



September 25, 2018

2018 PJVA-CAPL Pad Site Sharing Agreement

We are pleased to announce that the PJVA-CAPL Pad Site Sharing Agreement (PSSA) has been completed and is available for industry use. The joint PJVA-CAPL PSSA Task Force created the agreement and used your comments on Drafts 1, 2 and 3 to deliver a quality document that we believe will satisfy an industry need for an agreement that governs typical pad sites shared by wells with different ownership sets.

We are pleased to distribute the materials respecting the 2018 PSSA. 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 PDF of the Industry Overview slide package from the September 25, 2018 Pad Site Sharing Agreement rollout presentation; (iii) a copy of the document redlined to the July, 2017 Draft 3; and (iv) a matrix of comments and our responses for Draft 3. You can obtain a facing page presentation of the text and annotations by printing the PDF in a double-sided format.

The PSSA is 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 with common working interests in the lands. We believe that the document will work very well for the majority of these pad sites and that it offers a very good platform from which to make modifications to accommodate more unusual situations.

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 3. The comments and the responses from the task force have been gathered into a matrix that is posted with the final document. Names of commenting parties have been removed. The matrix has been sent to all companies and individuals who contributed comments. Most of the comments were used to make the changes for the final 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; and
2. Review the Industry Overview slide package from the September 25, 2018 rollout to provide additional context on the content, the issues addressed in the document and the specific PSSA provisions.

The document package is posted on the CAPL and PJVA websites.

Word documents of the PSSA Head Document, Operating Procedure and Appendices may be ordered online from the PJVA at <http://www.pjva.ca>.

Thank you for your interest in the project.

Yours truly,

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