p>Moved the Governing Law Clause from 2805 and replaced the Clause with a Clause more similar to that used in the 2000 CAPL Property Transfer Procedure. Added an annotation, including a reference to the <u>Enca</u> case about the discretion of the courts in this area and consequential amendments that might be required if the provision were modified.</p>	<p>More appropriately belonged in the Interpretation Article. Adds clarity about application of the Regulations from another jurisdiction. Provides greater context for users about the potential implications of modifications.</p>

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Clause 1.07	Provision extending limitation periods respecting the Alberta Limitation of Actions Act and associated annotations. Slightly edited version of the "Industry Agreement" Clause to align to the style of the document. Associated annotations, including the rationale for the inclusion of this provision in the Operating Procedure.	Addresses the issue in the CAPL form, without need for the Parties to address it through a custom provision in their Head Agreement.
Clause 1.08	Moved the Time provision from Clause 2802.	More appropriately belonged in the Interpretation Article.
Clause 1.09	(i) Moved the No Amendment provision from Clause 2803. (ii) Expanded annotations on context.	(i) More appropriately belonged in the Interpretation Article. (ii) Provides greater context for users.
Clause 1.10	(i) Moved the Waiver provision from Clause 2001. (ii) Expanded scope of provision. (iii) Added an annotation about the <u>Tri-Star</u> and <u>Kaiser Francis</u> cases.	(i) More appropriately belonged in the Interpretation Article. (ii) Greater clarity. (iii) Insights to users.
Clause 1.11	(i) Moved the Supersedes provision from Clause 2801. Addressed the context of the interrelationship between the Operating Procedure and the Head Agreement and the other Schedules. Added an annotation. (ii) Added an annotation about non-cross conveyed poolings and the importance of being clear about any ongoing application of the pre-existing agreements relating to the contributed tracts.	(i) More appropriately belonged in the Interpretation Article. Greater context for users. (ii) Important for users to be aware of this when there are pre-existing ROFRs.
Clause 1.12	(i) Moved the Perpetuities provision from Clause 2601. (ii) Expanded the annotation to provide an Alberta context on perpetuities.	(i) More appropriately belonged in the Interpretation Article. (ii) Provides greater context for users.
Clause 1.13	Moved the US Tax provision from Clause 2701 and updated to reflect current practices. Associated annotation.	More appropriately belonged in the Interpretation Article.
Clause 1.14	(i) Moved the Term provision from Clause 2901. Aligned the survival provision more closely with Clause 1.07. (ii) Modified the provision to reflect the ongoing responsibility for Environmental Liabilities associated with Joint Operations. Added annotations. (iii) Modified the survival components of the provision.	(i) More appropriately belonged in the Interpretation Article. (ii) Provide greater protection for Operators and increase awareness about an important issue. (iii) Increase awareness of this issue and provide greater certainty for users.

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<p>Clause 1.15</p> <p>Subclause 2.02A</p>	<p>A provision that provides that the terms of the CAPL Operating Procedure will apply without modification, except for the elections and modifications that have been identified in a prescribed manner. Associated annotations.</p> <p>(i) Framed the introduction to the provision and the triggering mechanism at the end of the provision differently, with an express statement that the Operator may not seek relief from the Courts if this Subclause is being applied to it. Added new Paragraphs (b)-(d) respecting distressed Operators, a new Paragraph (e) for the scenario in which the Operator's default has placed the Title Documents at risk and a new Paragraph (f) for the scenario in which the Operator (or its managing partner if a partnership/an Affiliate if a trust) is not eligible to hold regulatory licences, such as well licences. Modified Paragraph (g) to be clear that the "general powers" replacement mechanism is not triggered by: (1) a pending appointment of a new Operator resulting from a disposition that is not yet binding on the other Parties; or (2) an allocation of some responsibilities to a Party or third party under a contract operating agreement or farmout. Associated annotation. Expanded annotations respecting the insolvency issue, dispositions and removal in the context of experiences with the 1990 document.</p> <p>(ii) Linked replacement to a "bona fide" notice that includes verifiable evidence substantiating the basis for removal. Added an annotation.</p> <p>(iii) Appointment of an interim Operator on the same basis as under 2.06D pending appointment of a successor Operator. Associated annotation. (Corresponding change to the immediate replacement mechanism in 2.02B(b).)</p>	<p>To provide greater protection for the Parties if the document is prepared electronically instead of through the attachment of the CAPL watermark form. The concept is aligned with the PetroDocs document preparation tool and the corresponding provisions in the 1997 CAPL Farmout & Royalty Procedure, the 1997 CAPL Overriding Royalty Procedure, the 2000 CAPL Property Transfer Procedure and the PetroDocs version of the 1990 CAPL Operating Procedure.</p> <p>(i) Largely an attempt to optimize the position of the Non-Operators in the insolvency/distress scenario. Refers to the discretion of the court and reinforces the expectations of the Parties. Also brings greater clarity to the disposition scenario in which the Operator will be replaced, perhaps by its assignee.</p> <p>(ii) Increases legal protection in the abuse scenario.</p> <p>(iii) To provide greater context for users about the process sequence.</p>

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Subclause 2.02B	<ul style="list-style-type: none"> (i) Expanded the annotations about the benefits and costs of the removal without cause mechanism. (ii) Increase of the general threshold for removal by two Parties from more than 50% to at least 60%. (iii) Reduced the threshold for the unilateral assumption of Operatorship from >66% to at least 60%. (iv) Added a reference to default under B(a). (v) Requirement that notices under Paragraphs (b) and (c) be <i>bona fide</i> notices that include reasonable supporting detail respecting the default, with associated annotations. 	<ul style="list-style-type: none"> (i) To reinforce the Parties' expectations about the removal of an Operator against its will. (ii) To mitigate the potential for abuse. The change was made in conjunction with reduction of the single Party threshold to at least 60%. (iii) Recognition that a 60% owner stands to gain or lose the most from the management of the property. (iv) Default should also disqualify a Party. (v) Requirement of supporting detail for the alleged default improves the integrity of the process if it is legally challenged and provides a better context because of the possibility of litigation over the validity of the allegation of default.
Clause 2.03	<ul style="list-style-type: none"> (i) Reduced the resignation period from 90 days to 45 days. (ii) Added references for the responsibility for incremental costs above represented terms and conditions during the 2 year period following the application of the process. 	<ul style="list-style-type: none"> (i) Shortens the maximum period relative to the 1990 document. (ii) Greater clarity for users.
Clause 2.04	Shorten the general resignation period from 90 days to 45. Associated annotations.	Aligns process more closely to A&D processes, including the timing prescribed by the Notice of Assignment process.
Clause 2.05	<ul style="list-style-type: none"> (i) Added an annotation. (ii) Included a proviso so that an Operator could not issue an Operator's Notice if it is then operating under an Operator's Notice that has been in effect for less than 2 years. Associated annotation. (iii) Addressed specifically the consequences of the implementation of an Operator's Notice that is not challenged by the Non-Operators. Associated annotation. 	<ul style="list-style-type: none"> (i) Provide users with a context for possible application of the Clause. (ii) Address a process gap in the traditional provision. (iii) Address expressly what is implicit in the provision.
Clause 2.06	<ul style="list-style-type: none"> (i) Changed the sequence of the Subclauses. (ii) Clarification that an assignee that will be a Party when the Operator is succeeded under Subclause 2.06E is also subject to the disqualification mechanism if it is to be selected as Operator. (iii) Clarification that a new Operator can't be in default under Clause 5.05 at the relevant time. (iv) Clarification of the voting process and the rights of the former Operator. Associated annotation. (v) Modification to Subclause 2.06C to reflect the situation 	<ul style="list-style-type: none"> (i) Improve flow. (ii) Greater clarity for users that a pending Party is not precluded from consideration as the successor Operator. (iii) Expressly addresses what would have been assumed. (iv) To eliminate confusion that had existed about the rights of the former Operator to vote and increase clarity in the replacement process. (v) Greater clarity for users about the required

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	<p>in which the triggering event is the Operator's disposition of all or a portion of its Working Interest. Associated annotation, including a suggestion that the Parties consider accelerating the recognition process if the Operator's assignee will be succeeding it as Operator.</p> <p>(vi) Reduced the Working Interest % threshold at which a single Party may become the Operator from >66% to 60%.</p> <p>(vii) Modified the Clause for the two Party scenario. A Non-Operator with more than a 40% Working Interest may become the Operator, assuming it is not otherwise disqualified under Subclause 2.06B. Added an annotation.</p> <p>(viii) Modified Subclause D so that the Subclause always applied to any immediate replacement of an Operator pending the appointment of a successor Operator. Associated annotation.</p> <p>(ix) Modified Subclause D, so that it is clearer that it will apply if the Parties have been unable to appoint a successor Operator by the time the Operator will no longer be the Operator. Associated annotation.</p> <p>(x) Modified Subclause D, so that an assignee that is in the process of being recognized will be eligible to be the Operator if it will be a Party on the date of the change.</p> <p>(xi) Modified Subclause E, so that the Subclause addresses the timing of the change under the full range of potential appointments. The most typical change is linked to the 1st day of the second calendar month following the appointment. Associated annotations.</p> <p>(xii) Modification to Subclause E to clarify that the Operator retains its rights and obligations during the transition period pending the assumption of duties by the new Operator. Associated annotation.</p>	<p>communication and the Operator's continued representation of the Working Interest during the period in which the assignment of the Working Interest is not yet binding on the other Parties. Early acceleration of the recognition process in the situation in which the Operator's assignee is replacing it as Operator through an agreement at the time is an option that can easily be overlooked because of reliance on the timing associated with the Notice of Assignment process.</p> <p>(vi) Recognition that a 60% owner stands to gain or lose the most from the management of the property. An attempt to provide greater balance in conjunction with the other changes being made.</p> <p>(vii) Needed to balance the need for greater protection for a large interest holder with the expectation of a large interest Non-Operator that it would have the ability to offer operational continuity to the property.</p> <p>(viii) Provide context for users. In practice, the interim Operator and the successor Operator will be the same in many cases, and the process will occur on an accelerated basis.</p> <p>(ix) Greater clarity. Also reinforces to the Parties the need to obtain closure on the appointment of a successor Operator as soon as is practicable.</p> <p>(x) Greater clarity for users about the disposition scenario.</p> <p>(xi) Making the change on the first of the first calendar month following the event posed logistical problems for the more typical replacement scenario. The exceptional replacements are still handled on an expedited basis. There is flexibility for the Parties to choose another time for the change, where accelerated recognition will often be an attractive option.</p> <p>(xii) Greater clarity for users that there is never a gap in accountability for performance of the Operator's duties. This is particularly the case for changes associated with the disposition of the Operator's interest.</p>

Provision	Modification	Rationale For Change
	<p>(xiii) Added new Subclause F to preclude compensation for replacement.</p> <p>(xiv) Added an annotation about the <u>Kaiser Francis</u> case.</p>	<p>(xiii) Clear that an Operator replaced in accordance with this Article has no recourse.</p> <p>(xiv) To help users appreciate the importance of having a clear appointment of a new Operator at the time of the change.</p>
Clause 2.08	<p>(i) Increased period to 180 days.</p> <p>(ii) Added an annotation about possible waiver of the audit requirement.</p> <p>(iii) Modification whereby the audit requirement is waived if the assignment is to the Operator's Affiliate.</p> <p>(iv) Modification whereby the audit scope is as agreed by the Parties, with the audit being conducted in accordance with guidelines in the then most current PASC JV Audit Protocol insofar as it doesn't conflict with the Accounting Procedure. Associated annotations.</p> <p>(v) Modification whereby an audit would be conducted concurrently with any previously scheduled JV audit.</p> <p>(vi) Modification whereby the cost of an audit is for the account of the Parties (including the successor Operator, but excluding the former Operator), unless otherwise agreed. Associated annotations. (Cost of conducting an inventory remains for the Joint Account.)</p> <p>(vii) Added annotations respecting leadership for the audit and the responsibility of the former Operator for its share of audit costs in the sale scenario.</p>	<p>(i) Provide greater flexibility.</p> <p>(ii) Context for a possible waiver scenario.</p> <p>(iii) Modification consistent with expectations under Clause 2.09.</p> <p>(iv) To reflect audit practices.</p> <p>(v) To reflect audit practices.</p> <p>(vi) To bring greater clarity to this issue in accordance with feedback from PASC Audit Committee.</p> <p>(vii) Provide greater context for users.</p>
Clause 2.09	<p>Clarified that there is no requirement for a separate notice when the Operator is being succeeded by an Affiliate to which it has assigned its Working Interest.</p>	<p>Greater clarity to reflect that the typical practice is to alert Non-Operators of this change in the cover letter under which the applicable Notice of Assignment is distributed.</p>
Subclause 3.01A	<p>(i) Added an annotation about the evolution of this provision in the various versions of the document.</p> <p>(ii) Added a sentence and associated annotation that the Operator does not have any implied duty to initiate or optimize exploration or development of the Joint Lands, except for any express duties elsewhere in the Agreement.</p>	<p>(i) Provides a context for the philosophy that has evolved over time.</p> <p>(ii) Addresses the Parties' expectations. Recognizes the degree to which Parties can influence the work program through the expenditure approval and Independent Operations processes.</p>
Subclause 3.01B	<p>(i) Established linkage to charge limitations in the Accounting Procedure. (Corresponding change to Subclause 3.01C too.)</p> <p>(ii) Align discretionary authority limit for settlement of claims</p>	<p>(i) Alignment with the pending update to the PASC Accounting Procedure that offers greater clarity on the process to obtain approvals of line item charges for which separate approval is required under the Accounting Procedure.</p> <p>(ii) Recognizes that the new PASC Accounting</p>

