

Commenting Party	Article	Comment and Response re Draft 3 of the PSSA
3	General Comment	<p>On the title page, there is a copyright symbol after “Procedure”. Is this being copyrighted or is that meant to be next to the PJVA logo?</p> <p>Response: <i>This reflects the PJVA’s general practice. We are not aware of the manner in which the PJVA administers this in practice, but do not expect that it would impact companies using the document in the normal course of business.</i></p>
3	General Comment	<p>The Addendum at the end of the comments would be better placed in the introduction as it deals with when the PSSA should be used or not used. It is likely this will not be considered at the relevant time given its location in the document.</p> <p>Response: <i>We chose to include this context and the more detailed comments about the prime contractor in the Addendum because of their length and the potential that they could be a distraction if inserted as part of the Introduction. The references in the Introduction and elsewhere in the materials steer users to the Addendum.</i></p>
3	General Comment	<p>It is common that the pipeline from the pad is not “owned” by the pad site operators. The PSSA currently does not contemplate this or provide guidance in this regard.</p> <p>Response: <i>It is also common that it is. The definition of Facility is linked to “any related pipeline (or applicable portion thereof) leaving the Pad Site that is owned or controlled by Site Operator hereunder on behalf of the Pad Site Owners, including the applicable pipeline right of way...”.</i></p> <p><i>As noted in the comment, that pipeline is not held under the PSSA on behalf of the Pad Site Owners. The onus is on the parties to address their particular circumstance in the situation you contemplate, where it would not be appropriate for the PSSA to address something that is particular to the parties and their circumstances. This also reinforces why there is a definition of Excluded Equipment included in the document.</i></p> <p><i>Expanded annotation (ii) on Clause 101 of the Head Document and the annotations on the definition of Excluded Equipment. Also modified the annotations on Appendices I and VI on this point.</i></p>
3	General Comment	<p>Suggest adding further guidance or an appendix covering the scenario where there is a common Operator under each JOA, but there are multiple JOA’s with different parties on the pad site. The PSSA is currently too narrow in scope and this common scenario should be contemplated in some way.</p> <p>Response: <i>There are a number of illustrative references in the annotations that refer to Site Operator holding a partial interest in certain mineral rights under a Land Agreement and a 100% working interest in certain other mineral rights. Those references have been provided as examples to help users understand the circumstances in which a PSSA would often be used. However,</i></p>

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		<p><i>there is nothing in the PSSA to suggest that the PSSA would not apply in the circumstance noted in the comment in which there is a common land operator under several different Land Agreements that will be the Site Operator. Modified the "Contemplated Usage" portion of the Introduction, the annotations on the definition of Site Operator and the applicable section of the Addendum to the PSSA Operating Procedure slightly to address that circumstance expressly.</i></p>
3	General Comment Introduction Diagram	<p>Please clarify which wells are under which Land Agreement. Perhaps arrows would be helpful?</p> <p>Response: <i>Modified.</i></p> <p>This example of the typical shared Pad Site is only slightly different than the example referenced in the Head Document Annotation (Clauses 401 (ii) and (iii)). Given that the two examples are nearly identical it might more useful to the reader if both instances referred to the same example.</p> <p>Response: <i>Modified the identified annotations in the Head Document.</i></p>
3	General Comment Introduction Land Activities	<p>Consider adding a statement such as "It is critically important that the operator understand whether they are wearing their Land Hat or the Pad Site Hat at all times."</p> <p>Response: <i>Addressed the concern with different language.</i></p>
3	General Comment Introduction Permitted Use	<p>Some explanation as to why it is important to consider the "Permitted Use" would be helpful</p> <p>Response: <i>Modified the Permitted Use portion of the Introduction to remind users to review the existing detailed annotation on the definition of Permitted Use for additional context.</i></p>
2	General Comment "Arm's Length"	<p>The term "arm's length" has been used in several of the changes (including, but not limited to Cl. 304 of Exhibit "A"). Should this term be explained/defined somewhere in the annotations so that the meaning is clear?</p> <p>Response: <i>Ultimately, it is a question of fact whether a transaction is an arm's length transaction. There is no standard definition, so guidance can be obtained by looking at the handling in the Income Tax Act or in various court cases.</i></p> <p><i>Here is a sample passage from a Canadian court case (<u>Skalbania</u>, BC Court of Appeal) that reinforces the point.</i></p> <p><i>"Arm's length ... a relationship between two parties who are unrelated or strangers; thus each owes no special obligation to the other party. The term is commonly applied in areas of taxation, corporate law and contracts, describing parties who carry out a particular transaction, each acting in self-interest...."</i></p> <p><i>"Arm's length transaction ... a transaction negotiated by unrelated</i></p>

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		<p><i>parties, each acting in his or her own self interest; the basis for a fair market value determination. Commonly applied in areas of taxation when there are dealings between related corporations, e.g. parent and subsidiary ... The standard under which unrelated parties, each acting in his or her own best interest, would carry out a particular transaction."</i></p> <p><i>"[A] transaction not at arm's length is one in respect of which unrelated persons are, in the eyes of the law, in the same position as persons related by blood or marriage. In other words, if a transaction between unrelated persons has the same essential characteristics as one between related persons, i.e., the parties are influenced in their bargaining by something other than individual self-interest, those unrelated persons are said not to deal at arm's length."</i></p> <p><i>We've included an annotation on Clause 304.</i></p>
2	General Comment "Service Wells"	<p><u>Head Doc, Cl. 101 "Facility". Also relates to Cl. 201(a)(vii), Exhibit "A" definition of "Service Well", and Appendix I: Where on Appendix I would the Service Wells be shown, and differentiated from producing wells?</u></p> <p>Response: <i>The starting point is that a Service Well, by definition, is regarded as a Facility, unless otherwise designated by the Operating Committee.</i></p> <p><i>See the instruction in Clause 101 of Appendix I to identify any Service Wells in the description of the assets comprising the Pad Site and the annotation on Clause 106 of Appendix I to identify any Service Wells on the Pad Site schematic.</i></p> <p><i>Modified the annotations on the definition of Service Well to make this more transparent to users.</i></p>
3	Head Agreement Table of Documents	<p>Consider changing "EXHIBIT "A" PAD SITE OPERATING PROCEDURE" to "EXHIBIT "A" PAD SITE SHARING OPERATING PROCEDURE"</p> <p>Response: <i>Made the change. We had missed updating this reference when making earlier updates in the remainder of the PSSA.</i></p>
3	Head Agreement Annotations-General	<p>Ensure that the document is consistent in calling the Head Agreement an example and not a model as there are some conflicting descriptions. (For example, the annotations for Clause 101 (ii) refers to "model Head Document").</p> <p>Response: <i>Did a Word search and made the required changes throughout the materials.</i></p>
3	Head Agreement Clause 101 Definition of Facility/Surface	<p>Pipeline rights of way are specifically excluded from the definition of "Surface". Where are pipeline rights of way included in the agreement? The Clause 101(ii) annotations specifically mention the rights of way as being included.</p>

