



July 25, 2017

Draft #3 2017 PJVA and CAPL Pad Site Sharing Agreement

We are pleased to distribute the materials respecting the third draft of the 2017 PJVA CAPL Pad Site Sharing Agreement. This package includes: (i) a PDF of the text and annotations which includes an introduction to the topic and our proposed handling of a broad range of issues; (ii) a black-line PDF of the text and annotations highlighting the changes from Draft 2 to Draft 3; and (iii) a matrix of comments for Draft 2. You can obtain a facing page presentation of the text and annotations by printing the PDF in a double-sided format.

The 2017 PJVA CAPL Pad Site Sharing Agreement will be a precedent document that can be used as a starting point for the vast majority of pad sharing arrangements. The agreement is intended for use with pad sites that incorporate wells with different ownership sets. It is generally not required for pad sites with one owner and 100% owned wells, or for pad sites with jointly owned wells that are all governed under one land agreement.

The documents reflect a shared belief that pad sharing arrangements are much more complex than a simple surface sharing arrangement. The cost of the construction of the Pad Site and the installation of the shared facility to manage production on an ongoing basis will typically be modest (\$2-3MM) relative to the investments in the wells (\$6-15MM/well). The relationship of the owners is actually much more complex because of the issues resulting from differences in ownership in the Pad Site (including the related common facility) and the wells located on the Pad Site (e.g., a need for cross-indemnifications, a staged abandonment, the possibility of enlargements).

Thank you to those who provided comments on Draft 2. The comments and the responses from the task force have been gathered into a matrix that is posted with Draft 3. Names of commenting parties have been removed. The matrix will be sent to all companies and individuals who contributed comments. Most of the comments were used to make the changes in Draft 3, and the Draft is a materially better document as a result.

The task force intends to release the final document in November, 2017. We believe that Draft 3 is close to what you will see in the final version. We ask that you review and comment on Draft 3 to help us reach the finish line. Although we anticipate that this will be the last draft released broadly to industry for comment, we intend to work collaboratively with commenting parties to optimize the quality of the final version of the document.

To make the best use of the document package, we recommend that you:

1. Read the Introduction at the start of the document. It provides context and background regarding the development of the agreement;
2. Review the slide packages from the April 28, 2016 Draft 1 rollout and the January 18, 2017 Draft 2 Presentation at the PASC Luncheon to provide additional context on the content and issues;
3. Review the matrix of comments to understand what the significant issues are; and
4. Read the black-line PDF to see the changes in Draft 3 that resulted from the comments on Draft 2.

The document package is posted on the CAPL and PJVA websites at:

<http://landman.ca/resources/industry-news/>
<https://pjva.ca/index.php?page=agreements/index.php>

and

We would appreciate your comments by October 1st, 2017.

Please send your comments in an electronic Word format to me at Cenovus Energy Inc. (michaelbruch@cenovus.com). To simplify our task of managing comments and to minimize the potential for inconsistent responses from within an organization, we would prefer to receive a single coordinated response from an organization wherever feasible.

Thank you for your interest in the project.

Yours truly,

Michael Bruch, Chairman,
PJVA-CAPL Pad Site Sharing Agreement Task Force