Provision	Modification	Rationale For Change
	<p>and other expenditures to the limit prescribed under the Accounting Procedure, with a \$50K fallback if the Accounting Procedure does not specify limits. Added an annotation. Minor consequential change to Clause 3.11.</p> <p>(iii) Modified the reference to the exceptions to increase the emphasis on environmental matters and regulatory consequences for non-compliance.</p> <p>(iv) Added an annotation about the evolution of \$ thresholds.</p>	<p>Procedure will include financial limits that may be varied in accordance with the Accounting Procedure.</p> <p>(iii) To reflect the increased emphasis on environmental matters in the document.</p> <p>(iv) Provides greater context for users.</p>
Subclause 3.01C	<p>(i) Expanded the annotations significantly to address the scope and evolution of the supplementary AFE provision, several key cases and a scenario in which the Parties may wish to consider a modification to the outcome provided under this Subclause.</p> <p>(ii) Linked the permissible authority to the greater of \$50K or 10%.</p> <p>(iii) Linked the daily update requirement to wells.</p> <p>(iv) Added an annotation about the rationale for the informational Supplementary AFE requirement, even though daily drilling reports typically alert Non-Operators of an overexpenditure.</p>	<p>(i) Updates users on recent legal developments in this area. Alerts users to a situation for which a modification to the general commitment to the operation principle might be appropriate.</p> <p>(ii) Provides greater flexibility for minor cost AFEs.</p> <p>(iii) Provides a linkage to the biggest cost item.</p> <p>(iv) Advising the Non-Operators that there have been problems does not provide sufficient information to understand potential measures that might be taken to mitigate the problem or to appreciate the magnitude of the overexpenditure on a go forward basis.</p>
Clause 3.03	<p>(i) Subclause A was modified to ensure that the independent contractor status does not result in the imposition of the ordinary negligence standard against the Operator. Associated annotations.</p> <p>(ii) Included a Subclause B respecting the Parties' expectations for the contracting process. All contracts are to be awarded in accordance with good contracting practices in the oil and gas industry. Contracts normally will be awarded on a competitive basis, with identified exceptions. Associated annotations.</p>	<p>(i) Modification protects the Operator against a risk that the Operator could be responsible to the Parties for ordinary negligence after the <u>Erehwon</u> case.</p> <p>(ii) Subclause B is included to address the general expectation and the prescribed exceptions to the general rule. The latter were largely added because of the increased frequency of arm's length alliance arrangements and the expectations for local participation in project support when conducting operations in First Nations' areas, particularly for the possible application of the document to operations "north of 60".</p>
Clause 3.04	<p>(i) Modified the Clause with respect to reservoir management. Corresponding annotation.</p> <p>(ii) Subclause A was modified to include a duty on the Operator to supervise its contractors as reasonable in the circumstances.</p> <p>(iii) Modified the Clause respecting the linkage between this</p>	<p>(i) Greater clarity in expectations, particularly in circumstances in which the Operator considers using its position as Operator for competitive advantage respecting offsetting wells.</p> <p>(ii) Clarified the Parties' implied expectations for project management by the Operator.</p> <p>(iii) Added clarifications respecting this issue in this</p>

Provision	Modification	Rationale For Change
<p>Clause 3.05</p>	<p>Clause and the general rule in Article 4.00. A breach of this Clause only entitles the Parties to a remedy to the extent that the conduct associated with the breach constitutes Gross Negligence or Wilful Misconduct for which Article 4.00 provides a remedy. Modified the annotations accordingly, with references to the major cases.</p> <p>Added a new Clause respecting Health, the Environment and Safety, with associated annotations. The provision includes obligations to have processes in place to: (i) address emergencies; (ii) limit or restrict possession/use of drugs and alcohol at field locations; and (iii) manage security of the Joint Property. Associated definition of HSE in Clause 1.01.</p>	<p>Clause, Clause 3.03, Subclauses 3.05A and 3.10A and Article 4.00 because of the uncertainties created by the Erehwon and Morrison cases. Needed to be clear that the remedy for a breach of this Clause had to be under Article 4.00.</p> <p>Reflects the increasing importance of the environmental and occupational health and safety areas and the ability to assess compliance, without being prescriptive about implementation.</p>
<p>Clause 3.07</p>	<p>Expanded the provision to recognize reliance of other Parties on the Operator's internal controls and processes and the importance of accurate financial reporting. Associated annotation.</p>	<p>Sarbanes Oxley Act type requirements following Enron.</p>
<p>Clause 3.08</p>	<p>(i) Added a proviso addressing restrictions for access of the Non-Operators' reps to the location of Operations. Associated annotations.</p> <p>(ii) Added an indemnification and liability obligation for Losses and Liabilities caused by a Non-Operator's representative.</p>	<p>(i) Express presentation of reasonable controls respecting reasonable prior notice and HSE matters.</p> <p>(ii) Address a gap in the traditional provision.</p>
<p>Clause 3.09</p>	<p>(i) Added annotations respecting the maintenance of surface rights.</p> <p>(ii) Addressed expectations respecting community and stakeholder consultation associated with the acquisition of surface rights and regulatory licences in the Clause and a new annotation. Also addressed the allocation issue if consultation serves both a Joint Operation and other projects. Associated annotations.</p> <p>(iii) Clarification that deposits an Operator must submit to hold a licence because of its own corporate attributes are for its own account.</p>	<p>(i) Users may not have appreciated that associated surface rights will generally be administered under the Operating Procedure. New annotations also alert users to some issues associated with the Operator's use of joint roads for its own operations.</p> <p>(ii) Community and stakeholder consultation associated with surface access and licencing under the Regulations is an issue that has grown significantly in importance in recent years, and can be costly. Clause 3.09 and the definitions of Drilling Costs and Equipping have been modified to bring clarity to this evolving area.</p> <p>(iii) Recognition that an Operator should bear its own costs applicable to its own corporate capacity.</p>

Provision	Modification	Rationale For Change
<p>Clause 3.10</p>	<p>(i) Land maintenance obligations performed by the “Title Administrator”, with corresponding annotations.</p> <p>(ii) Modified Subclause A respecting the linkage between this provision and the general rule in Article 4.00. A breach of this Subclause only entitles the Parties to a remedy to the extent that the conduct associated with the breach constitutes Gross Negligence or Wilful Misconduct for which Article 4.00 provides a remedy. Modified the annotations accordingly.</p> <p>(iii) Subclause B applies <i>mutatis mutandis</i> between the Parties for any holding application under the Regulations or any other application under the Regulations to modify a Spacing Unit or drilling density for wells operated under the Operating Procedure. Associated annotation.</p> <p>(iv) Major editing of Subclause C.</p> <p>(v) Use of “land selection” reference.</p> <p>(vi) Modification to Paragraph C(b) and the associated annotations.</p> <p>(vii) Modified the selection process where the land entitlement is due to an Independent Operation. The Participating Parties earn the selections, but must apply them first to the Joint Lands.</p> <p>(viii) Reduced time period in Subclause D from 12 months to 6.</p> <p>(ix) Added a new Subclause E. Associated annotation respecting extension fees, compensatory royalties and similar payments.</p>	<p>(i) The document has historically presumed that the Operator was also the administrator of the Title Documents when this assumption wasn't necessarily true (i.e., Operator had farmed in to earn rights only to the base of the H formation). The document has been modified to clarify the rights and obligations if a different Party is the administrator of the title documents.</p> <p>(ii) Added clarifications respecting this issue in this Clause, Clause 3.03, Subclauses 3.05A and 3.10A and Article 4.00 because of the uncertainties created by the <u>Erehwon</u> and <u>Morrison</u> cases. Need to be clear that the remedy for a breach of this Clause is under Article 4.00.</p> <p>(iii) Provide greater clarity for a topic that has only become an issue in recent years.</p> <p>(iv) Greater clarity for users.</p> <p>(v) Reflects changes to Alberta licence Regulations whereby a licence continues without issuing separate leases for the selected validated lands.</p> <p>(vi) Address a process problem with current provision.</p> <p>(vii) Consistency with the outcomes in Subclause 17.01B.</p> <p>(viii) To limit the potential application of a provision that would be used infrequently.</p> <p>(ix) Clarify the forfeiture requirement for a Party's failure to pay.</p>

Provision	Modification	Rationale For Change
Clause 3.11	<p>(i) Restructured Subclause A (obligations respecting workers) and B (insurance and financial responsibility required under the Regulations) as common conditions that applied to either Alternate under Subclause C. Recognized that some forms of regulatory responsibility might be able to be satisfied without insurance. Corresponding annotation.</p> <p>(ii) Expanded annotations to address the rationale for not including specific control of well obligations in the document.</p>	<p>(i) Improved flow for the Clause.</p> <p>(ii) Belief that Parties should customize for their particular circumstances.</p>
Clause 3.11, Alt C(a)	Increase amounts for specified coverages for the Joint Account.	Use of coverage levels more reflective of current standards.
Paragraph 3.11D(a)	Linkage of deductible limit to the threshold prescribed under Subclause 3.01B.	A consistency change with Subclause 3.01B that recognizes the possibility that the Parties may provide for a different threshold than provided under the Operating Procedure through the approvals process under the Accounting Procedure.
Subclause 3.11E	Added an annotation about control of well policies and the potential to include in any such provision a Party specific waiver that covers a particular Party and its successor Affiliates, but not subsequent arm's length assignees.	Greater context for users.
Subclause 3.11F	Clarified expectations about the assistance to be provided in processing Non-Operator claims. Corresponding annotation.	Greater clarity if a Non-Operator is making labour intensive requests to the Operator.
Clause 3.12	Included a qualification that the Operator's obligation did not extend to information to which the Non-Operators had direct independent access. Associated annotation.	Primarily to reflect Alberta regulatory changes where there is greater transparency to other royalty payors and the possibility that those processes may in due course mitigate the need for the provision of this information to them by the Operator.
Clause 3.13	Modification, so that the Operator manages freehold mineral taxes, subject to any different regulatory requirement and provided that it may otherwise decline if it is not the lessee. Associated annotation.	To reflect the common industry practice and pending changes to Alberta practices.
Clause 3.14	Added a measurement provision and associated annotation.	To include a clear duty to measure on at least the frequency required under the Regulations, with an obligation to adjust accounts.

Provision	Modification	Rationale For Change
Clause 4.01	<p>(i) Changed sequence of former Clauses 401 and 402.</p> <p>(ii) Modification to the Clause that clarifies the Operator's responsibility for breaches of the contract, other than Clauses 3.03 and 3.04 and Subclauses 3.05A and 3.10A. Associated annotation, with references to <u>Erehwon</u> and <u>Morrison</u> cases. Associated modification to clarify that the scope of this provision includes both the conduct and planning of the Joint Operation in light of those cases.</p> <p>(iii) Inclusion of Losses and Liabilities references.</p> <p>(iv) Expanded annotation respecting protections granted to employees in the context of the <u>London Drugs</u> case.</p>	<p>(i) Started with the norm, with the exception following.</p> <p>(ii) Alignment of provision with modifications to Clauses 3.03 and 3.04 and Subclauses 3.05A and 3.10A in light of <u>Erehwon</u> and <u>Morrison</u>.</p> <p>(iii) Streamlining change from the new definition.</p> <p>(iv) Appears to override <u>Greenwood Shopping Plaza</u> case.</p>
Clause 4.02	<p>(i) Modification to the introduction of the provision that eliminates the reference to Clauses 3.03 and 3.04. Associated annotations.</p> <p>(ii) Added reference to the "planning" of Joint Operations. Associated annotations. (Corresponding change in Clause 4.01.)</p> <p>(iii) Reversal of the order of the Paragraphs, so that the "Gross Negligence" exception is before the insurance exception.</p> <p>(iv) Inclusion of Losses and Liabilities references.</p> <p>(v) Inclusion of new Paragraph (b) to address contractual obligations other than the operational duties under Clause 3.04 and Subclauses 3.05A and 3.10A. Associated annotation.</p> <p>(vi) Expanded Paragraph (c) to address the settlement scenario.</p> <p>(vii) Added a qualification to clarify that a financial contribution from the Operator under Paragraph (a), (b) or (c) occurs after the Operator's responsibility thereunder has been confirmed. Associated annotation.</p> <p>(viii) Deletion of the reference respecting loss of production.</p>	<p>(i) Alignment of provision with modifications to Clauses 3.03 and 3.04 and Subclauses 3.05A and 3.10A in light of <u>Erehwon</u>.</p> <p>(ii) Because of potential exposure for planning of operations in light of <u>Morrison</u>.</p> <p>(iii) New order reflects the view that the "Gross Negligence" exception is the major exception.</p> <p>(iv) Streamlining change from the new definition.</p> <p>(v) To address clearly the continued application of the normal legal rules associated with contractual performance for the Operator's other contractual duties.</p> <p>(vi) Address a gap in the traditional provision.</p> <p>(vii) Operator should not assume initial financial responsibility only because of an allegation that Paragraph (a), (b) or (c) applies.</p> <p>(viii) Covered in new 4.04.</p>
Clause 4.03	<p>Added a new Clause to address the situation in which a third party seeks to recover a loss for the Joint Account from a Non-Operator. Associated annotations.</p>	<p>To ensure that the Non-Operator would be in a similar position as the Operator for access to indemnification for Joint Account losses.</p>
Clause 4.04	<p>Added a new Clause. Except to the extent that a Party is entitled to be indemnified for Losses and Liabilities for third party claims, no Party is required to assume responsibility for Extraordinary Damages. Corresponding annotations.</p>	<p>Broader protection than that granted under the "no delay in production" exception at the end of former Clause 4.01. The liability handling is consistent with evolving international principles.</p>
Clause 5.01	<p>Added a statement respecting expectations of profit or loss in capacity as the Operator. Corresponding annotation.</p>	<p>Provides clarity on expectations for users.</p>