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		<p>Response: Pipeline rights of way are linked to any pipeline held jointly under the PSSA, such that they are part of a Facility, rather than Surface, as noted in annotation (iii) on Clause 101 of the Head Document. Made some changes to make this handling more transparent.</p>
1	Head Agreement Clause 101 Definition of Facility	<p>If the PSSA is entered into in respect of an existing Pad Site, the pipeline leaving the Pad Site may not be included in the definition. The pipeline may be for the sole use of existing wells or the new party may need to sign a GHA to utilize capacity in the pipeline. Perhaps the Annotations should reflect this so parties do not gloss over the definition.</p> <p>Response: Expanded annotation (ii) on Clause 101 of the Head Document and the annotations on the definition of Excluded Equipment to address this. Also made various changes to the text and annotations in Appendices I and VI about Excluded Equipment and the concern identified in the comment.</p>
3	Head Agreement Clause 101 Annotations	<p>Clause 101(ii) 3rd line – Should “Service Wells” be included after “Wells”?</p> <p>Response: This change should not be made, as Service Wells are included within the scope of the definition of Facility unless otherwise designated specifically.</p>
3	Head Agreement Clause 202 (c)	<p>Consider deleting “consequential”.</p> <p>Response: Modified.</p>
3	Head Agreement Clause 301 Agreement Purpose	<p>Consider adding “Enlargement” as one of the purposes</p> <p>Response: Modified the end of (i) to refer to an Enlargement. It is ultimately an example of one way in which ongoing ownership of the Pad Site is determined.</p>
1	Head Agreement Clause 401 Initial Participation	<p>For an existing Pad Site, the parties need to think in detail how Participation will change with each well drilled. In respect of an independent operation notice for the drilling of a Well, the pad site equalization costs should be included in the AFE attached to the notice. I also suggest amending this Clause to include a statement that upon drilling of the Well, Site Operator will invoice the participating Owners, and such Owners shall pay, for their increased Participation (assuming Participation changes on a well count basis). For most parties, this will occur through the JIB process.</p> <p>Response: See Clause 606 of the PSSA Operating Procedure. The impact of the distribution of costs with respect to a particular well are handled within the Well Owners, such that a non-participation election does not impact Owners that are not involved directly with the Well. Modified the first annotation on Clause 401 to make this more transparent.</p> <p>The impact of an additional Well (whether drilled under the Land Agreement for the Joint Account of the WI parties or as an</p>

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		<i>independent operation) on the adjustment of the Participation shares across the Pad is addressed through the adjustment process in Appendix I.</i>
3	Head Agreement Clause 401 Initial Participation	<p>There is confusion around contingent interests (for example APO interests) and how they fit into the initial Pad Site Participation. We suggest a clarifying annotation</p> <p>Response: <i>This is addressed in some detail in the annotations on Clause 103 in Appendix I. Modified the annotations on the definition of Land Election Right and Clause 606 of the PSSA Operating Procedure to refer users to those annotations.</i></p>
3	Head Agreement Clause 502 Ownership	<p>Consider changing from future tense “will own” to present tense “owns”.</p> <p>Response: <i>Modified.</i></p>
3	Head Agreement Clause 701 Prior Commitments	<p>Given the ratification provided for in 701, consider mentioning the importance of due diligence in a corresponding annotation.</p> <p>Response: <i>Modified the existing annotation (i) on this point somewhat.</i></p>
3	Head Agreement Clause 901 Authority to Enter into Agreement	<p>Consider removing “absolute”.</p> <p>Response: <i>Modified.</i></p>
3	Exhibit "A" Annotations General (ii)	<p>There is an additional data field that should be included “the location of the Pad Site” is also a blank field.</p> <p>Response: <i>Addressed in the annotation in a different way. The identification of the Pad Site is used in various provisions of the PSSA and isn't actually an election.</i></p>
2	Exhibit "A" Operating Procedure General Comment	<p>As I'm going through Exhibit “A”, I'm noticing a number of changes that don't seem to be identified in the comments matrix. Is there an explanation somewhere of why these changes were made?</p> <p>Response: <i>While many of the changes made to the PSSA were as a result of industry comments, the Committee also thoroughly reviews the materials to try to optimize the content. This is particularly when there are consequential changes required in other areas of the document because of the changes associated with industry comments. However, it can also reflect intervening learnings or additional observations we have as the document becomes more polished. This type of approach is the case with respect to all industry standardization projects in which any of us have been involved.</i></p> <p><i>The overall effort associated with a project like this is that it is not feasible to identify the rationale for every change that is made between drafts. This is very different than a project to update the CAPL Farmout & Royalty Procedure from the 1997 version to the</i></p>

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		<p>2015 version or the 2007 CAPL Operating Procedure to the 2015 version, for example, where it is important to identify all material changes for the benefit of users.</p>
1	Exhibit "A" Operating Procedure Elections and Modifications, Paragraph (b)	<p>You may wish to mention in the Annotations that: (a) the parties should specify the maximum number of wells that can be drilled on the existing Pad Site before Enlargement of the surface area; and (b) if dealing with an existing Pad Site, the parties may wish to list any environmental or other existing liabilities related to the Pad Site that may or may not be assumed by a new Owner in accordance with its Participation. This would also require amending the language in Clause 601 of the Head Document. You may also want to mention this in the Annotations for Clause 601.</p> <p>Response: 1. Added an annotation on the definition of Enlargement about the number of Wells on the Pad Site. 2. Modified the annotation on Clause 601 of the Head Document.</p>
3	Exhibit "A" Operating Procedure Clause 101- Definitions Capital Costs and Operating Costs	<p>It is unclear if "testing costs" should be in the scope of these definitions because these costs are typically part of activities relating to Wells which would be a Land Activity.</p> <p>Response: The reference to testing in the definition of Capital Costs must be read in conjunction with the content that precedes it, as it otherwise has no context. As presented, the reference is linked to activities conducted under the PSSA relating to the Pad Site (e.g., the initial testing of a Facility when it is first constructed/installed, etc.). Testing of a well could not fall within that reference because it would not fall within that scope and because it would be excluded as a Land Activity.</p> <p>Modified annotation (i) of the definition of Capital Costs to make that more transparent.</p>
1	Exhibit "A" Operating Procedure Clause 101- Definitions Enlargement	<p>In our use of the document with another party, such other party expressed some confusion regarding enlargements, so the Annotations should state that the drilling of a Well does not constitute an Enlargement. See also comment 2 regarding Appendix I, below.</p> <p>Response: Added an annotation on the definition of Enlargement.</p>
3	Exhibit "A" Operating Procedure Clause 101 Definitions Excluded Equipment	<p>In our view the PSSA should not include provisions relating to equipment being stored on the site which does not belong to the Pad Site Owners. Although this occurs, it should be handled on a one off basis rather than being set out in the agreement.</p> <p>Response: Your company made an earlier comment that it is common for a pipeline leaving a Pad Site not to be a Facility held under the PSSA, and this is a very good example of Excluded Equipment. It is quite possible that there will be other equipment on site that is not held under the PSSA, such as a pipeline from an Outside Well to the Facility or some of Site Operator's own equipment when it is drilling or completing a</p>

