

November 30, 2015

## 2015 CAPL Operating Procedure

We are pleased to distribute the final products associated with the 2015 CAPL Operating Procedure. The document was finalized after three industry drafts and various iterations this fall with the commenting parties to optimize our handling of comments, to obtain their insights on other changes and to confirm alignment.

The package includes: (i) an overview of the project scope and the major changes; (ii) a detailed table that outlines all material changes relative to the 2007 CAPL; (iii) a clean copy of the text and annotations; (iv) a redlined copy of the text and annotations relative to the 2007 CAPL; (v) a detailed table that outlines all material changes in the 2007 and 2015 Operating Procedures relative to the 1990 CAPL; (vi) a redlined copy of the text and annotations relative to the July draft; and (vii) a matrix showing industry comments on the July draft and our responses. You can obtain a facing page presentation of the text and annotations by printing the PDFs in a double-sided format.

As a general statement, the proposed modifications to the text and the related annotations are of two types.

The primary focus in the update is to make substantive changes to offer greater functionality for Horizontal Wells in the context of an increasing number of "long reach wells" on resource plays. Many of these changes are included as enabling provisions to minimize the need for consequential changes in the document if the Parties negotiate custom provisions in their Agreement to address such matters as multiple well drilling or completion programs and the development of well pads. These changes offer a more appropriate foundation for complex shale projects without attempting to predict or prescribe detailed project specific development processes that are more appropriately left for the Parties to negotiate. In essence, this "modular" approach allows users to "bolt on" any customized coverage they negotiate initially or over time to address the needs of their particular project.

The other proposed changes are typically very specific, relatively minor adjustments to the applicable provision or the related annotations. They reflect experiences to date with the document, intervening legal decisions and the desire to minimize the number of changes being proposed by industry for typical transactions.

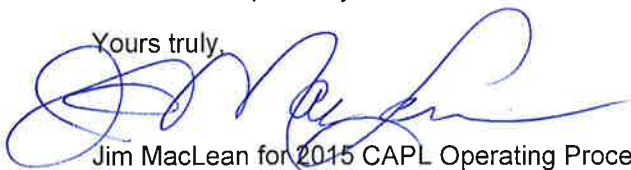
Industry feedback on the industry drafts was less than we hoped. However, the formal and informal comments were very positive. The commenting companies reviewed the documents thoroughly, and, as shown by the comment matrices over the course of the project, we evaluated each comment carefully and used the comments to optimize the documents. Just as important is that users of the 2007 CAPL (and industry more generally) did not identify any major problems with the 2007 approaches over a comment phase of 16 months and three industry drafts.

Completing this project in parallel with the update to the 1997 CAPL Farmout & Royalty Procedure will optimize the alignment of the documents and simplify future updates. One of the other benefits of this is that it will also help facilitate a smooth transition directly from the 1990 document into the modestly updated (+3.5 pages) 2015 CAPL Operating Procedure for users that have not yet embraced the 2007 CAPL. To assist those users in their transition to the new document, we have included a table that outlines in detail the many enhancements made in the post-1990 CAPL documents to address the complexities that are inherent in today's business.

The compelling case for change in the CAPL documents can be expressed succinctly in two words-horizontal wells. The major changes in our business dictated that these projects be conducted, and the interrelationship of the 2015 CAPL Farmout & Royalty Procedure and the 2015 CAPL Operating Procedure reinforce a timely transition to use of the new documents. Put simply, the status quo does not address industry's needs suitably.

To facilitate this transition to use, CAPL will be offering half day mini-courses on the new documents in the near future. We hope that you will choose to attend one of these sessions.

Yours truly,



Jim MacLean for 2015 CAPL Operating Procedure Committee