Provision	Modification	Rationale For Change
Clause 5.02	Added an annotation about the requirement to pay bills when due.	Reminds users of their obligations under the PASC Accounting Procedure if there are objections to invoices.
Clause 5.03	<p>(i) Moved the letter of credit mechanism from (a) to Subclause C.</p> <p>(ii) Restructured former (b) (now Subclause A) to emphasize that the provision pertains to amounts to be paid, starting with the 1990 document. Expanded the annotation on this point and the tendency for some users to ask for an advance of the entire AFE amount. Added an annotation to illustrate the application of mechanism.</p> <p>(iii) Added flexibility to the adjustment mechanism in Subclause B to enable the Operator to apply a credit to the next month's advance. It would have to refund any remaining excess.</p> <p>(iv) Expanded the potential default remedies under Subclause B to more than just interest. Expanded annotation.</p> <p>(v) Included a qualification that the Operator's request was linked to an objective standard in the context of an expectation that a Party would be unable to pay amounts when due. Added a statement that the test would be met in the insolvency type scenario and in circumstances in which there is a recent history of financial default under the Agreement. The other Party can protect its rights by deferring compliance pending a determination under the Dispute Resolution Article if it otherwise perceived that the right was not being applied reasonably to it, but the normal JV billing process continues to apply during this period.</p>	<p>(i) Reflects the degree to which it is an exception.</p> <p>(ii) Some users did not appreciate the difference between costs incurred and costs to be paid respecting the timing of the request.</p> <p>(iii) Feedback from accounting stakeholders that the Operator is either to refund the excess or to apply it to the next month's advance.</p> <p>(iv) Application of only the interest remedy was too narrow in the default scenario.</p> <p>(v) The previous provision was too subjective and lacked protection for the Party receiving the request.</p>
Clause 5.04	Modified the provision so that it could result in the joint creation of a non-binding forecast. Expanded the annotation significantly, particularly for the possibility of a more formal forecast mechanism for agreements with high risk, high reward prospects in high cost areas or having large expenditure profiles.	The traditional provision was used very infrequently. The modified provision and annotation provide Parties with a platform for joint planning if appropriate in their circumstances. As noted in the annotation, the development of a promising discovery may most appropriately be addressed through a custom amendment at the time.
Clause 5.05	<p>(i) Added a specific reference in Subclause A to the lien being subject to the Regulations. Associated annotation.</p> <p>(ii) Added a proviso in Subclause A that the lien does not preclude a Party from entering into financing arrangements.</p>	<p>(i) Increase clarity for users.</p> <p>(ii) Provide context for users.</p>

Provision	Modification	Rationale For Change
	<p>(iii) Reinforced the expectation in Subclause B that the remedies are to be used on a <i>bona fide</i> basis to recover amounts owing. Associated annotation.</p> <p>(iv) Made remedies subject to the Regulations.</p> <p>(v) Expanded the introductory annotation to Subclause B.</p> <p>(vi) Modified Paragraph B(b) to clarify that the remedy would not operate to permit the Operator to incur expenditures for the Joint Account that require owner approval or prevent a defaulting Party from receiving or exercising its rights with respect to any notices issued under the Operating Procedure. Associated annotations.</p> <p>(vii) Added annotations about the <u>Powermax</u> case on Paragraphs B(c) and (e) and the <u>proviso</u> at the end of the Subclause.</p> <p>(viii) Added a new Paragraph B(e) to enable the Operator to take production at the wellhead and sell it at a Market Price. Associated annotations.</p> <p>(ix) Added annotations on Paragraphs B(e) and (g) respecting issues in practice.</p> <p>(x) Added a new Paragraph B(f) whereby a defaulting Party could be put into penalty for the applicable Joint Operation for which it is in default following a notice process. The non-defaulting Parties waive their other rights with respect to that default if they exercise that remedy. Associated annotations and some consequential modifications.</p> <p>(xi) Included a step requiring court validation of a seizure under Paragraph B(g). Associated annotation.</p> <p>(xii) Added a reference to legal costs in Paragraph B(g).</p> <p>(xiii) Included an attorney in fact mechanism in Paragraph B(g) whereby the Operator could execute conveyance documents if the defaulting Non-Operator refused.</p>	<p>(iii) Reinforce context for users.</p> <p>(iv) Clarification for users.</p> <p>(v) Emphasize that the default remedies are for the benefit of all non-defaulting Parties, not just the Operator.</p> <p>(vi) Clarifications resulting from the <u>Coachlight</u> case.</p> <p>(vii) Provide greater context for users.</p> <p>(viii) Make Paragraph B(e) an effective potential remedy. To recognize the challenges in trying to enforce the former Paragraph B(e), where it required the cooperation of a third party purchaser of the defaulting Party's production volumes. This was particularly challenging in the context of the shift to corporate warranty sales of gas.</p> <p>(ix) A need to identify some practical obstacles to the application of the provisions.</p> <p>(x) A remedy that had been requested from a number of commenting parties. The Paragraph includes the safeguard of a secondary notice period to remedy, with a parallel process under which the Non-Operators may choose to increase their participation in a Clause 10.02 election process.</p> <p>(xi) Practical considerations in the context of the effectiveness of the mechanism and the willingness of a third party to proceed with an acquisition. Increase awareness of the potential requirement at law under prior versions of the document.</p> <p>(xii) Ensure that the Operator recovers its full legal costs.</p> <p>(xiii) Practical consideration to reflect the possibility that the defaulting Non-Operator refuses to execute documents.</p>

Provision	Modification	Rationale For Change
	<p>Corresponding annotations.</p> <p>(xiv) Modified, so that a notice must be issued as a prerequisite to Paragraph B(b). Modified the timing to introduce differential timing for the purported exercise under the harsher provisions of Paragraph B(g). Introduced a secondary notice process for exceptional remedies in Paragraphs B(e)-(g). Added annotations.</p> <p>(xv) Added new Subclause C requiring a statement about the financial status of the default on request by a defaulting Party.</p> <p>(xvi) Modified the annotations on Subclause E about a merger of interest and principal.</p> <p>(xvii) Modified Subclause F to link the Non-Operators' remedy to those Non-Operators that assumed a share of the Operator's costs.</p> <p>(xviii) Added a new Subclause H to provide a potential remedy for the situation in which a Party is required to pay another Party's share of royalties to maintain a Title Document in good standing. Associated annotation.</p>	<p>(xiv) An attempt to optimize legal effectiveness if a defaulting Party challenges the application of the remedies through the court's equitable jurisdiction. Recognition that Paragraphs B(e)-(g) are exceptional remedies that warrant a secondary notice.</p> <p>(xv) Enables a defaulting Party to understand the debits and credits on a monthly basis. This is of greater importance because of the enhanced ability of the Operator to manage the defaulting Party's share of production.</p> <p>(xvi) To reflect legal developments on this issue.</p> <p>(xvii) Aligns remedy to risk.</p> <p>(xviii) Because of the potential for joint liability for payment of royalties under a Title Document.</p>
Clause 5.06	<p>(i) Reduced the period from 3 months to 60 days. Modified annotation.</p> <p>(ii) Modified, so that there is no ability to use this Clause if the deemed penalty remedy in Paragraph 5.05B(f) applies.</p>	<p>(i) Aligns the period to the period under Clause 5.05 and encourages dialogue with the Non-Operators respecting the exercise of exceptional remedies.</p> <p>(ii) Consequential change.</p>
Clause 5.07	<p>(i) Modified the Clause to refer to funds held other than for the Joint Account.</p> <p>(ii) Added a proviso whereby the right to commingle funds terminates, and the obligation to segregate funds accrues, if any of the conditions in Paragraphs 2.02(a)-(d) apply and the Non-Operators cannot remove the Operator under Subclause 2.02A.</p> <p>(iii) Expanded annotations about legal developments.</p> <p>(iv) Added an annotation respecting potential issues in practice with a general obligation to maintain separate trust accounts.</p>	<p>(i) Primarily provide protection for a Non-Taking Party under Article 6.00 and a delinquent Party under Article 23.00.</p> <p>(ii) To increase the protection afforded to the Non-Operators if a court prevents the Non-Operators from exercising their rights under Subclause 2.02A.</p> <p>(iii) Provide greater context for users.</p> <p>(iv) Provide greater context for users.</p>

Provision	Modification	Rationale For Change
<p>Clause 6.01</p>	<p>(i) Modified so that the take in kind expectation is an obligation. Associated annotation.</p> <p>(ii) Introduced a definition of First Point of Measurement, while retaining flexibility if delivery is not practicable at that location.</p> <p>(iii) Added a clarification that the risk of loss prior to the First Point of Measurement is generally for the Joint Account. Associated annotation.</p> <p>(iv) Added a new Subclause B that largely restricts the ability to contract for gathering, processing and transportation capacity for the Joint Account without approval. The provision includes a limited authority to contract incremental G&P only insofar as: (a) the Joint Account exposure is on a terminate by notice without penalty basis; or (b) is reasonably required to manage a Non-Taking Party's incremental volumes. Associated annotation.</p>	<p>(i) Aligned with expectation. Made clear that the consequences of a failure to take in kind are limited to the remedies in Article 6.00.</p> <p>(ii) Adds greater clarity for users.</p> <p>(iii) Adds greater clarity for users.</p> <p>(iv) Greater clarity for users on what could be a significant issue in a particular case.</p>
<p>Clause 6.02</p>	<p>(i) Introduced a definition of Non-Taking Party.</p> <p>(ii) Deleted former Paragraph (a), with consequential modifications.</p> <p>(iii) Expanded the annotation respecting application of the non-arm's length purchase option.</p> <p>(iv) Applied a marketing fee to all dispositions. Associated annotation and consequential modifications to Clause 6.04 and the annotations on that Clause.</p> <p>(v) Added an annotation about the benefits of negotiating asset specific marketing arrangements in certain circumstances.</p> <p>(vi) Expanded annotations to reflect <u>Erehwon</u>.</p> <p>(vii) Added flexibility to the timing for a proposal under Subclause B and modified the deemed outcome for failure to respond to non-consent. Associated annotations.</p>	<p>(i) Simplifies drafting throughout the Article.</p> <p>(ii) Reflects a movement to corporate warranty contracts for gas and linkage to the Market Price definition.</p> <p>(iii) Provide additional insights for users respecting the subtleties of application.</p> <p>(iv) Aligned to use of a Market Price, consistency.</p> <p>(v) Provide additional context for users.</p> <p>(vi) To provide a context for users on the 1974 and 1981 documents.</p> <p>(vii) While the short election may be required because of the timing faced by the Operator, it may have greater flexibility for its response. The reversal of the deemed response outcome mitigates the risk that a Non-Taking Party could be involuntarily subjected to a long term sales arrangement because of an internal logistics problem in handling the notice. This also reinforces to the Operator the benefit of allowing additional time for the analysis and election in circumstances in which the Operator has that timing flexibility.</p>

Provision	Modification	Rationale For Change
Clause 6.04	<p>(i) Restructured the provision to delete the Alternates and to shift the calculation point of the marketing fee to the outlet of any applicable gas plant for natural gas and associated products delivered at that point. Associated annotation.</p> <p>(ii) Lowered the marketing fee to 1.25% from 2.5%, with minimums for gas and sulphur.</p> <p>(iii) Added an annotation about the probability that users will choose to modify the marketing fee in some agreements.</p>	<p>(i) To recognize the degree to which Alternate B was seldom used and to simplify the calculation of the value on which the marketing fee was to be based for natural gas and related products going through a gas plant.</p> <p>(ii) Reflects forecast pricing, a different calculation point for natural gas and related products going through a gas plant and a preference for consistency.</p> <p>(iii) Provide greater context for users.</p>
Clause 6.05	<p>(i) Expanded the Clause to include an obligation on the Non-Taking Party to provide such information as may be reasonably required to make the royalty calculation if this exceptional provision were used. Associated annotation, including one noting the special circumstances under which this provision would probably only be used.</p> <p>(ii) Included an indemnification from the Non-Taking Party that is contingent upon the royalty and distribution of proceeds being consistent with the information provided by the Non-Taking Party.</p> <p>(iii) Added annotation about the change to the handling of freehold mineral tax under Clause 3.13.</p>	<p>(i) Recognition that a disposing Party would otherwise not have access to company specific information required for accurate royalty payment (i.e., gas cost allowance information re capital).</p> <p>(ii) Required protection for the disposing Party, with safeguards for the Non-Taking Party.</p> <p>(iii) Context for users.</p>
Clause 6.06	<p>(i) Modified the Clause and annotation respecting the application of Clause 5.07 trust obligation to funds held on behalf of a Non-Taking Party.</p> <p>(ii) Modified the Clause to address the possibility that the purchaser of the production does not pay. Associated annotation.</p> <p>(iii) Modified timing of distribution to the 25th of the second month following the production month. Associated annotation.</p> <p>(iv) Added a mechanism to address use of estimated production volumes. Associated annotation.</p>	<p>(i) Provides greater protection for a Non-Taking Party.</p> <p>(ii) Provides clarity on the allocation of risk. Unless the disposing Party can reasonably demonstrate that volumes are sold under a specific arrangement, the disposing Party assumes the risk of non-payment because it chose the purchaser of the product and because it would otherwise potentially allocate the Non-Taking Party's volumes to any problem corporate supply contracts.</p> <p>(iii) Reflects general industry practice.</p> <p>(iv) Align to industry practice.</p>
Clause 6.07	Included a requirement to provide a Non-Taking Party's external auditors with access to sales information under	A Non-Taking Party requires some ability to assess the price presented to it. A disposing Party is extremely

Provision	Modification	Rationale For Change
Clause 7.01	<p>reasonable conditions of confidentiality. Associated annotation.</p> <ul style="list-style-type: none"> (i) Introduced definition of "Commenced" in Clause 1.01. (ii) Reduced period in Paragraph (a) from 45 days to 30 days. (iii) Modified Paragraph (b) to align to the Clause 10.03 timing. (iv) Modified Paragraph (c) for an Operation Notice that has been approved by all Parties. Added annotation. 	<p>reluctant to allow access to its sales arrangements.</p> <ul style="list-style-type: none"> (i) Bring clarity to the question of when an Operation has "commenced". (ii) Aligning timing to Article 10.00 election process. (iii) Consistency, with no form over substance outcome depending on the provision under which the Operation was approved. (iv) Clarity for users, with changes to Paragraph (b) mitigating the impact on users.
Clause 7.03	Eliminated the obligation to provide notice to the Non-Operators to allow them to observe logging programs.	Technological advances enable the Non-Operators to obtain this information on a real time basis without being on site.
Clause 7.07	Modified the Clause to limit its application to formations included in the Joint Lands. Added a duty to allow the other Parties to participate. Added an annotation for the evaluation of formations outside the Joint Lands.	Adds clarity for users.
Article 8.00 (Encumbrances in 1990)	Moved to Article 15.00.	Inclusion of an Article pertaining to Horizontal Wells.
Article 8.00	Horizontal Wells Article, with associated annotations.	Have addressed Horizontal Wells in a largely self-contained Article. The rationale for this approach and the linkage of this Article to Article 10.00 are addressed in the annotations.
Clause 9.01	<ul style="list-style-type: none"> (i) Added an annotation alerting users to the scope of the Article. (ii) Modified Clause 9.01 to recognize that the traditional Casing Point election process does not apply to all wells. Added an annotation and consequential change to Clause 9.02. (iii) Added an annotation and consequential change in Clause 9.02. Added a sentence reiterating that all incremental expenditures above those integral to the scope of the approved drilling Operation for setting additional casing/Completion are subject to approval under this Article. Expanded the annotation respecting 	<ul style="list-style-type: none"> (i) The Article applies to wells drilled for the Joint Account by its own terms. It also applies between the Participating Parties in a well drilled as an Independent Well by fewer than all Parties because of Clause 10.16. (ii) Recognition that many wells are approved in a context in which there is no expectation that there will be a Casing Point election (i.e., Horizontal Wells, many shallow gas wells). The decision will be the nature of the Completion program in the cased well. (iii) Provide additional context for users.