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3	Exhibit "A" Operating Procedure Clause 101- Definitions Initial Construction	<p>On a historically built pad, it may not have been the Site Operator that constructed the pad. Consider rewording to make this more expansive.</p> <p>Response: <i>Modified to include additional flexibility for the Clause 701 Head Document scenario.</i></p>
3	Exhibit "A" Operating Procedure Clause 101- Definitions Joint Pad Operation	<p>We suggest changing the “and” in the second line to “or” as we believe that this reflects the intention of the definition.</p> <p>Response: <i>Edited the definition to address the concern.</i></p>
3	Exhibit "A" Operating Procedure Clause 101- Definitions Land Election Right Holder	<p>In our view it is unacceptable to indicate that an ORR right holder is not an election right holder merely because they likely will not exercise their rights. This would be akin to saying that a ROFR should not be served because a party was unlikely to exercise it. As a result, we would suggest that an ORR holder be specifically excluded from the definition of election right holder or that such a party be specifically included. The suggestion in the annotation (ii) of Land Election Right holder that in practice an ORR holder with a takeover right would not be identified because of the low probability that they would acquire the applicable well is problematic.</p> <p>Response: <i>The suggestion to exclude an ORR holder from ever being a Land Election Right Holder would mean that a party with only a convertible ORR would never be a party to the PSSA. This would potentially create serious problems at the time of the conversion.</i></p> <p><i>As noted in the annotations, the suggestion in the annotations was that the Owners not include as a party to the PSSA an ORR holder with only a non-convertible ORR that had a contingent right to acquire a WI following a takeover after a proposed abandonment. The rationale for that suggestion was the low probability that the ORR holder in that position would ever have interest in becoming a party to the PSSA.</i></p> <p><i>The construction of the PSSA does not exclude the holder of a NCORR from being included as a Land Election Right Holder. Parties that want to include the holder of a non-convertible ORR holder as a Land Election Right Holder and to attempt to engage them in the negotiation of a PSSA are certainly free to explore that avenue. When considering that possibility, they should also keep in mind that the exercise of abandonment rights by a NCORR holder is typically contingent on all of the WI owners in the well wishing to abandon the applicable well.</i></p> <p><i>We continue to believe that most parties will conclude that they</i></p>

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3	Exhibit "A" Operating Procedure Clause 101- Definitions Site Operator	<p>Consider calling the operator, the "Pad Site Operator" throughout to be consistent with Pad Site Agreement etc.</p> <p>Response: <i>We used the term Site Operator to differentiate it from the land Operator. The Site Operator term seems clear, and would introduce a lot of redlining at a very late stage of the process.</i></p>
3	Exhibit "A" Operating Procedure Clause 101- Definitions Surface Lease	<p>Capitalize "Surface" as it is defined in the Head Agreement. Delete "rights". We are unclear about how Road Use and Pipeline Right of Ways are handled.</p> <p>Response: <i>Agree with the capitalization of "surface" and the deletion of "rights for the Pad Site". A pipeline right of way relating to a pipeline held as a Facility under the PSSA is part of the Facility, and the document has been clarified on that point. A road use agreement relating to the use of the Pad Site is ultimately a contract that is held for the joint account.</i></p> <p><i>Added an annotation for the def'n of Surface Lease.</i></p>
3	Exhibit "A" Operating Procedure Clause 204 (a)(iii) Annotations	<p>204(a)(iii) The portion at the end appears to be a repeat of the initial part of the clause.</p> <p>Response: <i>Deleted the last sentence of the annotation.</i></p>
2	Exhibit "A" Operating	<p>Why was the new wording "If the matter is one that requires a unanimous vote..." in the third line added? If unanimous</p>

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	Procedure Clause 204 (b)- Negative Vote	<p>approval is required, how can a negative vote be carried? If any owner votes negatively, then it is not unanimous approval.</p> <p>Response: For context on the comment, this was the Subclause:</p> <p><u>Negative Vote</u> - Other than for any determination that requires the unanimous approval of the Operating Committee, no single Owner will be able to defeat a vote on a matter, unless its voting interest with respect to such matter is greater than ___ %. <u>If the matter is one that requires a unanimous vote and a single Owner with a voting interest of ___% or less is the only Owner voting negatively on that matter, such Owner will be shown to have voted negatively in recording the results of the vote, but such matter will be conclusively deemed carried in the affirmative.</u></p> <p>See the annotation on the provision. It is possible that a particular PSSA might include a unanimous agreement threshold. In that circumstance, the provision provides the Owners with the flexibility to include a qualifier so that a single Owner holding a prescribed minor voting interest (10%, 5%, 2%) would not be able to veto the decision supported by all other Owners.</p> <p>The Clause has been modified somewhat to recognize that this special mechanism could not be used to obtain unanimity for purposes of Subclause 202(a) of the Head Document and the modification of the PSSA Operating Procedure.</p>
2 (September, 2017 comments with October, 2017 supplement)	Exhibit "A" Operating Procedure Clause 204 (g)- Vote for Replacement of Site Operator	<p><u>(Sept):</u> I'm not clear on why the new wording was added. Annotations state that some of the content from Cl. 303(b) was moved to 204(g), but 303(b) appears to be identical to that in Draft #2.</p> <p>Response: The change in the introductory paragraph reflected a situation encountered by one of the project participants in which only one party was prepared to become operator under a CO&O Ag't and there were some process challenges in moving the matter to closure.</p> <p>The new (i) and (ii) addressed some of the former content in 304(b) with 2015 CAPL style language, where this was a more appropriate placement of the content. The addition at the end reflected a shift of content from 304(b) of the prior draft. We discovered when looking at this comment that there was a little problem with the redlining on 304(b) relative to draft 2, in that the deletion in Subclause 304(b) was not shown. (We reviewed the redlining on the remainder of the text against draft 2 and confirmed that this was an isolated problem when working with a live redline as our base as we were working through various working drafts.)</p> <p><u>(October supplement):</u> We are not sure about this change. With the new wording in Draft #3, a MB is not required if there's only</p>

