

FARMOUT AGREEMENT

_____ AREA, _____

THIS AGREEMENT made as of the ____ day of _____, _____.

AMONG:

FARMOR, a body corporate, having an office at the City of _____, in the Province of Alberta (hereinafter called "Farmor")

OF THE FIRST PART

-and-

FARMEE, bodies corporate, having an office at the City of _____, in the Province of Alberta (hereinafter called "Farmee")

OF THE SECOND PART

WHEREAS Farmor is the holder of the petroleum and natural gas Title Documents described in Schedule "A"; and

WHEREAS Farmee desires to earn an interest in the Title Documents and the Lands covered thereby.

NOW THEREFORE THIS AGREEMENT WITNESSES in consideration of the covenants herein contained, the parties hereto agree as follows:

ARTICLE 1 - INTERPRETATION

1.01 Except as otherwise specifically provided in this Section 1.01 and subject to Section 1.04, in this Agreement (including the preamble), the definitions in Clause 101 of the Operating Procedure shall apply. In addition, in this Agreement:

- (a) "Capped Test Wells" means those Test Wells (if any) which, as at the relevant time the term is used, are capped in accordance with subclause n hereof;
- (b) "Contract Depth" means, in respect of the Test Well, a true vertical depth of n metres of n metres into the n Formation, whichever is the lessor, and a final total length of n metres;

OR

- (b) "Contract Depth" means a depth sufficient to test to the satisfaction of Farmor's geologists all zones comprised in the Title Document down to and including the n Formation, or a depth of n metres below the surface of the ground, whichever is the lesser;
- (c) "Drilling Program" means the drilling, logging and testing, and completion, capping, equipping or abandoning of the Test Well(s) on the Lands in accordance with Clause n hereof;

- (d) “Effective Date” means n;
 - (e) “Farmout Lands” means that portion of the Lands as more particularly set out under the heading “Farmout Lands” in Schedule “A”;
 - (e) “Force Majeure” has the same meaning as in Clause 1001 of the Operating Procedure;
 - (f) “Test Well” means n;
 - (g) “Lands” shall mean the Lands set forth and described in Schedule “A”, and includes the right to recover petroleum substances within the Farmout Lands;
 - (h) “Operating Procedure” means the 1990 CAPL Operating Procedure attached as Schedule “B” to this Agreement, which governs joint operations of the Farmout Lands and includes the 1988 PASC Accounting Procedure and the 1993 CAPL Assignment Procedure, all as amended therein;
 - (i) “Parties” means n and n, and “Party” means one of them;
 - (j) “Petroleum Substances” means crude oil, natural gas (including natural gas liquids and condensate associated therewith) and related hydrocarbons and all other substances (including sulphur and its compounds) produced in association with crude oil, natural gas and related hydrocarbons, to the extent that rights thereto are granted by the Title Document;
 - (k) “Title Document” means the document or documents of title more particularly described in Schedule “A”, together with any title documents selected therefrom, and includes any document of title at any time issued in substitution for, or amendment of any of them, but only insofar as such document or documents comprise the Lands:
 - (i) “Farmout Title Documents” means that portion of the Title Document as more particularly set out under the heading “Farmout Title Documents” in Schedule “A”; and
 - (l) “Well” shall mean any well or wells drilled by Farmee on the Lands pursuant to this Agreement, and includes the substitute well or wells, if any.
- 1.02 Wherever the singular, masculine or neuter is used in this Agreement, the same shall be construed as meaning plural, or body politic or corporate and vice versa as the context requires.
- 1.03 The heading of the paragraphs in this Agreement are inserted for convenience only and shall not affect the construction thereof.
- 1.04 For purposes of the incorporation of the definition of “equipping” contained in Clause 101 of the Operating Procedure in this Agreement, the term “production facility”, where used in the definition of “equipping” in Clause 101 of the Operating Procedure, shall be deemed to mean a facility serving or intended to serve more than one well (including, without restricting the generality of the foregoing, any battery, separator, compressor station, gas processing plant, gathering system, pipeline, production storage facility or warehouse).
- 1.05 Where a term is defined herein, a derivative of that term shall have a corresponding meaning unless the context otherwise requires.

ARTICLE 2 – TEST WELL

- 2.01 a. Farmor shall on or before n commence the drilling of the Test Well at a location of its choice on the Farmout Lands, at its sole cost, risk and expense. Farmee shall thereafter diligently and continuously drill the Test Well to Contract Depth, log and test same to the reasonable satisfaction of the Farmor, and complete, equip or abandon the Test Well in accordance with the provisions of this Agreement.