Provision	Modification	Rationale For Change
<p>Clause 9.02</p>	<p>the change to risk categorization after initial results obtained.</p> <p>(i) Added an annotation about the flexibility introduced in the 1990 document.</p> <p>(ii) Included additional flexibility if the Operator's proposed program corresponds to a contingent program contemplated in the original AFE. Associated annotation and some consequential changes.</p> <p>(iii) Modified the structure to emphasize more fully the likelihood that the Operator's proposed program may be limited to setting production casing and the suspension of the well, with the re-entry and Completion conducted subsequently under Clause 10.08. Differentiated from the situation in which the Operator's program involves the setting of production casing and the conduct of a specific program using a service rig. Associated annotation.</p> <p>(iv) Broadening of Clause 10.05 to apply to both drilling and Completions has a consequential impact in this Clause, as it can allow a Participating Party in the well to limit its participation in a Completion program to only the development portion of the well. Added annotations about this and other multi-zone Completion programs presented by an Operator. Also added an annotation about the ability of a Party to mitigate the negative impact on it by participating in the casing program.</p>	<p>Provide context for users about the differences between the versions of the document.</p> <p>The Operator should not have to issue a new program if the program conforms to that outlined on a contingent basis in the AFE. It is sufficient if the Operator confirms that the original program is still preferred.</p> <p>Provide greater context for users that the setting of production casing will often be regarded as a discrete stage of the Completion process.</p> <p>Provide incremental flexibility for a specific situation (well in part development and in part exploratory). This is basically an extension of the divided status election on drilling in the traditional Clause 10.05 to Completions. The divided status election is ultimately based on the principle that a Party should not be required to participate in unrelated exploratory activities in order to preserve its participation rights for recognized development horizons.</p> <p>This is a limited exception to the general outcome that a Party can't pick and choose the Completion zones in which it will participate from a proposed multi-zone program unless it negotiates that outcome at the time.</p>

Provision	Modification	Rationale For Change
Clause 9.03	<ul style="list-style-type: none"> (i) Deleted Alternate B, with consequential modifications. Associated annotation. (ii) Expanded the annotation about the change to the penalty introduced in the 1990 document, where the Development Well penalty did not apply to all Casing Point non-participation scenarios. (iii) Addressed the interrelationship between Clauses 9.03 and 10.10 for the circumstance in which a Party is not prepared to make further expenditures at Casing Point. Associated annotation. 	<ul style="list-style-type: none"> (i) The Alternate was used very infrequently, so there was no need to retain it. (ii) Provide a greater context for users for the rationale for the change in the 1990 document. (iii) Required clarification.
Clause 9.04	<ul style="list-style-type: none"> (i) Added an annotation about the presentation of the abandonment obligation in 1974 and 1981 documents. 	<ul style="list-style-type: none"> (i) Provide a context for users working with this issue in the 1974 or 1981 document.
Article 10.00-General	<ul style="list-style-type: none"> (i) Modified the sequencing in the Article to move the Production Facility provisions to 10.13 and 10.14, with numerous consequential changes. (ii) Added an annotation about a possible forced farmout penalty scenario. 	<ul style="list-style-type: none"> (i) A recognition that the Production Facility provisions are specific provisions to which the provisions of general application in the Article apply. (ii) Provide a context of a possible exception for users.
Clause 10.01	<ul style="list-style-type: none"> (i) Modified the definition of “Non-Participating Party”, so that a Party that takes in kind or elects to pay a fee under Subclause 10.08F or Clause 10.13 is not regarded as a Non-Participating Party in the Article. Added annotations in Clause 10.01, Subclause 10.08F and Clause 10.13. (ii) Moved the list of items to be included with an Operation Notice from 10.02A to the definition of Operation Notice. Revised the Clause 10.10 reference to clarify the need to identify the expected application of a Clause 10.10 forfeiture and the lands to which the Proposing Party expects that a Clause 10.10 forfeiture would apply. Associated annotations about the potential application of the dispute resolution process under Subclause 10.10G. Added references to the need to include any information about the location required under the definition of AFE and any application of the special election timing in Subclause 10.07B. (iii) Added a requirement to identify any potential application of the Clause 10.05 divided status process and the Clause 10.06 dual use process. Associated annotation. (iv) Added an annotation about the potential invalidity of an Operation Notice and why no prescriptive test is 	<ul style="list-style-type: none"> (i) Clarification for users. (ii) A more appropriate placement and clarification.
		<ul style="list-style-type: none"> (iii) Reminder to users about the need to consider the potential application of these Clauses. Improve the transparency of the Operation Notice. (iv) Provide additional context for users.

Provision	Modification	Rationale For Change
	<p>(v) included. Added an annotation to the definition of Operation Notice about the CAPL-CAPLA initiative to create a precedent Operation Notice and associated supplementary materials, including an annotated version of the template and some examples for various types of Operations.</p> <p>(vi) Modified the definition of Receiving Party to be clear that a Party subject to a cost recovery typically does not have the status of being a Receiving Party with respect to any other Operation Notices issued for that well during the period in which the cost recovery exists. Identified some exceptions to this general handling (e.g., they do have a participation right for a Deepening or Sidetracking because of the change in scope relative to the initial well). Associated annotation.</p>	<p>(v) The project was initiated because of concerns about the quality and consistency of Operation Notices being used by industry for all versions of the Operating Procedure. The materials were designed as a resource for potential use with all versions of the document. Users, however, remain free to use as much or as little of these reference materials as they choose. Users also need to appreciate that Operation Notices need to be customized to the particular circumstances in any event.</p> <p>(vi) Subsequent work on the well during the cost recovery is typically a matter between the Parties that are then Participating Parties in the well.</p>
<p>Clause 10.02</p>	<p>(i) Deleted traditional first sentence about the expectation of ongoing consultation. Modified the annotation.</p> <p>(ii) Modified Subclause A to be clear that the normal response process applies to a well subject to an outstanding application for a holding or other modification to the Spacing Unit or drilling density. Associated annotation.</p> <p>(iii) Modified Paragraph 10.02B(a), so that a well would need to penetrate formations included in the sale parcel. Associated annotation.</p> <p>(iv) Modified Paragraph 10.02B(a), so that it is clear that the exception could not be used if no evaluation of the sale lands could reasonably be expected prior to the sale date. Associated annotations.</p> <p>(v) Modified Paragraph 10.02B(b) to limit use of the provision to the situation in which a rig was already on site for other Operations on the well. Associated annotation.</p> <p>(vi) Modified Paragraph 10.02B(b) to address the situation in which a 48 hour election is potentially occurring before expiry of the election period under an Operation Notice for the drilling of the well. Associated annotation.</p>	<p>(i) To reflect the degree to which Parties typically give little or no weight to this expectation in practice.</p> <p>(ii) Provide greater certainty for an issue that is arising more frequently because of delays in processing submitted holding applications.</p> <p>(iii) Optimize linkage between the well and the sale parcel.</p> <p>(iv) Address area of potential abuse.</p> <p>(v) Clarification because of some instances of abuse. The addition is consistent with expectations that are implicit in the provision.</p> <p>(vi) Required clarification. Subsequent Operations cannot operate to reduce a Party's election period for the well. The Participating Parties also need to understand the potential risks associated with</p>

Provision	Modification	Rationale For Change
	<p>(vii) Added a new Paragraph 10.02B(c) to create a 7 Business Day notice for Operations under Subclause 10.06C where a rig is then on location for other activities on the well. Associated annotation.</p> <p>(viii) Added a sentence to require a responding Party to send a copy for informational purposes to the other Receiving Parties in addition to the response to the Proposing Party. Associated annotation.</p> <p>(ix) Added an annotation on Subclause 10.02E.</p> <p>(x) Modified Subclause 10.02F to address the impact of pending wells or Completions approved for the Joint Account through an AFE or Operation Notice on the same basis as pending Article 10.00 Independent Wells and to limit the relevant wells to those on which drilling and Completion Operations (versus Equipping) are being conducted. Expanded annotations accordingly.</p> <p>(xi) Modified the restrictions in Subclause 10.02F. The mechanism does not apply to Operation Notices to which Subclause 10.08C or Clause 10.10 apply, and does not apply to a Clause 10.08 Operation between the Parties that participated in a well. There is also a clarification that the withholding of information under Paragraph 5.05B(b) does not affect the requirement to elect.</p> <p>(xii) Clarified how this provision applies to the response to an Operation Notice for a Completion or an Equipping. Associated annotation.</p> <p>(xiii) Clarified that the measurement was the distance between the wellbores.</p> <p>(xiv) Included optional Subclause 10.02G to provide users</p>	<p>Abandoning the wellbore while elections are outstanding.</p> <p>(vii) The Receiving Parties may have had no prior knowledge that there was any vision of importing the well into the Agreement. This timing reinforces to the Proposing Party the benefits of prior dialogue with the other Parties to alert them that the well is being drilled and the contingency that Subclause 10.06C might come into play if it is unsuccessful in the 100% rights and there is apparent prospectivity in a formation of the Joint Lands.</p> <p>(viii) To reinforce the preferred practice of sending responses to the Proposing Party and the other Receiving Parties to optimize the transparency of outcomes. The structure ensures that failure to provide a notice to a Receiving Party does not invalidate the election to the Proposing Party.</p> <p>(ix) Context for users about the benefit of updates, so that there is clarity in understanding the outcome of the election process.</p> <p>(x) The election process should be the same if the pending joint well is approved under an AFE or through the responses to an Operation Notice. The conduct of an Equipping Operation should not impact the timing for response to another Operation Notice.</p> <p>(xi) Provides greater flexibility in the expiry scenario, and ensures that a Non-Participating Party with an opportunity to participate in a Deepening or Sidetracking under Clause 10.08 cannot obtain well information to which it is not then entitled under Clause 10.19 to modify its risk. Greater clarity for users.</p> <p>(xii) To be clearer that a response to a notice for a Completion is deferred until the drilling information is in hand and a response for an Equipping is deferred until the Completion information is in hand.</p> <p>(xiii) Clarification for users who erroneously interpreted the distance as intervening sections, not the distance between the wellbores.</p> <p>(xiv) Address a problem area in previous versions of the</p>

Provision	Modification	Rationale For Change
	<p>with the ability to except shallow infill drilling programs above a certain depth from the application of the election deferral under Subclause 10.02F. Added annotations and consequential changes in annotations on Subclause 10.02F and Clause 10.03. Also added an annotation about the potential extension of some of these concepts on a negotiated basis to a deep development drilling program, particularly where the vision is to drill multiple wells from the same drilling pad.</p>	<p>document. Although the Receiving Parties may still elect on a well by well basis (rather than on an entire program), this Subclause does not allow them to defer their elections until they see the results from other wells in the program. While a Receiving Party may elect not to participate in a particular well included in the program, this is likely to be the exception in practice given the nature of shallow infill programs. The inclusion of the optional Subclause substantially addresses the issues relating to shallow programs, and may often facilitate a program approval under a single AFE in practice.</p>
<p>Clause 10.03</p>	<p>(i) Modified the Clause and added annotation because of the inclusion of the definition of “Commenced”.</p> <p>(ii) Included a limitation that a Party is not to Commence a well until it has served an Operation Notice for the well. This is subject to the qualification that the normal Clause 10.02 notice and election process will apply if this happens, but that the Receiving Parties would retain any other legal remedies they have for failure to serve the Operation Notice before Commencement of the Operation. Associated annotations.</p> <p>(iii) Modified the Commencement period for a well that has been “committed” to under the Regulations as a condition of the extension of the applicable Title Document. Associated annotation.</p> <p>(iv) Added an annotation about the circumstances in which an Operator would be likely to Commence an Operation prior to expiry of the response period to an Operation Notice and circumstances in which an amendment to the timing might be considered.</p> <p>(v) Added an annotation about the need for a Proposing</p>	<p>(i) Address the uncertainty that has existed with respect to the use of the term.</p> <p>(ii) Required clarification because of some instances of abuse (i.e., drilling into a Crown sale). The restriction allows the normal notice and election period to apply to the Commenced Operation to reflect the practical fact that this will sometimes happen inadvertently where the Operation should not be frustrated by limitations in the document. Because this could occur in circumstances in which the failure to issue the Operation Notice before Commencement could see the Receiving Parties damaged, the application of Clause 10.02 to the Operation Notice does not deprive the Receiving Parties of any other legal remedies they may have. While it is likely that the Receiving Parties would not be damaged in the vast majority of cases, there are situations in which they would be (i.e., the well had been drilled into a Crown sale or to position for a farmin).</p> <p>(iii) Provide greater flexibility for the Commencement period in the B.C. lease continuation scenario.</p> <p>(iv) Provide context for users about operational issues.</p> <p>(v) Alert users to a potential legal risk that might not be</p>