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		<p>one owner willing to become operator. A MB is required in this situation if there is a typical CO&O. Maybe this is more practical? Obviously someone has to operate. However, we are hesitant to have a new operator automatically appointed. For example, what if the “pending owner” who will become operator is a risky party (i.e. financially unstable)?</p> <p>Response: <i>The simple answer is that one of the other Owners should step forward to avoid that outcome if they are sufficiently concerned by it. The recent AER Bulletin 2017-13 will potentially have a significant impact on what we can and cannot do as a consequence of transactions or under industry agreements, and the annotations have been modified on several provisions (Clause 1.03, Subclause 204(g) and several provisions in Article III) to remind users that the Regulations will always prevail.</i></p>
3	Exhibit "A" Operating Procedure Clause 204 (h)- Amendment of Clause 503 Insurance and Appendices	<p>We had understood that “consequential” was being removed as per the first comment on page 32 of the PSSA Draft No. 2 Comments and Responses</p> <p>Response: <i>An oversight on our part. Modified.</i></p>
2 (September, 2017 comments with October, 2017 supplement)	Exhibit "A" Operating Procedure Clause 204 (i)-Vote for Pad Site Abandonment and Termination of Agreement	<p><u>(Sept):</u> Why was the new wording added?</p> <p>Response: <i>We discovered during our review process that the former language did not provide sufficient guidance to proceed with the abandonment following the decision to terminate the PSSA.</i></p> <p><u>(October supplement):</u> This is somewhat confusing. Should not a vote to terminate the agreement specify the date at which the agreement is terminated? This additional language states that the agreement will be terminated after the site is abandoned - no specific date. Should there not be a MB to begin abandonment, and another later, once abandonment is completed, to terminate the agreement?</p> <p>Response: <i>Subclause 204(i) has been modified to provide for two distinct votes-one for the initiation of the Pad Site Abandonment and a second for termination of the Agreement following its completion. As noted in the annotations, the “termination” of the Agreement isn’t so much a termination as it is making it dormant. There is always the potential for the regulator to require further work to be conducted on the site if it became apparent that there were issues that emerged subsequent to the receipt of a reclamation certificate.</i></p>
2	Exhibit "A" Operating Procedure Clause 204 (j)-Vote for Appendix VI Withdrawal	<p>I can’t find anything in the comments matrix explaining why this was added. Am I missing something?</p> <p>Response: <i>We realized when reviewing the comments on Appendix VI that the Operating Committee approval requirement for the Clause 104 withdrawal mechanism therein was not</i></p>

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2	Exhibit "A" Operating Procedure Clause 204 (j)-Vote for Appendix VI Withdrawal	A correction is required, as Cl. 204(j) states that interest of the withdrawing owner is excluded, but on the elections and modifications page, it states that interest of the site operator is excluded. Response: <i>Modified to exclude the Owner proposing to withdraw and its Affiliates.</i>
3	Exhibit "A" Operating Procedure Clause 204 (k)-Vote by Proxy	We were unclear as to how the timing of the revocation works vis a vis the meeting. Response: <i>If the revocation occurred before the meeting, the appointment of proxy is invalid. If it happened during the meeting, the proxy would not apply to subsequent votes during the meeting, but it would not invalidate use of the proxy for votes earlier in that meeting. Added an annotation.</i>
3	Exhibit "A" Operating Procedure Article III- Appointment and Replacement of Site Operator	Please provide guidance for handling this situation where the parties do NOT agree to amend the Land Agreement or they are unable to effect transfers. (see Bulletin 2017-13 that was issued during the summer by the AER) (Exhibit A Clause 305 (iii) Annotations) Response: <i>Modified the annotations to refer in several provisions to the possibility that the Regulations could potentially require a different handling than contemplated in the PSSA. Given the differences between jurisdictions, the possibility that these obligations could change over time and the possibility that the AER will modify the approach currently being applied under AER Bulletin 2017-13, modified the annotations on 103(b), 204(g), III (general), 303(a)(vi) and 304.</i>
3	Exhibit "A" Operating Procedure Clause 303 (a)- Immediate Replacement	Although this clause indicates that the Site Operator would be replaced, we would suggest language that clearly conveys that another Site Operator would be appointed. Response: <i>Clause 304 would apply by its own terms in that circumstance. However, for consistency with the introduction of Subclause 304(b), added the phrase "(and another Site Operator will be appointed under Clause 304)" after "immediately" in the second last line of the introduction.</i>
2	Exhibit "A" Operating Procedure Clause 304 (c)-Two Owner Agreement	Why was the last sentence added? Response: <i>The concept in the last sentence was an inference from the earlier part of the Clause that we determined should be expressed more directly.</i>
2	Exhibit "A" Operating Procedure Clause 304 (f)- Effective Time	Why were (i)-(iii) added? Response: <i>In reviewing the provision more fully based on other comments arising from the committee's own review, we determined that the 2015 CAPL Operating Procedure style</i>

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		<i>content was a useful addition to this Clause.</i>
3	Exhibit "A" Operating Procedure Clause 304 (f)- Effective Time	<p>The latter portion of this clause has numbering of A, B, (iii) which we believe should be A, B, C.</p> <p>Response: <i>Modified.</i></p> <p>The provision starts with “Except as otherwise determined by the Operating Committee”. As a result, we believe that (f)(iii) may repetitive.</p> <p>Response: <i>The construction is correct. The first sentence relates solely to timing.</i></p>
3	Exhibit "A" Operating Procedure Clause 401-Control and Management of Joint Pad Operations	<p>Could some further examples of what is “reasonably appropriate” be provided for in the annotations in order to give some guidance?</p> <p>Response: <i>That is context dependent and best left to Site Operator and Owners to determine in their own circumstances. A situation involving Site Operator A might not be a concern to Owners in circumstances in which it would be a big concern to the same Owners if B were the Site Operator. Modified the annotations somewhat.</i></p>
3	Exhibit "A" Operating Procedure Clause 401 (d)	<p>Please add “permits” after “licenses” to be more complete.</p> <p>Response: <i>Modified.</i></p>
3	Exhibit "A" Operating Procedure Clause 401 (j)	<p>Please add “turnarounds” to be clear that this may facilitate shut-ins.</p> <p>Response: <i>Modified to include a reference to turnarounds and maintenance of the Facility.</i></p>
3	Exhibit "A" Operating Procedure Clause 402- Subcontracting	<p>We are wondering why the document opens the door to the specific approval of the Operating Committee to a practice where charges between affiliates are billed to the other operators when it would seem to be a very unique circumstance that should be custom drafted for.</p> <p>Response: <i>The construction makes it clear that this could only ever occur with the express authorization of the Operating Committee on terms approved by it. The Clause is also clear that there would never be additional costs unless the authority to make additional charges were specifically authorized by the Operating Committee.</i></p> <p><i>The provision is actually quite restrictive about any attempt to subcontract with Affiliates.</i></p> <p><i>Excluding this language introduces risk that Site Operators may attempt to do this without approval of the Operating Committee or that there might be unanticipated charges if the Operating Committee were to allow a subcontracting arrangement without specifically limiting the ability to increase charges.</i></p>

