

Date

Addressee

Dear

RE: Farmout Agreement

Our File:

This letter evidences that certain agreement between the undersigned, the terms and conditions which are as follows:

1. **DEFINITIONS**

- (a) In this Agreement, unless the context otherwise requires, the definitions contained in Clause 101 of the ____ CAPL Operating Procedure shall apply. In addition to such definitions and for the purposes of this Agreement, the following expressions shall have respective meanings assigned to them, namely:
- (i) **"contract depth"** means a depth sufficient to penetrate __ metres into the top of the _____ Formation or _____ metres subsurface, whichever shall first occur;
 - (ii) **"earning well"** means the well drilled pursuant to Clause _____ hereof;
 - (iii) **"Farmee"** means
 - (iv) **"Farmor"** means
 - (v) **"farmout lands"** means the lands as set out and described under the heading "farmout lands" in Schedule "A" attached to and forming part of this Agreement;
 - (vi) **"Operating Procedure"** means the _____ Canadian Association of Petroleum Landmen (CAPL) Operating Procedure and the _____ Petroleum Accountants Society of Canada (PASC) Accounting Procedure, with the elections and rates as set out in Schedule "B" attached to and forming part of this Agreement;
 - (vii) **"payout"** means that point in time when the total of the gross revenues received from the sale of petroleum substances from the earning well spacing unit and from the sale of petroleum substances allocated to the earning well spacing unit pursuant to a pooling or unitization together with any applicable government grants or incentives and cash contributions received as dry hole, bottom hole and other contributions to drilling, deepening or other operations in respect to the earning well equals the total cost of lessor royalties, Farmor royalties, drilling, completing, equipping and operation of the earning well;

- (viii) **"title documents"** means the document(s) set forth and described in Schedule "A" attached hereto insofar as it affects and relates to the farmout lands and all renewals thereof or further documents of title issued pursuant thereto;
 - (ix) **"Assignment Procedure"** means the _____ CAPL Assignment Procedure attached hereto as Schedule "C".
- (b) If any terms or conditions of the Operating Procedure conflict with a term or condition of this Agreement, then such term or condition of this Agreement shall prevail and the Operating Procedure shall be deemed to be amended accordingly. If any terms or conditions of the title documents conflict with a term or condition of this Agreement, then such term or condition of the title documents shall prevail and this Agreement shall be deemed to be amended accordingly.

2. **MULTIPLE FARMOR OR FARMEE**

- (a) Reference in this Agreement to "Farmor" or "Farmee" shall mean collectively or individually, as the context requires, all parties hereinbefore identified as comprising "Farmor" or "Farmee".