Provision	Modification	Rationale For Change
<p>Clause 10.04</p>	<p>Party to be cautious in not proceeding with a well during the Commencement period, particularly if it is advantageous to the Proposing Party not to see the well proceed. Consequential modification to the provision in the context of the Receiving Parties no longer being bound by elections.</p> <p>Modified provision so that there are two Alternates. Alternate A(a) is similar to the provision in the 1990 document. Alternate A(b) provides the Operator with the right to operate in substantial compliance with the Operation Notice, while providing the flexibility for the Proposing Party to proceed with the Operation on a basis similar to that in Alternate A(a) if the Operator declines to operate.</p> <p>Under both Alternates, the Operator has the subsequent option to take over the Operation if the Operator is a Participating Party, but not the Operator. That point is at the completion of any program conducted at Casing Point under Article 9.00, including completion of any associated Abandonment. Modified annotations accordingly.</p>	<p>appreciated.</p> <p>Provides greater flexibility for users in light of the degree to which some users had been amending the 1990 provision to replace the 1990 clause with the 1981 provision.</p> <p>The modifications to the former 1981 mechanism reflect the fact that an Operator will not necessarily choose to operate an Operation in which it elects to participate and the need that the other Parties see the conduct of an Operation that is substantially the same as the Operation presented to them (i.e., timing, program, etc.). It also clarifies that an Operator taking over the Operation only has the right to assume contracts for goods and services if those contracts pertain exclusively to the particular Operation.</p>
<p>Clause 10.05</p>	<p>(i) Broadened the scope of the provision so that the same principles apply to a Completion program in both development and exploratory zones. Associated annotation.</p> <p>(ii) Expanded the annotation about the potential negotiated application of the approaches in this Clause to the situation in which a Development Well had multiple objectives and the Parties were misaligned on the well.</p> <p>(iii) Streamlined Paragraph 10.05C(b) by shifting the consequences of reimbursement to Paragraph 10.07A(e) and Subclause 10.07B. Modified the annotations accordingly.</p> <p>(iv) Clarified the notification expectation if the Participating Parties in the Exploratory Well portion of the well exercise their pre-emptive rights for the well.</p> <p>(v) Expanded annotations.</p>	<p>(i) Extension of the traditional logic beyond drilling to Completions as well. Reflects the principle that a Party should not be required to participate in unrelated exploratory activities to preserve its rights in development activities.</p> <p>(ii) Alert users to an issue that may arise infrequently.</p> <p>(iii) Better placement.</p> <p>(iv) Clarification for users.</p> <p>(v) Remind users of the potential benefits of preparing additional documentation at the time to supplement the application of the Clause. This is particularly beneficial if the production from the well will be commingled.</p>

Provision	Modification	Rationale For Change
Clause 10.06 (Former)	Moved this provision to become part of a new 10.09.	Moved the Abandonment provisions from the former 10.06, 10.09 and 10.15 into a single Clause so that they would be together. Also wanted to open up the Clause number to address the multi-use wellbore issue immediately after the divided status well provision.
Clause 10.06 (New)	Added a Clause and detailed annotations about the use of a wellbore for activities in the Joint Lands and activities in other formations, as well as the acquisition of a wellbore from a third party for potential use for the Joint Lands.	To bring required clarity to what has become a major industry issue. The provision addresses the circumstances under which a well can be used for multiple uses and the associated cost allocation methodologies and their impact on the cost recovery mechanisms.
Subclause 10.07A	<p>(i) Added an annotation about the impact of a reference such as “a test of the Y formation”, rather than “a test of the Y formation and the evaluation of such other shallower formations of the Joint Lands as are indicated to be prospective during the drilling of the well”. Associated modification to the introduction of Subclauses 10.07A and 10.07D.</p> <p>(ii) Modification to Paragraph A(a) to address freehold mineral taxes.</p> <p>(iii) Replacement of the “calculated at the wellhead” reference in the introduction of provision in the 1990 document with Paragraph A(c) respecting Facility Fees. Added an annotation about the handling of product enhancement costs in the various versions of the Operating Procedure and the rationale for the handling in this document.</p>	<p>(i) Clarification for users. It is implicit in any well proposal that shallower formations might be regarded as prospective during the drilling of the well, subject to the potential application of the Clause 10.05 divided status election. Changes to broaden Clause 10.05 to extend the logic to Completions with multiple objectives will somewhat mitigate issues in this area. Also important to understand that being in a cost recovery position in a well does not affect the ability of a Non-Participating Party to propose a twin well to another zone.</p> <p>(ii) Consequential change resulting from the change in the handling of freehold mineral tax under Clause 3.13.</p> <p>(iii) Addressing the product enhancement cost issue directly for the first time through the inclusion of the Facility Fees provisions. Comments on the handling of the issue in the previous versions of the document provide a helpful context for users. Facility Fees in Paragraphs 10.07A(c) and 10.13D(c) are basically calculated on a 100% basis from the fees applicable to the incremental penalty volumes to link the costs to the costs of handling the incremental production. This reflects the fact that the cost recovery calculation is otherwise done on a 100% gross cost basis, rather than prorating all costs and revenues to the Working Interest share subject to the cost recovery. This approach gives the same answer as if all costs and revenues</p>

Provision	Modification	Rationale For Change
	<p>(iv) Expanded Paragraph 10.07A(e) and added a new Subclause 10.07B to reflect a shift in content respecting the Paragraph 10.05C(b) reimbursement process from that Paragraph. Consequential change to the annotations.</p> <p>(v) Added various annotations-the risk-reward principle that is the foundation of the Article; the fact that a production penalty/cost recovery does not alter the interest in the lands, but only the interest in production obtained from the penalty well (i.e., the Non-Participating Party may participate in additional wells on the same section); that calculations are basically done on a gross 100% basis to minimize the risk of error in calculation; the costs to be included in the calculation when the well was unsuccessful in the deeper formations but Completed uphole; the evolution of the treatment of Equipping Costs in the various versions of the document; and the traditional elections for the Development Well and the Exploratory Well penalties.</p> <p>(vi) Reference in the last paragraph that the cost references will also include overhead as prescribed under the Accounting Procedure.</p> <p>(vii) Added an annotation about the difficulties inherent in the use of a cost recovery penalty mechanism and some alternatives that might be negotiated at the time. Identified the possibility of a negotiated cash payment to buy back into the well, some of the potential tax synergies that may exist and why this may be mutually beneficial in some cases.</p> <p>(viii) Application of the Market Price for proceeds to be used in the calculation, with a qualification if the Non-Participating Party's interest was subject to a pre-existing bona fide arm's length dedicated lands reserves based contract that must be honoured. Associated annotations. Corresponding handling in Subclause 10.13D.</p>	<p>were prorated to the Working Interest subject to the cost recovery. It also significantly mitigates the difficulties in monitoring a cost recovery account when Parties potentially have very different product enhancement costs because of varying interests in regional facilities.</p> <p>(iv) Better placement for users.</p> <p>(v) Annotations to provide users with a greater sense of the foundation principles of the Article.</p> <p>(vi) Clarification for users.</p> <p>(vii) Increase awareness of users about the complexities of cost recovery penalties, particularly in cases of multiple Participating Parties with different cost and revenue bases in a gas project. Identify some alternatives that might be considered in a custom negotiation at the time.</p> <p>(viii) Primarily to address the potential abuse associated with unilateral notional allocations of the least favourable corporate warranty marketing arrangements in a corporate portfolio to cost recovery wells. A major potential issue when there is a wide variance (100-300%) between prices under industry spot prices and hedging arrangements, as was the case in the late</p>

Provision	Modification	Rationale For Change
Subclauses 10.07B-H	<p>(i) Added a new Subclause B to address a flaw that was discovered in the traditional handling in the cost recovery. It pertains to the situation in which a reimbursement was made to the Development Well participants by the Exploratory Well participants where the well is subsequently abandoned in the deep rights for an uphole Completion. Associated annotations, with a shift of some content from Paragraph 10.07A(e). Major editing.</p> <p>(ii) Notification of cost recovery has been modified to be within 30 days after the end of the calendar month in which it occurred, rather than within 30 days of the event. (See also Clause 10.15 and the associated annotations.)</p> <p>(iv) Expanded annotation on Subclause 10.07C.</p> <p>(v) Provide an Operator that was a Non-Participating Party and accepted participation at cost recovery with the option to decline becoming the Operator for the well.</p> <p>(vi) Modified the outcome of an election not to acquire participation in the well, so that it applies to the well and the production from that well from the formations then Completed or Recompleted. It otherwise doesn't affect the Working Interest in the Joint Lands. Added annotation on Subclause 10.07E.</p>	<p>2000/early 2001 period. The net effect of this is that the Non-Participating Party's share of volumes is deemed to be sold at a Market Price which is then being grossed up to the 100% level. The provision delivers the same answer as would have been the case if all costs and revenues were being prorated down to the Non-Participating Party's Working Interest.</p> <p>(i) To correct a flaw that was discovered when reviewing a comment. As regards the former Participating Parties in the Development Well portion of the well, it would not be appropriate to see the uphole well saddled with outstanding unrecovered drilling and completion costs associated with the deep rights.</p> <p>(ii) Improved presentation and clarity for users.</p> <p>(iii) Reflects the practical difficulty in giving notice within 30 calendar days of the cost recovery when accounting is typically done on a financial month basis.</p> <p>(iv) To provide additional context on its evolution.</p> <p>(v) Provide greater flexibility.</p> <p>(vi) A Non-Participating Party is foregoing participation in the well, not precluding itself from participating in new work at other locations (i.e., additional well under a holding).</p>
Clause 10.08	<p>(i) Included an annotation about some of the things that should be considered by Parties negotiating an outcome under Subclause A in which additional Operations are permitted in a well that is productive.</p> <p>(ii) Include a limitation on the ability to propose an Operation on an existing well if the condition of the wellbore is not reasonably appropriate for the Operation or it is reasonable to believe that it would damage the wellbore or create HSE problems.</p> <p>(iii) Modified Subclause A. Subject to any application of</p>	<p>(i) Provides a greater context for users.</p> <p>(ii) Reflect increased emphasis on HSE matters.</p> <p>(iii) Provides greater flexibility for the Participating</p>

Provision	Modification	Rationale For Change
	<p>Force Majeure, it is clear that a Proposing Party may issue an Operation Notice for a well if it has not been Completed within 36 months after its rig release or it has produced (other than for test purposes), but has been Suspended for over 24 consecutive months. Clarified that this right does not apply to a Completed well that has never produced.</p> <p>(iv) Modified Subclause B. Except as provided in Clause 10.08, a Non-Participating Party in a well may not propose, or participate in, a subsequent Operation during the period the cost recovery remains in effect for its Working Interest.</p> <p>(v) Modified Subclause B. A Non-Participating Party in a Completion that participated in the drilling and setting of production casing has the right to participate, without penalty, in a Recompletion of a formation not included in the original Completion program. There is an equalization on a portion of Equipping Costs for equipment relevant to the Recompletion. Paragraph 10.05C(a) will apply, mutatis mutandis, if the additional Completion will see the well managed as a dual producer with different participation. Associated annotation.</p> <p>(vi) Added a new Subclause C to address a Non-Participating Party's right to participate in a Deepening and a Sidetracking. Associated annotations. Consequential change to Subclause D.</p> <p>(vii) Added an annotation on Subclause C about a potential modification of the Sidetracking outcome for high-risk, high-reward operating environments. (Corresponding modification to the miscellaneous annotations in the Addendum at the end of the annotations.)</p> <p>(viii) Added an annotation to Subclause D about the determination of the well status as development or exploratory.</p> <p>(ix) Modified Subclause E to address existing wells on which work is conducted under either Clause 10.08 or 10.10, not just Clause 10.08.</p>	<p>Parties for a well that has been sitting for a prolonged period. Basically, this creates a presumption about the well, with a qualification to provide protection for a Completed well in an area without suitable infrastructure.</p> <p>(iv) Provides greater clarity for users.</p> <p>(v) Correct a flaw in previous versions of the document. A Non-Participating Party that has paid its share of the costs of drilling and setting production casing for the well has paid its share of all costs that were the pre-requisite to the Recompletion. It should not be locked into a cost recovery situation for the uphole formation when it has expended all of the necessary funds required to conduct the Recompletion. Although this situation will often apply as a result of the original Completed formation no longer being productive (and the cost recovery no longer being in effect under this provision), the provision accommodates the situation in which the additional work is being conducted to produce the well from multiple horizons.</p> <p>(vi) Clarity about the rights of a Non-Participating Party and the impact of participation on the cost recovery account were required.</p> <p>(vii) Users need to understand that the Subclause would allow a Non-Participating Party to re-elect to participate in some circumstances in which the original activities would have drastically modified the risk of the prospect.</p> <p>(viii) Possibly some confusion for users as whether the status was determined using the old status or current status of an Operation in the formation.</p> <p>(ix) Correct an inconsistency in the handling of these obligations.</p>

Provision	Modification	Rationale For Change
	<p>(x) Modified Paragraph E(b) to include a reference to Environmental Liabilities. Added Paragraph E(c) respecting responsibility for Losses and Liabilities associated with the conduct of the Operation. Associated annotations.</p> <p>(xi) Added Subclause F with respect to Equipping and associated annotations. This provides a Receiving Party with the flexibility to take in kind (if the nature of the Operation so permits) and to incur for its own account the additional costs of equipment for measurement or handling of its production, subject to the qualification that the Participating Parties would incur these extra costs (and not include them in a cost recovery for other Non-Participating Parties) if the proposed Operation is the installation of equipment that serves substantially the same function as existing equipment. The Clause 10.18 liability and indemnification processes would apply to the take in kind situation.</p>	<p>(x) Provide a greater context for users.</p> <p>(xi) This provision applies the same logic as the Clause 10.13 election process for a Production Facility. A Party that wishes to take its own production in kind without using the equipment to which the proposed Equipping pertains is free to do so, rather than being forced into production arrangements that are not attractive to it.</p>
Clause 10.09	<p>(i) Movement of former Clauses 1006, 1009 and 1015 as Subclauses in a new Clause.</p> <p>(ii) Modified Subclause B to add a reference to handling of Abandonment costs in a cost recovery calculation.</p> <p>(iii) Added an annotation for Subclause B about the Abandonment process and the Non-Participating Parties.</p> <p>(iv) Major editing in Subclause C, and clarified the interrelationship with Clause 9.04 and Subclause 10.08E. Associated annotation.</p> <p>(v) Clear statement that a Non-Participating Party only acquires rights in an Abandoned well hereunder if it has a cost responsibility for the Abandonment under Clause 9.04 or Subclause 10.08E.</p>	<p>(i) Preferable to address the three Abandonment provisions in a single Clause.</p> <p>(ii) Ensures that a Party can include Abandonment costs when reconciling the cost recovery account.</p> <p>(iii) Context for users.</p> <p>(iv) Streamlining. Some of the traditional content was superfluous, as a cost recovery altered the right to production from a well, not the Working Interest in the Joint Lands.</p> <p>(v) Clarification.</p>
Clause 10.10	<p>(i) Added an annotation about the forfeiture impact of not paying required extension fees, compensatory royalties or other similar payments under the new Subclause 3.10E.</p> <p>(ii) Added an annotation about the B.C. lease continuation process under which an extension might be granted as a result of a “commitment” to specified work.</p>	<p>(i) Context for users about the new Subclause 3.10E.</p> <p>(ii) Increase awareness of the issue, so that users can address it suitably on a custom basis in their agreements. It was not feasible to address it in the document as there was not any consensus position on the issue at the time the document was</p>