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		<p><i>Addressing the possibility in a structured context while ensuring the Operating Committee remains in a control position on both the arrangement and any additional charges is not something we would regard as “opening the door” to higher charges between Affiliates that would be passed on to the Joint Account.</i></p> <p><i>Added an annotation.</i></p>
3	Exhibit "A" Operating Procedure Clause 404- Independent Status of Site Operator	<p>We are not sure it is practical to dictate the details of the supply chain contracts in this manner. Many of the smaller contracts would not necessarily cover this range of matters. We would suggest that this be less prescriptive.</p> <p>Response: <i>The provision does not dictate the details of the supply chain contracts. It creates a duty to award contracts in accordance with good contracting practices in the oil and gas industry. It also identifies a number of factors to be considered in the context of the relevant contract, where the Clause does not dictate to Site Operator how it weighs or applies any of those factors. This actually provides Site Operator with flexibility greater than what the Non-Operator Owners may otherwise believe when there is a qualitative difference between the low price bidder and other bidders.</i></p> <p><i>Added an annotation.</i></p>
3	Exhibit "A" Operating Procedure- Annotations Clause (407) (a) (ii)- Management of HSE Risks	<p>At the end of the clause, consider adding “, policies or standards.” This is more reflective of what the Site Operator may be complying with internally than only stating “procedures”.</p> <p>Response: <i>Modified annotation (ii) on Subclause 407(a).</i></p>
3	Exhibit "A" Operating Procedure- Annotations Clause (407) (a) (iv)- Management of HSE Risks	<p>Consider deleting “are in effect” with “evolve”.</p> <p>Response: <i>Modified.</i></p>
3	Exhibit "A" Operating Procedure Clause 407 (d)-HSE Reports	<p>In the last line, change receives to “finalizes”. This makes it sound like the Site Operator is a passive participant in the report or review. In practice, the report is obtained and then is reviewed and discussed between the writer of the report and the client before it is finalized.</p> <p>Response: <i>Modified.</i></p>
3	Exhibit "A" Operating Procedure Clause 407 (e)-HSE Audit Rights	<p>It was not clear to us whether “not entitled to” qualified “under any Land Agreement” in the 4th line. We suggest adding “not entitled to” before “under any” to be absolutely clear on this point.</p> <p>Response: <i>Modified the phrase to “...insofar only as this review or audit pertains to any Well or equipment to which it is entitled</i></p>

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		<i>access hereunder or under any applicable Land Agreement.”</i>
3	Exhibit "A" Operating Procedure- Annotations Insurance Clause 502 (i)	<p>The lands line of this annotation may be problematic. Is it necessary to outline this when the company should comply with Regulations and if there are none, it makes it appear that there is no obligation to comply?</p> <p>Response: <i>Site Operator has an overarching obligation to comply with the Regulations under Clause 401. There may be an obligation for joint financial responsibility under the Regulations as contemplated in this Clause at the relevant time or there might not be such an obligation.</i></p> <p><i>If there is such a requirement, Site Operator is obligated to carry it. If there isn't, Clause 502 is not relevant and the contractual requirements in Clause 503 would be relevant without regard to 502.</i></p> <p><i>Modified the annotation to remind personnel looking only at this Article of the overarching obligation to comply with the Regulations under Clause 401.</i></p>
3	Exhibit "A" Operating Procedure Clause 503 (a)- Commercial General Liability Insurance	<p>Should Owners' be Owner's given that each party is procuring its proportionate share of the insurance?</p> <p>Response: <i>Deleted "of the Owners".</i></p>
3	Exhibit "A" Operating Procedure Clause 503- Required Insurance Coverage	<p>This would appear to indicate that the insurance requirements in the Land Agreements are being amended by the requirements in the well pad agreement. Is this the case? If so, it should be made clear and there should be an annotation in place. Our concern in this event is that the underlying Land Agreement may have higher or unique insurance requirements and this agreement is effectively obviating those provisions.</p> <p>Response: <i>Modified the text and annotation to be clear that the prescribed policies reflect minimum coverage and does not reduce coverage a party may be required to have in place under an applicable Land Agreement.</i></p>
3	Exhibit "A" Operating Procedure- Annotations Clause 503 (iv)	<p>Insert "automobile" between "non-owned" and "liability" so it reads "Non-owned automobile liability insurance in Canada.</p> <p>Response: <i>Modified.</i></p>
3	Exhibit "A" Operating Procedure Clause 601-Land Activities and This Agreement	<p>In the third last line, consider adding "under the Land Agreement" after "Land Activities" to clarify that land activities are conducted under land agreements.</p> <p>Response: <i>The comment assumes that there will always be a Land Agreement that applies to a Land Activity, when a Land Activity can also be conducted on 100% rights. It's inherent in the definition of Land Activity that it is an activity conducted under any applicable Land Agreement.</i></p>

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3	Exhibit "A" Operating Procedure Clause 602 (a)	Add the word "be" between "otherwise" and "provided" as we believe a word is missing. Response: <i>Modified.</i>
3	Exhibit "A" Operating Procedure- Annotations Clause 602 (i)	Consider adding to the end "or ROFR exercise" as this is important and the reader should be specifically alerted. Response: <i>Modified.</i>
3	Exhibit "A" Operating Procedure Clause 605-Well Abandonments	Add "or Wells" at the end of the Clause. The PSSA as currently written seems to contemplate that if a particular well cannot be shown to be associated with the problem, then the Pad covers it. What if one of two wells were responsible and both were held in the same interests under the same agreement or 100%, then those well owners should be accountable and not the pad owners. Response: <i>Added "or Wells" at the end of the Clause.</i>
3	Exhibit "A" Operating Procedure Clause 607- Continued Application of Land Agreements	We were unclear as to why only "working interest" was referenced rather than including the election right holders who have a contingent interest Response: <i>Modified the first line.</i>
2	Exhibit "A" Operating Procedure Article VII-Facility No Longer Subject to this Agreement	Would there be any harm in noting, either within Clause 701 or in the associated annotations, that the determination to replace the PSSA with a CO&O should be done via mail ballot, using the general voting procedure? Response: <i>Added an annotation to note that, in the absence of a modification to the voting procedures in Clause 204 and any application of the special two Owner voting process in Subclause 204(n), the determination of the Operating Committee contemplated in Clause 701 would be by a general vote under Subclause 204(e), typically by mail ballot.</i>
2	Exhibit "A" Operating Procedure Clause 802-Limit of Site Operator's Legal Responsibility Subclause (b)	Why was "provided that liability may only be imposed on Site Operator for a breach of its contractual duties as Site Operator" added? Response: <i>The Gross Negligence or Wilful Misconduct test is addressed in Paragraph 802(a).</i> <i>Paragraph (b) addresses the possibility that Site Operator could have additional exposure for in breach of contract. The passage quoted in the comment is taken out of context. The Paragraph is as follows:</i> <i>Site Operator may otherwise be liable to any Owner for breach of any of its contractual obligations as Site Operator under this Agreement, <u>provided that liability may only be imposed on Site Operator for a breach of its contractual</u></i>

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		<p><u>duties as Site Operator under: (i) the introduction to Clause 401 that precedes Paragraph 401(a); (ii) any of Paragraphs 401(g), (h), (m), (n), (o), (p) or (q); (iii) Clause 406; or (iv) Clause 407 insofar as Paragraph 802(a) applies to the particular breach; or</u></p> <p><i>For the items listed in items (i)-(iv), the applicable test is Gross Negligence or Wilful Misconduct, such that the normal breach of contract remedies would not apply to Site Operator for any breach of contract respecting those provisions. The net effect is that the Non-Operating Owners would be unable to sue Site Operator for breach of contract, for example, for failure to comply with requirements of the Regulations under the introduction of Clause 401 unless that failure fell within the scope of the Gross Negligence or Wilful Misconduct test. This is addressed in the annotations in more detail.</i></p> <p><i>This is designed to mitigate the possibility that Site Operator could ever face a large damage award for breach of contract because of the way that it conducted operations.</i></p> <p><i>The normal breach of contract remedies would otherwise apply to Site Operator for matters of more of an administrative nature, such as measurement issues, the retention of funds to which it is not entitled under the Accounting Procedure and misuse of funds that have been commingled with its own account.</i></p> <p><i>Non-Operating Owners are always subject to the normal legal regime for breach of their contractual obligations, as there is nothing in the Article that qualifies access to the normal legal regime, other than for treating all Owners equally with respect to "Extraordinary Damages".</i></p>
3	Exhibit "A" Operating Procedure Clause 803 (a)-Non-Operating Owner Conducts Authorized Activity	<p>Why is this provided for? It is our understanding that the non-operators do not conduct land operations and that the PSSA is not drafted beyond its core scope.</p> <p>Response: <i>Subclause 803(a) offers protection if a Non-Operating Owner were ever permitted to conduct any Land Activities under a particular PSSA or pursuant to a narrow authorization by the Operating Committee. Notwithstanding that we discourage that practice, we know from comments that we have received that some companies intend to modify the document to allow this to occur. Modified the annotation.</i></p>
2	Exhibit "A" Operating Procedure Clause 803- Provisions Apply to Non-Operating Owners	<p>Cl. 803(b): The new wording is not as clear as the old version, in relation to Cl. 803(a). By saying "The Owners will indemnify and save harmless a Non-Operating Owner", it now seems to contradict what is said in Cl. 803(a). Please explain.</p> <p>Response: <i>Clause 803 addresses two very distinct concepts.</i></p> <p><i>In Subclause (a), a Non-Operating Owner is conducting an activity for the Joint Account on the Pad Site, notwithstanding that it is not Site Operator. While we discourage this, we recognize that there may be circumstances in which a particular</i></p>

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		<p><i>ownership group allows it to occur. That Subclause basically puts that Non-Operating Owner in the same position as Site Operator relative to the other Owners for purposes of Article VIII, as if it were Site Operator for that activity.</i></p> <p><i>Subclause (b), on the other hand, recognizes that a successful plaintiff can enforce a damage award <u>against the Joint Account</u> against the Owner(s) with the deepest pockets, which may or may not be Site Operator. If that were to occur, that Non-Operating Owner would have a legitimate expectation that the other Owners would each bear their proportionate share of responsibility for those damages.</i></p> <p><i>The changes in the provision reflected comments on the earlier draft by personnel with legal backgrounds.</i></p>
3	Exhibit "A" Operating Procedure Clause 805- Allocation of Responsibility if Required Apportionment Unclear	<p>Consider changing the “and” between (a) and (b) to an “or”. Also remove “or if there are no functional units” at the end of the provision as it is covered in line 4 of the provision.</p> <p>Response: <i>Modified to address both concerns.</i></p>
3	Exhibit "A" Operating Procedure Clause 806-No Compensation for Permitted Temporary Shut-in of Well	<p>Consider moving the term “bona fide and” to prior to “reasonably” in line 3. This clause does not contemplate shut in for maintenance activities such as turnarounds and well or facility maintenance and we believe that it should. Additionally, why aren’t expansion, alternation or enhancement including in the last line? Additionally, we are concerned about the interplay among 804, 604 and this Clause 806 and whether there could be conflicts between those clauses. In addition, we also believe that the current Clause 107 of Appendix V introduces potential confusion into the liability and indemnification obligations of the Participating owners in an Enlargement and those provisions should be incorporated into Article 8 to avoid inconsistency and to have the liability/indemnity provisions apparent to the user.</p> <p>Response: <i>Modified former Clause 806 to address the additional situations in which a Well might be shut-in and the different liability regimes that could apply under Clause 604, Clause 804 or other provisions of Article VIII. Deleted Clause 107 from Appendix V and addressed Enlargements in the modified Clause 806. Modified the annotations accordingly.</i></p>
3	Exhibit "A" Operating Procedure Clause 902 (v)	<p>We were wondering why the wording is not consistent with 1104?</p> <p>Response: <i>During the period in which the defaulting Owner remains in default, there are no proceeds that would be distributed directly to the defaulting Owner because the net proceeds are being applied against the amount owing by it. Modified the second last sentence to apply expressly the Article XI Non-Taking Owner outcomes insofar as there are proceeds accruing to the Non-Taking Owner during the period between</i></p>

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		<p><i>the recovery of the amount in default and its commencement to take in kind again. This would have been the case without the words in that event because of the switch from defaulting Owner to Non-Taking Owner once the amount in default was recovered, but the addition of the words makes the outcome clearer for users.</i></p>
3	Exhibit "A" Operating Procedure Clause 904-Commingling of Funds	<p>“belong” could possibly be replaced with “be owned by” to be more clear.</p> <p>Response: <i>Modified.</i></p>
3	Exhibit "A" Operating Procedure Clause 1102-Losses in Fuel Gas Usage, Handling, Flaring and Operating of the Pad Site	<p>Please add “spill” in line 2 as it is more commonly understood than “release”</p> <p>Response: <i>Added a reference to spills, while retaining the reference to “release” because of the gas scenario.</i></p>
3	Exhibit "A" Operating Procedure Clause 1106-Site Operator to be Indemnified	<p>We were not sure why this is limited to title. What about other issues such as encumbrances?</p> <p>Response: <i>The Clause is designed primarily to address situations in which the Non-Taking Owner is obligated to sell to another party. Encumbrances always remain the responsibility of the Non-Taking Owner, as addressed in Clause 1107 and the related annotation.</i></p>
2	Exhibit "A" Operating Procedure Clause 1201 (a)- Disposal of an Interest in a Pad Site	<p>What exactly is a "pending well" (as added to the second sentence)?</p> <p>Response: <i>In practice, this would tend to be a planned well that is not yet drilled, where the more typical examples would be licenced wells and wells for which an Operation Notice has been issued under a Land Agreement. The purpose of the reference was to offer more flexibility when trying to match the interest in the Pad Site to the land interest being disposed in a particular transaction.</i></p> <p><i>Modified the text and annotation.</i></p>
3	Exhibit "A" Operating Procedure Clause 1202- Admission of New Owners Through Enlargement	<p>We were unclear how this works in relation to the sale of an interest in one functional unit where there are multiple functional units? Perhaps some further clarity in the clause and the annotation would be of assistance to the user?</p> <p>Response: <i>While possible, the relative simplicity of the above ground assets subject to the typical PSSA is such that this should occur infrequently.</i></p> <p><i>This limitation on the interest being disposed would need to be identified on the Notice of Assignment and Appendix I modified accordingly as under a CO&O Agreement. The annotation has</i></p>