Provision	Modification	Rationale For Change
	<p>(iii) Added an annotation about the need to conduct the Operation under the Operating Procedure and that the forfeiture impact is limited to the Joint Lands.</p> <p>(iv) Modified the definition of Subsequent Title Preserving Well to be clearer that a Subsequent Title Preserving Well might also simultaneously be a Title Preserving Well for other rights.</p> <p>(v) Modified the definitions of Preserved Lands and Title Preserving Well to be clearer that they were not limited to a single Title Document.</p> <p>(vi) Modified the definitions of Title Preserving Well and Subsequent Title Preserving Well to address any title preserving operations requiring a Suspended well to be placed on production.</p> <p>(vii) Added an annotation respecting the <u>APL</u> case and the reasons for the emphasis on context dependent outcomes.</p> <p>(viii) Added annotations about the potential outcomes in a non-cross conveyance pooling scenario in which there are materially different expiry dates and the situation in which multiple Title Documents may comprise the Spacing Unit for the well.</p> <p>(ix) Added an annotation about the title preserving periods under the 1974 and 1981 documents. Recommendation to use 365 days for B.C. agreements because of operational logistics and the B.C. lease continuation processes.</p> <p>(x) Modified the definition of Title Preserving Well if a Title Document may be extended for a year as a matter of right by the payment of an increased rental. Associated annotation.</p> <p>(xi) Modified Subclause B to be clearer about the situation in which a well is in part subject to a cost recovery and in part a Title Preserving Well. Associated annotations and consequential change to Subclause C.</p> <p>(xii) Modified Subclause B to be clearer that this Subclause also applies to a well that is a Subsequent Title Preserving Well for some lands and a Title Preserving Well for other Joint Lands. Associated annotations.</p>	<p>prepared.</p> <p>(iii) Some users may not have appreciated that an Operation has to be conducted under the Operating Procedure to fall within the scope of the Clause and that the forfeiture requirement does not extend to lands that are not Joint Lands, even if held by the same Parties under a separate JOA. Greater clarity for users about a subtle aspect of the Clause.</p> <p>(iv) Greater clarity for users that the outcomes are determined on a Title Document by Title Document basis, but not limited to a single Title Document.</p> <p>(v) Included largely in the context of evolving Alberta regulatory requirements respecting Suspended wells (i.e., offset regulations).</p> <p>(vi) Reflect legal developments.</p> <p>(vii) Clarification respecting a subtle issue that may not otherwise be appreciated by users.</p> <p>(ix) Provide a context for users.</p> <p>(x) Align document outcome with the practice of taking those extensions in the vast majority of circumstances (i.e., B.C. drilling licences).</p> <p>(xi) Greater clarity for users, where previous coverage in Subclause (c) of the 1990 document was potentially confusing to users.</p> <p>(xii) Greater clarity for users, where previous coverage in Subclause (c) of the 1990 document was potentially confusing to users.</p>

Provision	Modification	Rationale For Change
	<p>(xiii) Modified the handling of Spacing Unit for Title Preserving Well in Subclause B to provide greater flexibility where a Subsequent Title Preserving Well was Commenced before the Title Preserving Operation was concluded. Associated annotation and some consequential changes.</p> <p>(xiv) Added a reference in Paragraphs B(a) and C(b) to indicate that the Spacing Unit was to be determined as of the time of issuance of the applicable Operation Notice.</p> <p>(xv) Added a new Subclause D to address temporary continuations for activity (i.e., Section 16 Alberta continuation) versus ongoing continuations associated with the ability to demonstrate productivity beyond that time (i.e., Section 15 Alberta continuation). Associated annotation.</p> <p>(xvi) Added a new Subclause F to clarify the handling of costs for formations subject to the title preserving penalty in circumstances in which the well is Completed in uphole formations of the joint rights not potentially subject to the reversion to the grantor of the Title Documents. Associated annotation and a corresponding modification to Subclause 10.07A.</p>	<p>(xiii) Provide greater flexibility where work is proceeding simultaneously.</p> <p>(xiv) Clarification for users.</p> <p>(xv) The provision in previous versions of the document did not suitably differentiate between a temporary continuation and a longer term continuation of the rights due to demonstrated productivity. To illustrate, assume that two wells are drilled over expiry on a five section block of expiring Alberta Crown rights, A's dry hole and a second well that was successful. Each such well would potentially see 5 sections of Joint Lands continued temporarily under Section 16 of the Alberta Regulations. At the end of that period, further continuation requires intervening work or the ability to prove productivity. Assuming no other wells were drilled, further retention on these facts seems to be based only on the well in which A didn't participate, such that it should end up forfeiting its entire interest in the applicable Joint Lands so retained.</p> <p>(xvi) The previous presentation in Subclause (c) of the 1990 document was potentially confusing to users. Drilling and Completion Costs associated with the formations subject to the title preserving penalty mechanism cannot be included in any application of a Clause 10.07 type cost recovery to the shallow rights, as this would provide a duplication of reward for the Participating Parties.</p>
<p>Clause 10.11</p>	<p>(i) Modified, so that a Party offered participation that declines has no rights to the data from that program. Previous versions of the document had provided that Party with a time limited opportunity to acquire a copy of the data for 200% of its share of the program cost.</p> <p>(ii) Added annotations about scenarios in which there might be an obligation to allow participation in a seismic program and in which participation in a subsequent well</p>	<p>(i) The traditional provision potentially encouraged non-participation.</p> <p>(ii) Provide a context of possible situations in which users may prefer to create a customized outcome.</p>

Provision	Modification	Rationale For Change
	might be prohibited without an equalization back into the program at some penalty amount.	
Clause 10.12	Added an annotation about priorities of use between an Independent Well and a pre-existing owner well off the Joint Lands.	Greater clarity for users that wells on the Joint Lands have priority.
Clause 10.13	<p>(i) Moved the Production Facility provisions from Clauses 1021 and 1022 to 10.13 and 10.14, with consequential renumbering of the other provisions in Article 10.00. Major editing.</p> <p>(ii) Included the election to pay a fee under Subclause B, with associated annotations.</p> <p>(iii)</p> <p>(iv) Included additional process control at the end of Subclause B to provide additional protection for a Receiving Party if it does not believe that the proposed facility meets the requirements in the definition of Production Facility. The Receiving Party can ultimately suspend the response period until the issue is resolved, where arbitration would be used if the Parties are unable to agree. Added an annotation. Consequential modification to Subclause 10.02B to reflect potential deferral of response.</p> <p>(v) Modified Subclause D to limit the cost recovery provisions to production from the Joint Lands.</p> <p>(vi) Clarified the interrelationship with cost recoveries for wells. Associated annotations.</p> <p>(vii) Added a reference to Facility Fees in Subclause D. Consequential changes and modifications to the annotations.</p> <p>(viii) Added a reference in Subclause D on the linkage to Market Price in the calculation of proceeds to mirror 10.07A outcome.</p> <p>(ix) Subclause E allows a Non-Participating Party to acquire participation in a Production Facility by making a cash payment of the outstanding cost recovery amount. Associated annotations and other consequential changes in Clauses 10.13 and 10.14.</p> <p>(x) Clarified the cash adjustment process in Subclause H for the period between the date of the cost recovery and</p>	<p>(i) Recognition that the Production Facility provisions are specific provisions to which the provisions of general application in the Article apply.</p> <p>(ii) Streamlining.</p> <p>(iii) Provide additional flexibility for users in light of some of the issues associated with facility payout accounts.</p> <p>(iv) To mitigate the risk that a proposed facility would not meet the requirements in the definition of Production Facility.</p> <p>(v) Simplification. Unlikely that the Parties would want to include other production, and they should address the issue on a custom basis if they do.</p> <p>(vi) Increased clarity.</p> <p>(vii) Need to address product enhancement costs in a direct manner. (See also Subclause 10.07A.)</p> <p>(viii) To mirror Subclause 10.07A.</p> <p>(ix) Provides additional flexibility, particularly in the expansion scenario.</p> <p>(x) Provide context for users.</p>

Provision	Modification	Rationale For Change
	the time that the former Non-Participating Party is able to exercise its full ownership rights. Added associated annotation.	
Clause 10.14	<ul style="list-style-type: none"> (i) Modified to address a Non-Participating Party's option to pay the outstanding penalty amount in cash in order to participate in an expansion. Associated annotation. (ii) Modified cost recovery for the expansion from 200% to 150%. Associated annotation. 	<ul style="list-style-type: none"> (i) Provides additional flexibility. (ii) To recognize the unique handling of expansions and to encourage dialogue.
Clause 10.15	<ul style="list-style-type: none"> (i) Restructured Subclause A to distinguish outcomes for wells and Production Facilities and to move from monthly statements to statements that link distribution frequency to the status at the applicable time. Associated annotations. (ii) Added an annotation to recognize that compliance would likely be targeted in practice to wells of economic significance. (iii) Clarified that the calculation is on a financial month basis in Subclause A, with a corresponding modification and annotation in Subclause C. (iv) The Operator's obligations are assumed by the Proposing Party if the Operator participates for only its Working Interest share of costs. (v) Added a Subclause B about the potential use of the Operator's cost and revenue experiences as a proxy for the cost and revenue information on a 100% basis respecting the other Participating Parties receiving the cost recovery, where there is a reasonable expectation that the Operator's information is representative. Associated annotation. (vi) Added Subclause C and associated annotation about the use of a financial month calculation and its impact on adjustments. (vii) Added a reference to the then most current PASC JV Audit Protocol in Subclause D. (viii) Expanded the range of a potential audit to include other 	<ul style="list-style-type: none"> (i) The requirement to issue statements on a monthly basis has historically been ignored. Linked the frequency of distribution to the comparable provision in Clause 6.01 of the 1997 CAPL Farmout & Royalty Procedure, which was largely based on a 1989 PJVA Task Force report. Changes required different handling for wells and Production Facilities. (ii) Provide greater context for users about the practical incremental compliance effort. (iii) Greater clarity. (iv) Inappropriate to require the Operator to assume the incremental administration to monitor a payout account if it is not receiving any of the cost recovery reward because it participated only for its Working Interest. (v) Provide greater clarity for users about a process that is occurring in practice. (vi) Provide greater clarity for users. (vii) Increase the level of certainty for the audit process. (viii) Greater protections for a Non-Participating Party if

Provision	Modification	Rationale For Change
	<p>Participating Parties receiving the cost recovery. Associated annotation.</p> <p>(ix) Added a new Subclause E whereby a Non-Participating Party can conduct an audit at the expense of the Operator and the other Participating Parties if the Operator is not in compliance with its obligations under Subclause A and does not issue a statement within a prescribed period following issuance of a notice from a Non-Participating Party requesting the statement. Associated annotations.</p>	<p>cost and revenue experiences are likely to vary significantly between the Parties.</p> <p>Reflects the degree to which Operators have frequently been in non-compliance and regard the obligation as having no consequences to them for failure to perform. Based on feedback from the PASC Audit Committee.</p> <p>The other Participating Parties receiving the benefit of the cost recovery are required to contribute proportionately with the Operator to the cost of such an audit. This is to encourage them to try to influence the Operator to respond to the request for a cost recovery statement. In practice, a Non-Participating Party would only take this step after repeated requests for a cost recovery statement were ignored for a well that seemed to have material production volumes.</p> <p>(x) Include greater protection for the Non-Participating Party if the Participating Parties fail to comply with the obligations under the Clause.</p>
Clause 10.17	<p>Added an annotation providing a context on the corresponding provision in the 1974 and 1981 documents.</p>	<p>Provides additional context for users.</p>
Clause 10.18	<p>(i) Inclusion of Losses and Liabilities references.</p> <p>(ii) Added a cross-reference to Clause 4.04. Associated annotations on the context for the relationship with Clause 4.04.</p> <p>(iii) Clarified relationship between the Participating Parties and any Receiving Parties that are not subject to a cost recovery with respect to an Equipping or a Production Facility because they made the special elections to take in kind or pay a fee. Associated annotation.</p>	<p>(i) Streamlining of the provision.</p> <p>(ii) Clearly established priority of Clause 4.04 respecting Extraordinary Damages.</p> <p>(iii) Correct a potential problem in the 1990 document with respect to the use of the take in kind election for a Production Facility. Extend the logic to the take in kind election for an Equipping under this document.</p>
Clause 10.19 (Former 1018)	<p>(i) Clarified the types of information to be provided and the interrelationship to Paragraph 5.05B(b). Associated annotations.</p> <p>(ii) Increased time period for delivery of initial drilling information by 60 days.</p> <p>(iii) Clearer handling of Completion information that is acquired after the initial Operation. Associated annotations.</p> <p>(iv) Modified to exclude data from wells regarded as “experimental wells” under the Regulations.</p>	<p>(i) Necessary clarifications.</p> <p>(ii) Reflects the feedback received on the document that the retention period should be longer.</p> <p>(iii) Modification to correct process gap in previous versions of the document where participation changes at various steps of the process.</p> <p>(iv) Because of some of the unique confidentiality issues associated with unconventional gas projects.</p>