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		<i>been modified on this point.</i>
3	Exhibit "A" Operating Procedure Clause 1204- Change of Name	We suggest there should be a mechanism to update the appendix for a change of name much like 1201(c) Response: <i>This happens in the normal course under Subclause 105(b). Added an annotation reminding users of this.</i>
3	Exhibit "A" Operating Procedure- Annotations Clause 1301-Term	We were wondering how Rec Certification fits into the term or does it? Maybe a comment in the Annotations would assist? Response: <i>Modified the annotation slightly to remind users that this occurs under Appendix VI.</i>
3	Exhibit "A" Operating Procedure Clause 1304- Proceeds and Costs	The tense of the listed terms in lines 2 and 3 differs. We would suggest the following "...and costs to salvage, decommission, abandon, or dispose of any..." Response: <i>Modified the references to be consistent.</i>
2	Exhibit "A" Operating Procedure Clause 1401- Confidentiality Requirement Subclause (c)	Why was "hold harmless and defend" added? Isn't "indemnify" sufficient? Response: <i>The addition reflected comments received from personnel with legal backgrounds. They thought that it added something to the provision, and we didn't believe that it hurt anything.</i>
3	Exhibit "A" Operating Procedure Clause 1504- Notices	Add an annotation indicating that it is the "earliest of" where multiple methods of providing notice are used. Response: <i>The notice has been received at the earliest of those events. A second delivery of the same notice after that is superfluous under the current construction and other industry notice clauses.</i>
3	Exhibit "A" Operating Procedure Clause 1504 (a) (iii)	Where a party is concerned about the risk of emails entering their system, but not appearing on a desktop or where there are no common mailboxes, consider adding an option that electronic delivery occurs when then the recipient provides written notice of receipt. Response: <i>We are not willing to include this as an option for the reasons outlined in annotation (a)(iv). Parties that are concerned about this should modify their PSSA. Expanded annotation (a)(iv) on this point.</i>
3	Exhibit "A" Operating Procedure Clause 1512- Conflict of Interest	This type of clause seems to be overstepping what should be in a PSSA. Also, the assessment of whether something is a conflict of interest is more than this clause contemplates so the title should be amended if the paragraph remains. Response: <i>For context, Paragraph 102(g) is clear that headings are not to be used to interpret a provision. As noted in the response to a similar comment from your company on the prior draft, your company is always free to delete this Clause from your PSSAs if you are so inclined.</i>

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3	Exhibit "A" Operating Procedure Clause 1514- Supercedes Previous Agreements	Limiting this exception to Article VI may be too narrowing considering the accounting procedure, abandonment provisions etc. Consider drafting the clause more broadly. Response: <i>The provision has been modified to address Article V and, to be cautious, VIII too. The other concerns seem to be captured by the umbrella reference to Article VI.</i>
3	Exhibit "A" Operating Procedure- Annotations Clause 1514- Supercedes Previous Agreements	The reader should be alerted that since the PSSA will supercede some of the provisions in an underlying land agreement, caution should be used in negotiating the PSSA to ensure that previously negotiated provisions are not obviated. (For example, if the standard definition of market price is amended in the underlying land agreement, a party may want to consider negotiating an amendment of the PSSA) Response: <i>Modified the annotations on Clause 1514 of the PSSA Operating Procedure.</i>
3	Appendices General Comment	Each appendix should have its own page numbering for ease of use and reference. Response: <i>Modified.</i>
1	Appendix I Clause 101-Pad Site Description	Clause 101 – Further to comment no. 1 on the Head Document, if a pipeline is to be excluded, then corresponding amendments need to be made to this clause. Perhaps the Annotations should reflect this. Response: <i>Modified the annotations on Clause 101 of Appendix I. Also made material modifications to Appendix VI to reflect the possibility that there could be Excluded Equipment.</i>
2	Appendix I Clause 103 (a)- Current Owners	Add a column for participation % (overall pad site participation). Response: <i>This is addressed in the row at the bottom of the chart in Subclause 103(b). As noted on the fourth page of the annotations, that presentation could be overly simplistic if there were Functional Units. The Owners would need to customize their Appendix for that circumstance. It is important to recall, though, that the likelihood of Functional Units would be much greater in a CO&O Agreement than the typical PSSA.</i>
1	Appendix I Clause 103 (b)- Calculation of Participation	Clause 103(b) – For clarity, separate the second sentence into two parts, one to specify that Participation changes for each additional Well drilled (if based on well count), and a second sentence for Participation changes based on Enlargement as referenced in Appendix V. This separation may help reduce the confusion regarding Enlargement. Response: <i>Edited the sentence in a way that addresses the concern.</i>
3	Appendix I Clause 103 (b)- Calculation of	Why is this “Surface Location” and not UWI like the Table in clause 106?

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	Participation	Response: The expectation is that Wells would be identified with their UWI in the first column (00/00-00-000-00W0/00) and the Surface Location would be identified in the second column (00-00-000-00W0). The charts have been updated to reflect this better.
2	Appendix I Clause 104 (e)- (Optional) Limitation on Allocation of Surface Costs & Clause 104 (f)- (Optional) Limitation on Allocation of Other Initial Construction Costs	Why were these subclauses added? Response: See the annotations just above those on Clause 105. Those Subclauses are based on the premise that there may come a point at which it is an administrative burden to continue to process cost adjustments for amounts that are becoming increasingly minor. This is particularly the case with respect to the surface construction costs, which is why the Subclauses were presented separately.
1	Appendix I Clause 104 (e)- (Optional) Limitation on Allocation of Surface Costs & Clause 104 (f)- (Optional) Limitation on Allocation of Other Initial Construction Costs	Clauses 104(e) and (f) – If the PSSA relates to an existing Pad Site, both these clauses may be deleted depending on the circumstances. Therefore, Clause 104(e) should also be specified as “(Optional)”. Response: Made some significant edits to these Subclauses to present the concepts more clearly.
3	Appendix I Clause 104 (e)- (Optional) Limitation on Allocation of Surface Costs & Clause 104 (f)- (Optional) Limitation on Allocation of Other Initial Construction Costs	This appears to say that there can be no adjustments for surface costs or Capital Costs after a particular date. We assume that this is meant to mean that there would not be a readjustment resulting from another well being drilled on the pad? This is unclear to us. Suggest language such as: “(e) The Owners agree that no reallocation of Initial Construction costs related to surface costs resulting from additional wells on the pad be made later than x months after the Initial Construction of the Facilities.” with similar amendments to (f). Response: Modified the Subclauses to address the concern in a different way.
3	Appendix I- Annotations Clause 104- Allocation of Costs	We were confused by the surface lease being a functional unit in the example? This is unusual in our experience. Response: There are two ways in which the Surface Lease might become a separate Functional Unit. One is if the Surface of the Pad Site were being expanded to accommodate one or more additional Wells in circumstances in which the other Owners were not prepared to assume any share of the cost of the expansion. The second would be if there were an Enlargement of a Facility in circumstances in which one or more Owners did not participate. Given that the Facility expenditures are a distinct expenditure class, the Facility would then become its own Functional Unit, which means that the Surface would, by default, be its own Functional Unit.

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1	Appendix II Accounting Procedure	<p>The 1996 PASC dollar amounts are outdated, but some parties still use that version. Some parties do not agree with the dollar amounts in the 2011 PASC. PASC may need to review and update the 2011 version to garner better industry acceptance of the elections containing dollar amounts.</p> <p>Response: <i>Added an annotation that parties might choose to modify the amounts in the elections.</i></p>
1	Appendix III Capacity Usage	<p>This Appendix seems to presume there will be a joint Facility on the Pad Site, which is not always the case. The annotation should reflect that that there may not be a Facility as of the effective date and that a Facility may not have capacity usage associated with it. The parties can always label “NOT APPLICABLE”, but thought I should mention this.</p> <p>Response: <i>Added a general annotation at the beginning of the Appendix to address the concern.</i></p>
1	Appendix V Enlargement	<p>The one element that is missing from this Appendix is that the enlargement of the surface area of the Pad Site is subject to negotiation with the landowner of a new or expanded surface lease, which may include costs of consultation, environmental impact assessment, etc. The Participating Owners should be specified as being responsible for their share of all costs incurred to comply with the Regulations and all costs and expenses incurred to acquire additional surface rights, including such costs. Appendix V and related Annotations should be updated accordingly.</p> <p>Response: <i>Added a general annotation on the definition of Surface Lease in the PSSA Operating Procedure. Also expanded the annotations on Appendix V.</i></p>
3	Appendix V Enlargement Clause 101 (a)- Operating Committee Review of Potential Enlargement (First Line)	<p>Should this be limited to a Participating Owner rather than an Owner? Otherwise, a land election right holder could propose an enlargement since they are included in the definition of “Owner”?</p> <p>Response: <i>An Owner that has a Land Election Right is recognized as an Owner with respect to its contingent interest in the definition of Owner. However, the definition of Owner is clear that its status with respect to the contingent interest is limited to identification of the contingent interest and the application of Article VI of the PSSA Operating Procedure and the other provisions of the PSSA that otherwise limit the rights otherwise possibly available to it under any particular Land Agreement. The definition of Participation and the related annotations also provide that it is not regarded as having any Participation rights with respect to the contingent interest applicable to the Land Election Right until such time as the conditions associated with the exercise of the Land Election Right have been satisfied and the right exercised by the Owner of the contingent interest. Modified the annotation.</i></p>

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3	Appendix V Enlargement Clause 101-Notices and Elections Clause 102- Information in the Enlargement Proposal	Please change “will” to “may” when speaking about the operating committee as it should be in their discretion. Otherwise, consider using “in the manner approved by the Operating Committee” as is the case in 103(d). Response: <i>Modified Subclause 101(a) to be clearer about the role of the Operating Committee. The “will” references with respect to the consideration of the request are accurate, notwithstanding that the Operating Committee might ultimately not allow it to proceed.</i>
3	Appendix V Enlargement Clause 101 (c)- Construction (Last Line)	Please add “reasonably” before “possible”. Otherwise, the standard is too high. Response: <i>Modified.</i>
2	Appendix V Enlargement Clause 104 (c)- Clause 101 Current	Incorrect reference. Change "Table I Capacity" to "Clause 101". Response: <i>Modified.</i>
3	Appendix V Enlargement Clause 107-Liability during Construction of Enlargement	We believe that this subject matter is better address in Article VIII of Exhibit A to avoid inconsistency and to keep provisions relating to indemnity and liability in a common location. Response: <i>The Clause was deleted from the Appendix and a broader Clause added as Clause 806 of the PSSA Operating Procedure with various other consequential changes.</i>
3	Appendix VI Abandonment Clause 101-Phase I Assessment	Consider removing “as a consequence of a Phase I” as it doesn’t always follow that a Phase II is a consequence of a Phase I in our view. This type of language appears throughout the Appendix. Response: <i>Modified the definition of Phase II Assessment to link it to a Phase I Assessment or the requirements of the Regulations. That should address the concern about the references throughout the Appendix.</i>
3	Appendix VI Abandonment Clause 104 (a)- Operating Committee Consent Required	Consider changing “approved” to “provided for herein” in line 3 as we believe this better reflects the clause. Response: <i>We believe that the approved reference is accurate. The Operating Committee is in the control position on the application of this Clause.</i>
3	Appendix VI Abandonment Clause 104 (b)- Conditions of Withdrawal	60 days may be a bit short given the number of things that need to occur. Also, the first portion of the clause indicates that the clause “follows abandonment”, but then in (ii) it indicates that the estimated outstanding abandonment costs are to be considered. Is this inconsistent? Response: <i>1. If the Non-Operating Owner makes the request at a time that is not well aligned with the evaluation cycle, it is likely that its request would be rejected by the Operating Committee in</i>

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		<p><i>practice. The time period reinforces to the Non-Operating Owner that it should not make this request at a point in the cycle that is likely to result in rejection of the request. Modified the annotation on Subclause 104(b) somewhat to make that logic more transparent.</i></p> <p><i>2. Subclause (a) is linked to the physical abandonment of the wellbores, which is distinct than required surface reclamation and remediation respecting the Well site(s) and Pad Site Abandonment.</i></p>
3	Appendix VI Abandonment Clause 104 (d)- Amounts Received by Site Operator	<p>Although the Operating Committee can determine otherwise, where it does not do so the administrative burden of holding a separate trust bearing account we expect is generally going to be unacceptable to most companies. Although there is a risk where the funds are commingled, the burden vs. the risk ought to be considered.</p> <p>Response: <i>There are three important qualifications to the obligation to maintain a separate interest bearing trust account. The first is that the Operating Committee actually votes to allow an Owner to use the withdrawal mechanism, where it seems likely that this type of request could be refused in many circumstances. The second is that the Operating Committee would probably often approve Site Operator holding funds without a trust account, which seems likely if the amounts in question are relatively modest or there are no significant concerns about Site Operator's viability. The third is the reality that Owners are going to modify any of the Appendices for their particular circumstances either initially or subsequently, by vote, as contemplated in the overarching comments about the Appendices at the end of the Addendum and in the first annotation on Clause 104. The latter seems likely to be particularly the case for the withdrawal mechanism in Appendix VI.</i></p> <p><i>Modified annotation (ii) on Subclause 104(d) to suggest that the Operating Committee should reserve the right to revoke an authorization not to require a separate trust account from a particular Site Operator if it later determined that it has some concerns about Site Operator's financial situation.</i></p>