Provision	Modification	Rationale For Change
	<p>(v) Added annotations for users respecting the application of the provision, possible exceptions and the need to understand confidentiality provisions under the applicable Regulations.</p> <p>(vi) Added an annotation about some of the subtleties of the linkage of this Clause to wells to which Clause 10.10 applies.</p> <p>(vii) Deleted former Clause 1019.</p>	<p>(v) Provide context for users.</p> <p>(vi) Provide context for users.</p> <p>(vii) No longer necessary because of changes to Clause 10.02.</p>
Clause 11.01	<p>(i) Added an annotation with context about the outcomes in previous versions of the document and the interrelationship with Subclause 3.10E.</p> <p>(ii) Limits the revocation election to the situation in which at least one Party elects to assume the interests to be surrendered. Associated annotation.</p>	<p>(i) Provide greater context for users.</p> <p>(ii) Add a restriction.</p>
Clause 11.02	<p>(i) The Title Administrator is to process documentation if it is a Party different from the Operator. Associated annotation.</p> <p>(ii) Added a new Subclause C to address the Parties' ongoing responsibility for liabilities that accrued with respect to the surrendered Joint Lands. Added a corresponding annotation.</p>	<p>(i) Provide context for users.</p> <p>(ii) To provide greater clarity for the responsibility for accrued liabilities.</p>
Clause 11.03	<p>(i) Added a reference to the Title Administrator in Subclause A.</p> <p>(ii) Disputes about cost allocations are to be resolved under Article 21.00.</p> <p>(iii) Major editing in Subclause C, as well as the retention of responsibility for previously approved Operations and emergencies occurring prior to the effective date of the transfer. Corresponding annotations.</p> <p>(iv) Added a reference to contemplated documentation. Associated annotation.</p>	<p>(i) Provide context for users.</p> <p>(ii) Arbitration as the ultimate dispute resolution mechanism.</p> <p>(iii) Greater clarity for responsibility for outstanding obligations.</p> <p>(iv) Context for users.</p>
Clause 12.01	<p>(i) Added a limited ability to revoke an election if at least one Party elects not to join in a proposed Abandonment. Associated annotation.</p> <p>(ii) Added a cross-reference to Clause 10.08 Recomplications and Sidetrackings. Associated annotation.</p> <p>(iii) Restricted ability to propose or process an Abandonment during an emergency.</p>	<p>(i) Introduce greater flexibility and be consistent with the Clause 11.01 surrender process.</p> <p>(ii) Greater clarity.</p> <p>(iii) Greater clarity.</p>
Clause 12.02	<p>(i) Major editing, including the movement of a large portion of former Clause 12.01.</p> <p>(ii) Transfers are on an "as is, where is" basis. Associated</p>	<p>(i) Increase clarity for users.</p> <p>(ii) Greater clarity.</p>

Provision	Modification	Rationale For Change
	<p>annotation.</p> <p>(iii) Linked the Abandonment outcome to the wellbore and the exploitation of P&NG from the well in a formation in which the well had been Completed. Modified, so that the Working Interest in the Joint Lands is not otherwise affected. Associated annotation.</p> <p>(iv) Added a reference to the contemplated documentation.</p> <p>(v) Disputes about cost allocations are to be resolved under Article 21.00. Associated annotation.</p> <p>(vi) Clear that no release from obligations accruing with respect to an emergency that occurs during the period prior to the assignment. Associated annotation.</p> <p>(vii) Requirement that the assignee has the ability to accept the well licence transfer. The well is to be Abandoned if no retaining Party can accept a transfer of the well licence. Annotation.</p> <p>(viii) Application of Clause 10.18 on <i>mutatis mutandis</i> basis following assignments.</p>	<p>(iii) Link the P&NG outcome to the use of the wellbore and recovery of the Petroleum Substances. Abandonment of the well should not affect the Parties' interests for other locations on the same Spacing Unit, particularly where the Parties exiting the well are paying their full share of forecast Abandonment costs.</p> <p>(iv) Context for users.</p> <p>(v) Arbitration as the ultimate dispute resolution mechanism.</p> <p>(vi) Greater clarity.</p> <p>(vii) Reflects increasing requirements under Regulations.</p> <p>(viii) Greater clarity about the responsibility for Losses and Liabilities.</p>
Clause 12.03	<p>Major change because the impact of the assignment is with respect to the wellbore and the production from the wellbore in the applicable formation. Abandoning Parties have the right to regain participation in the wellbore if it will be subsequently used for other Operations.</p>	<p>The purpose of the Article is to allow Parties to continue to produce from the producing formation when other Parties believe that the well is no longer economic. The Abandoning Parties forfeit their share of that production, but this is distinct from their Working Interest in the lands. The retention of participation rights in uphole activities and the reacquisition of an interest in the wellbore links the provision to the producing formation and limits the incentive for gaming. The outcome is consistent with the outcome in the AAPL Operating Procedure.</p>
Clause 13.01	<p>(i) Replaced references to "Operating Procedure" to "Agreement" and set up each common ownership block as a separate agreement. Added annotations.</p> <p>(ii) Added an annotation to remind users that a cost recovery does not create segregation because the Working Interests in the applicable Joint Lands remain unchanged.</p> <p>(iii) Added a sentence so that segregation is undone if the interests subsequently become consistent again.</p> <p>(iv) Added an annotation about the management of a</p>	<p>(i) To reflect CAPLA's work on "segregation". The previous version of the Clause met "operational needs", but did not sufficiently address issues associated with the assignment process and the identification of third parties on assignment documentation. (See also Subclause 24.04B.)</p> <p>(ii) Provide a context for users.</p> <p>(iii) Reflects what should happen in practice.</p> <p>(iv) Provide greater context for users. While</p>

Provision	Modification	Rationale For Change
	<p>segregated Production Facility.</p>	<p>segregation could apply to a Production Facility, any Production Facility of significance is more likely to see a separate CO&O Agreement created under Clause 14.02.</p> <p>Greater context for users.</p>
<p>Article 14.00-General</p>	<p>(v) Added an annotation alerting users that there may be situations in which supplementary documentation about segregation may be beneficial.</p> <p>(i) Added an annotation about the PJVA standardization initiatives respecting CO&O Agreements.</p> <p>(ii) Modified the Article. Management of the Production Facility is shifted from the Operating Procedure to a CO&O Agreement based on the then applicable PJVA model in certain circumstances. Linked mostly to its use for Outside Substances. (See the new Clause 14.02 and the other consequential changes throughout the Article.)</p> <p>(iii) Added an annotation about the Abandonment obligations associated with Production Facilities and the likelihood that the Operating Procedure would not apply to a significant facility at the time of its Abandonment.</p>	<p>(v)</p> <p>(i) Provide a context for users.</p> <p>(ii) Recognizes the degree to which the PJVA CO&O model that didn't exist when the 1990 Operating Procedure was created has achieved a wide degree of industry acceptance. Provides the Parties with a better vehicle to manage a Production Facility that is used to handle Outside Substances. Still provides the Parties with the ability to continue to manage such a Production Facility under the Operating Procedure if no Party regards the use for Outside Substances as a matter of concern. The latter would typically be in cases where either the use or the potential economic impact was insignificant and the Production Facility didn't warrant the effort to prepare or administer a separate CO&O Agreement.</p> <p>(iii) Provide context for users.</p>
<p>Clause 14.02</p>	<p>Replaced the former Commitment to Deliver Clause with a new Clause whereby a Production Facility that is handling Outside Substances can be shifted into a CO&O Agreement based on the then current PJVA model.</p> <p>The triggering event can be: (a) a notice by any Party if the Production Facility is used to handle Outside Substances for a period of at least 30 consecutive days; (b) an expansion to handle Outside Substances or that results in the Production Facility no longer satisfying the condition in Paragraph (d) of the definition of Production Facility; or (c) the Parties' agreement to use a CO&O Agreement.</p> <p>Associated annotations about the provision and the manner in</p>	<p>The Commitment to Deliver mechanism could potentially limit the ability of Parties to manage their production on the most cost effective basis.</p> <p>The shift to a CO&O Agreement recognizes that the Operating Procedure does not deliver the same outcomes for a fee generating facility as are provided under a CO&O Agreement. The wide acceptance of the PJVA model CO&O document has allowed the creation of a hybrid model that was not feasible in the previous document.</p> <p>The mechanism also provides the Parties with the</p>

Provision	Modification	Rationale For Change
	<p>which it could apply in practice.</p> <p>Consequential modifications throughout the document (i.e., deletion of former Clause 14.08 respecting expansions).</p>	<p>flexibility to continue to manage a Production Facility handling Outside Substances under the Operating Procedure if the use is so insignificant that no Party is concerned.</p>
Clause 14.03	<p>Added an annotation about a potential modification to this Clause and Clause 14.04. It would see a Party using excess capacity of other Parties paying a fee for that use to those Parties contributing the excess capacity.</p>	<p>Greater context for users that provides a simple way to achieve outcomes similar to the handling provided in a CO&O Agreement where the nature of the facility doesn't warrant a separate CO&O Agreement, but the fee allocation is material.</p>
Clause 14.04	<p>(i) Added an annotation explaining the rationale for the allocation of capital fees. Based on the principle that excess capacity has been pooled.</p> <p>(ii) Included a notice and response mechanism to a proposed third party arrangement, with a deemed approval feature. Associated annotation.</p> <p>(iii) Expanded the annotation about the handling of fees if a Party is using a disproportionate share of surplus capacity on a sustained basis.</p> <p>(iv) Added an annotation about circumstances in which users may consider amendments.</p>	<p>(i) Provide a context for users.</p> <p>(ii) To ensure a timely response to the Operator's recommendation. The deemed approval mechanism is similar to the practice in industrial voting procedures. It is particularly beneficial if dealing with a large number of Parties, as some may not be responsive because of small interests. The deemed affirmative outcome is the same presumption as in the PJVA CO&O model.</p> <p>(iii) Provide a greater context for users about the inclusion of Clause 14.02.</p> <p>(iv) Provide a greater context for users.</p>
Clause 14.05	<p>(i) Simplified provision, with movement of the Operator's discretion to deny access to Clause 14.04.</p> <p>(ii) Operating Costs to be allocated on a monthly basis and then adjusted within 6 months after the end of the year. Associated annotation.</p>	<p>(i) Greater clarity.</p> <p>(ii) Similar to the typical JV outcome if warranted by the Production Facility.</p>
Clause 14.06	<p>Modified to include expectations respecting sampling.</p>	<p>Greater clarity.</p>
Clause 14.07	<p>Modified expectations respecting flaring.</p>	<p>Greater clarity.</p>
Clause 14.08	<p>(i) Deleted the former provision because of the inclusion of the new Clause 14.02.</p> <p>(ii) Moved up former Clause 14.09. Expanded the list of items that could be referred for resolution under the Dispute Resolution Article.</p>	<p>(i) New Clause provides a more appropriate outcome because of the impact of the PJVA CO&O Agreement.</p> <p>(ii) Provide greater capability to manage disputes.</p>

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Article 15.00 (Former 8.00 in 1990)	Added an annotation about the care that must be taken when creating ORRs for employees and consultants. Added a related annotation about AML acquisitions and attempts to provide Clause 15.02 recognition to this type of encumbrance through a separate joint operating agreement for the acquired parcel.	Provide a context for users.
Article 16.00	<ul style="list-style-type: none"> (i) Streamlined by moving definition to 1.01. (ii) Clarified that the provision applies to performance of all obligations, including the time for Commencement of an Operation (and the extension of the period for performance). Associated annotation. (iii) Add a reference to the <u>Atcor</u> case in annotations. (iv) Increased obligation to provide specifics of Force Majeure and updates on status and efforts to remedy. 	<ul style="list-style-type: none"> (i) More appropriate placement. (ii) Provides greater context for users and avoids having to add cross-references to this Article throughout the document. (iii) Provide users with context on case law. (iv) Align provision to recipient's expectations.
Clause 17.01	<ul style="list-style-type: none"> (i) The Operator has a duty to apply for certain incentives in the manner prescribed under the applicable Regulations. Expanded annotation. (ii) Differentiate between incentives that accrue to work and those that accrue based on "personality". Associated annotation. (iii) Added a new Subclause B to address the allocation of "grouping" entitlements. Associated annotations. 	<ul style="list-style-type: none"> (i) Adds process certainty. (ii) Adds a clarification that users may not fully appreciate otherwise. (iii) Required to provide greater clarity to users on entitlements following recent changes to the Alberta "grouping" rules. Created an obligation to apply entitlements firstly to the eligible Joint Lands. Insofar as the Parties are unable to agree on the use of additional entitlements, each Party may use a share of those entitlements for its own benefit, with that share being in proportion to its Participating Interest in the Operation.
Clause 18.01	<ul style="list-style-type: none"> (i) Generally, a greatly increased emphasis on providing greater depth and breadth of coverage in this entire Article. (ii) Included an annotation explaining why breaches of this Article are not captured by the definition of Extraordinary Damages. (iii) Added annotations respecting legal developments on breach of confidence in the miscellaneous annotations in the Addendum at the end of the document. (iv) A Party may also use interpretations for its own benefit. (v) Divided former Paragraph (a) into a Regulations Paragraph and a separate securities type Paragraph 	<ul style="list-style-type: none"> (i) Increasing levels of operations in which the handling of information is very sensitive (i.e., deep basin, wildcat exploration, CBM, operations "north of 60"). (ii) Provides greater context for users. (iii) Provide context for users on a major evolving legal issue. (iv) For consistency with new Clause 18.04, but implicit in the Clause 18.01 reference. (v) Introduced greater clarity for land retention type submissions, particularly for submissions on a

Provision	Modification	Rationale For Change
	<p>(b). Expanded the Regulations Paragraph to address both required submissions and voluntary submissions respecting land retention for both Joint Lands and other holdings. Associated annotation.</p> <p>(vi) Modified the annotation about securities requirements and proviso and annotations about Annual Report type disclosures.</p> <p>(vii) Modified Paragraph (d) to allow for confidential disclosures of data. Associated annotations.</p> <p>(viii) Added Paragraph (f) for disclosures required under administrative or legal proceedings, with a related annotation.</p> <p>(ix) Deleted 1990 provision respecting Scout Check. Modified annotations.</p> <p>(x) Added qualifications at the end of the Clause respecting public domain.</p>	<p>confidential basis for lands outside the Joint Lands.</p> <p>(vi) Provide greater context for users.</p> <p>(vii) Reflects business realities and needs.</p> <p>(viii) Greater clarity.</p> <p>(ix) Reflects the degree to which Scout Check currently applies to a minority of agreements.</p> <p>(x) Greater clarity.</p>
Clause 18.02	Added a Clause addressing voluntary disclosures of proprietary information to the Parties, with associated annotation.	Clarifies the rights and obligations respecting this type of disclosure.
Clause 18.03	<p>(i) Added references to expectations for data exchanges. Associated annotation.</p> <p>(ii) Clarified that the Participating Parties may disclose information from an Independent Operation without the consent of the Non-Participating Parties in the Operation, notwithstanding Clause 18.01. Associated annotation. However, this would impact any cost recovery under the Clause 10.07 processes because of Subclause 10.07G.</p>	<p>(i) Greater clarity.</p> <p>(ii) Clarified the interrelationship between Clauses 18.01 and 18.03 for information from Independent Operations.</p>
Clause 18.04	A new provision to address interpretive data.	Clarifies what is implicit in the arrangement in light of <u>Luscar</u> .
Clause 18.05	Annotation about the benefits of supplementing the Article if seismic is held as Joint Property.	Provide greater context for users.
Clause 18.06	Added Clause specifying non-reliance on data shared by the Parties. Associated annotation and legal developments on deceit and selective disclosure of information.	Addresses the anticipated business outcomes.
Article 19.00 (Former Article XIX moved to Article 23.00)	Added a Clause addressing the Parties' expectations respecting press releases.	Reflects the concerns about disclosure of project information above stock exchange requirements. This is particularly important for projects for which there is sensitive technical information.
Clause 20.01 (Former 25.01, with former Article XX moved to 1.10)	Modified the last portion of the provision to provide a Party with greater ability to take steps to do what it regards as appropriate for it in the circumstances.	The last portion of the provision was unclear and overly restrictive. The restriction that has been substituted in the last sentence attempts to balance the collective and

Provision	Modification	Rationale For Change
<p>Article 21.00 (Former Article XX1 moved to 25.01)</p>	<p>Added an optional Dispute Resolution Article that is similar in many ways to that in the 2000 CAPL Property Transfer Procedure. Associated annotations.</p> <p>The Article was created in conjunction with the C2C Dispute Resolution Project and its "Let's Talk" report.</p>	<p>individual needs in this area.</p> <p>Reflects the increasing importance of alternate dispute resolution processes, a new industry initiative to address company-company disputes in the oil and gas industry and the potential implementation of Court Annexed Mediation in Alberta.</p> <p>Despite the apparent emphasis on ADR processes in the Article, the provision is ultimately designed to reinforce to Parties the benefits of addressing their disagreements early before they escalate in a way that requires a large allocation of resources and potentially damages the Parties' relationship.</p> <p>The fallback processes in the Article are designed to provide a road map for Parties that are unable to resolve their own dispute through initial negotiations. However, their primary impact is likely to provide a platform that encourages Parties to continue to explore negotiation as the preferred dispute resolution process.</p> <p>The Article is presented as an optional Article to provide flexibility for Parties that are (at least initially) not prepared to commit to the use of ADR processes in their agreements.</p>
<p>Clause 22.01</p>	<p>(i) Use of personal delivery or private courier service in Paragraph (a).</p> <p>(ii) Use of Business Days.</p> <p>(iii) Possibility of the use of other electronic medium in Paragraph (b). Associated annotation.</p> <p>(iv) Major editing respecting mail in Paragraph (c).</p> <p>(v) Simplified telephone notice process.</p> <p>(vi) Added an annotation about the choice for key deliveries.</p>	<p>(i) Greater clarity on current practices.</p> <p>(ii) Streamlining.</p> <p>(iii) Recognizes the possibility that a Party may identify e-mail in an address for service. Cautions in the annotations.</p> <p>(iv) To reflect industry practice.</p> <p>(v) Streamlining opportunity.</p> <p>(vi) Greater context for users.</p>
<p>Clause 22.02</p>	<p>(i) Included an obligation to notify the other Parties of any changed address for service in a timely manner. Added annotation.</p>	<p>(i) Address an expectation that has been implicit. A reminder to personnel of the importance of distributing change of address notices in a timely manner in order to decrease the number misdirected time sensitive notices and delinquent</p>

Provision	Modification	Rationale For Change
	(ii) Added an annotation respecting the <u>Home</u> case.	Party scenarios associated with “lost” Parties. Provide a context for users.
Clause 23.02 (Former Article XXIII moved to Clause 25.02)	<p>(i) Added an annotation to provide additional context about the circumstances in which a Party is a delinquent Party.</p> <p>(ii) A delinquent Party retains responsibility for Joint Account expenditures that do not require the Parties’ prior approval under Subclause 3.01B. Associated annotation.</p> <p>(iii) Inclusion of an attorney in fact mechanism whereby the Operator may execute required documents on behalf of a delinquent Party. Associated annotation.</p> <p>(iv) The Operator may commingle funds under Clause 5.07 without any accrual of interest for a delinquent Party. Associated annotation.</p> <p>(v) Ability to allocate a delinquent Party’s Working Interest and associated rights, benefits, obligations and liabilities to the other Parties (including the Operator) on a proportionate basis 24 months after notification to the delinquent Party under Clause 23.01.</p>	<p>(i) Context for users.</p> <p>(ii) Greater clarity.</p> <p>(iii) Enhances the effectiveness of the provision as regards third parties.</p> <p>(iv) Reduce the administrative burden on the Operator.</p> <p>(v) To reduce the administrative burden on the Parties and the potential liability exposure to the Operator. The allocation process is also consistent with the philosophy in Clause 5.06.</p>
Clause 23.03	<p>(i) Limited restoration rights of the delinquent Party to the period prior to the allocation of its interest under Clause 23.02.</p> <p>(ii) Included a provision requiring return of a delinquent Party’s funds within a specified period. Associated annotation.</p>	<p>(i) Consistency with the allocation mechanism in Clause 23.02.</p> <p>(ii) Greater clarity on timing.</p>
Clause 24.01- General	<p>(i) Added general annotations pertaining to the evolution of the provision over time and some of the principles that form the foundation of the Clause.</p> <p>(ii) Added a reference about agreements that bind a Party to dispose of a Working Interest and a statement that entering into an Earning Agreement is regarded as a disposition for purposes of the Article.</p>	<p>(i) Provide greater context for users.</p> <p>(ii) Provides greater context for users with respect to transactions with optional components, such as an option to purchase or an Earning Agreement under which the applicable Joint Lands are under option.</p>
Alternate 24.01A	<p>(i) Edited materially. Associated changes to the annotations.</p> <p>(ii) Included the potential adverse impact on the ability to recover funds from a Party subject to a default notice under Clause 5.05 as a stated rationale for the refusal to grant consent.</p> <p>(iii) A Party objecting to a disposition is to provide the basis for its objection with the notice.</p>	<p>(i) Streamlining.</p> <p>(ii) Clarity for users.</p> <p>(iii) Addresses a gap in the traditional provision.</p>

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Alternate 24.01B	<p>(i) Added an annotation about the major differences between the 1974/1981 provisions and the 1990/new provisions.</p> <p>(ii) Added a new Paragraph (a) that includes a negotiated time duration on the ROFR. Associated annotation.</p> <p>(iii) Added annotations about the issue of whether a P&S Agreement should be issued with the ROFR notice, the ability to exclude terms that pertain to other assets and the need to issue such a ROFR when a P&S Agreement is stable.</p> <p>(iv) Made issuance of “value” mandatory in the notice, if consideration can’t be matched in kind or a “package deal”. Some consequential changes.</p> <p>(v) Added a new Paragraph (d) for farmouts, with associated annotations and consequential changes. For farmouts that cover both Joint Lands and other lands, a Disposing Party has the option to make a value allocation or to provide the Offerees the opportunity to “match” the entire deal. A number of other changes in Article 24.00 to address farmouts, particularly in Clause 24.02.</p> <p>(vi) Included a statement in Paragraph (e) that a Party must serve notice of an objection to an allocated ROFR value within 7 Business Days after receipt of the ROFR notice. Associated annotation.</p> <p>(vii) Annotations in Paragraph (f) about the “offer and acceptance” aspect of the ROFR process (conditional ROFRs, dangers of issuing before a transaction is stable, circumstances in which a waiver might be sought, trying to change timing of commitments after a ROFR exercise).</p> <p>(viii) Added annotations about the allocation of ROFR values (responsibility to partners, arbitration process under 1981 and 1990 respectively).</p> <p>(ix) Modification to Paragraph (f) about a linkage to the terms and conditions of the agreement respecting the</p>	<p>(i) Provide context for users.</p> <p>(ii) Reflects an attempt to reduce the number of long duration ROFRs in light of industry’s expectations about the facilitation of A&D transactions on an ongoing basis. Provide Parties with the ability to create a ROFR that would terminate after a prescribed period, while also providing flexibility to use a long period (i.e., 50 years) to maintain the same business outcome as under the traditional provision.</p> <p>(iii) Provide context for users.</p> <p>(iv) Reflects fact that Parties will require this information in practice when assessing their rights.</p> <p>(v) Attempt to increase certainty for a complex issue, where it was apparent that there was no simple answer. A Disposing Party would only consider allowing the Offerees to match the broader deal if its farmee were open to that approach.</p> <p>(vi) Provide greater certainty for users about the process that must be used to challenge allocated values.</p> <p>(vii) Reinforces the importance of not issuing notices prematurely by providing a context for users. Reflect <u>Canadian Natural case</u>.</p> <p>(viii) Provide context for users.</p> <p>(ix) Linkage was not sufficiently clear.</p>

Provision	Modification	Rationale For Change
	<p>(x) proposed disposition. Added annotations about legal developments in this area, with case references.</p>	<p>(x) Provide greater context for users, particularly with respect to the implied duty of good faith.</p>
<p>Clause 24.02</p>	<p>(i) Modified Paragraph (b) to exclude the partnership component. Associated annotation.</p> <p>(ii) Modified Paragraph (b) to address transactions that could have the potential of circumventing the obligations of the Disposing Party (i.e., disposing of the interest to an Affiliate to attempt to alter the impact of default remedies). Associated annotations.</p> <p>(iii) Modified Paragraph (c), so that a Party could not use the exception for multiple transactions to different assignees. Clarified that having multiple assignees in a <i>bona fide</i> single transaction is fine, though. Added annotations.</p> <p>(iv) Modified Paragraph (c) for large scale earning arrangements. Associated annotation.</p> <p>(v) Added annotations respecting the use of “substantially all” in Paragraph (c).</p> <p>(vi) Modified Paragraph (d) to increase the exemption threshold from 5% to 10% and limit to transactions other than Earning Agreements.</p> <p>(vii) Modified Paragraph (d) to link the calculation to the Effective Date of the transaction.</p> <p>(viii) Modified Paragraph (d), so that it applies to a major disposition by a Party and any of its Affiliates, with modified annotation.</p> <p>(ix) Added a new Paragraph (e) for Earning Agreements. Similar to Paragraph (d), except that the exemption threshold is 35%. Also provides a more appropriate outcome for large scale earning arrangements.</p> <p>(x) Added a new optional Paragraph (f) so that the Parties can elect to exclude all <i>bona fide</i> Earning Agreements from the potential application of a ROFR.</p>	<p>(i) Potential for abuse. If the partnership arrangement doesn't fall within the other exceptions in Clause 24.02, it's ultimately just a valuation issue. Address an area of potential abuse.</p> <p>(iii) Clarify the impact of the provision in the context of the <u>Best Pacific</u> case. Clarify <i>bona fide</i> multiple purchaser situation.</p> <p>(iv) Broaden scope to meet user expectations.</p> <p>(v) Provide context for users.</p> <p>(vi) Address user expectations about the impact of the ROFR provision on larger scale transactions. Handle Earning Agreements in a distinct exemption. Clarity for the calculation process.</p> <p>(viii) Greater clarity for users in light of the proliferation of partnerships comprised of wholly owned Affiliates.</p> <p>(ix) Broaden scope to address user expectations.</p> <p>(x) Reflect desire of some users to have <i>bona fide</i> Earning Agreements as a ROFR exempt transaction in all cases.</p>

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<p>Clause 24.04</p>	<p>(i) Incorporation of the version of CAPL Assignment Procedure in effect at the relevant time. Associated annotation.</p> <p>(ii) Statement that a Notice of Assignment is not required for dispositions occurring between the Parties by operation of provisions other than Article 24.00. Associated annotation.</p> <p>(iii) Included an annotation about the <u>Pembina</u> case.</p> <p>(iv) New Subclause B to address the “segregation issue” in the context of the identification of the applicable third parties on a Notice of Assignment. Associated annotation.</p>	<p>(i) Eliminate the need to address the matter in the head agreement. Clarify if an improved version of the CAPL Assignment Procedure has been endorsed by industry at the relevant time.</p> <p>(ii) Greater clarity, with a reduction in the potential administrative burden.</p> <p>(iii) Provide context about legal developments.</p> <p>(iv) Required clarification for a significant land administration process that preserves flexibility for users.</p>
<p>Article 25.00 (Former XXVI moved to 1.12 and former XXVII moved to 1.13.)</p>	<p>Clause 25.03-Expanded class of named entities to include receivers, etc.</p>	<p>Clarification.</p>
<p>Clause 25.05</p>	<p>Broadened context.</p>	<p>An attempt to optimize the legal effectiveness of the provision.</p>
<p>Clause 25.06</p>	<p>Subject to any regulatory order to the contrary, the Clause limits the ability of a Party to seek to terminate a holding that is in place because the interests in the holding no longer satisfy the common ownership requirement of the Regulations.</p>	<p>The provision is included to minimize the potential for a Party to try to frustrate activities on a technical breach. It is based on the premise that the Board is unlikely to be concerned about a change of ownership as long as the “well density” and “buffer” and “interwell” distance requirements under the holding are still being satisfied.</p>
<p>Clause 25.07</p>	<p>Added a provision and annotations respecting a conflict of interest.</p>	<p>Reflects an increasing emphasis on corporate compliance type issues in organizations.</p>
<p>Addendum of Miscellaneous Annotations</p>	<p>(i) Added annotations at the end of the document to alert users to some circumstances in which amendments to the Operating Procedure may be appropriate. These include remote areas, sour gas projects, high risk-high reward exploration programs, pattern drilling programs, complex Horizontal Well projects, unconventional gas operations and operations “north of 60”.</p> <p>(ii) Added annotations about the evolution of the law respecting fiduciary obligations, the duty of good faith and breach of confidence.</p> <p>(iii) Added miscellaneous annotations respecting ROFRs.</p>	<p>(i) To provide a greater context for users about the need to consider potential modifications to the Operating Procedure for projects with a higher degree of complexity than the more typical 90%+ of transactions.</p> <p>(ii) Provide context for users about major legal developments.</p> <p>(iii) Provide additional context for users.</p>