

POOLING AND PARTICIPATION AGREEMENT

This Agreement made the ____ day of _____, _____.

BETWEEN:

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

OF THE FIRST PART

- and -

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

OF THE SECOND PART

WHEREAS __ is the holder of a Title Document covering the lands described as Part I Lands in Schedule "A";
and

WHEREAS __ is the holder of a Title Document covering the lands described as Part II Lands in Schedule
"A"; and

WHEREAS the parties wish to pool their respective interests in the Title Documents and to appoint an
operator to carry out operations for the joint account as herein provided.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the premises and the
covenants and agreements contained herein the parties hereto agree as follows:

1.00 DEFINITIONS

The following terms and expressions shall have the meanings hereinafter assigned to them, namely:

- (a) "Abandon" or "Abandonment" and the derivatives thereof means the proper plugging and abandoning of a well in compliance with all Regulations and shall also include the restoration of the wellsite to the satisfaction of any governmental body having jurisdiction with respect thereto and to the reasonable satisfaction of the owner or occupier of the surface.
- (b) "Accounting Procedure" means the Exhibit entitled "Accounting Procedure" attached to and made a part of the Operating Procedure.
- (c) "Agreement" means this agreement and the Schedules attached thereto.
- (d) "Assignment Procedure" means the Exhibit entitled "Assignment Procedure" attached to and made a part of the Operating Procedure.
- (e) "Cap" means to seal and shut in a well prior to installation of a wellhead so as to enable that well to be Completed at a later date.
- (f) "Complete" or "Completion" and the derivatives thereof means in the case of a well capable of producing Petroleum Substances in at least paying quantities:
 - (i) in the case of an oil well, the acquisition and installation of production casing in the hole (exclusive of surface and intermediate casing) and all other equipment, materials and

services required to complete the well up to and including the outlet valve at the wellhead, and the conduct of a 30 day cumulative production test; and

- (ii) in the case of a gas well, the acquisition and installation of production casing in the hole (exclusive of surface and intermediate casing) and all other equipment, materials and services required for completion of the well up to and including the outlet valve at the wellhead and running adequate back pressure tests and a sustained production test consisting of an absolute open flow potential test sufficient to establish the initial producibility of the well.
- (g) "Effective Date" means ___.
- (h) "Joint Well" means the well or wells drilled pursuant to the Clause hereof entitled "Joint Well".
- (i) "Operating" and the derivatives thereof means to carry out functions similar to those imposed on an operator pursuant to the Operating Procedure, exclusive of the operation of any production facility, together with such additional duties imposed by this Agreement.
- (j) "Operating Procedure" means the schedule attached hereto entitled "CAPL Operating Procedure".
- (k) "Part I Lands" means the lands set forth and described as Part I Lands in Schedule "A".
- (l) "Part II Lands" means the lands set forth and described as Part II Lands in Schedule "A".
- (m) "Paying Quantities" means the anticipated output from a well of that quantity of Pooled Substances which would reasonably warrant incurring (or having incurred) the completion costs and equipping costs of the well, considering the anticipated operating costs associated therewith, the kind and quality of petroleum substances indicated, the anticipated availability of facilities for treating and processing such pooled substances and the anticipated cost of such services, the anticipated availability of markets for such Pooled Substances, the anticipated availability of transportation service for the delivery of such production to market and the anticipated cost of such service, the royalties and other burdens payable with respect to such production, the probable life of the well and the anticipated price to be received for the Pooled Substances produced therefrom as and when sold;
- (n) "Pooled Formations" means the formations specified as the Pooled Formations in Schedule "A".
- (o) "Pooled Interest" means the percentage interest of a party as set forth in the Clause hereof entitled "Pooling".
- (p) "Pooled Lands" means the Part I Lands and the Part II Lands, insofar as they include and apply to the Pooled Substances and the Pooled Formations.
- (q) "Pooled Substances" means the substances specified as the Pooled Substances in Schedule "A".
- (r) "Regulations" means all statutes, laws, rules, orders and regulations in effect from time to time made by governments or governmental boards or agencies having jurisdiction over the Pooled Lands and over the Operations to be conducted thereon.
- (s) "Spud" means with respect to a well, that a drilling rig of adequate capacity to drill that well is rigged-up on location and that a drilling bit has penetrated the surface therefrom.
- (t) "Title Documents" mean the documents set forth and described as such in Schedule "A" attached hereto and any renewals or extensions thereof or further Title Documents issued pursuant thereto insofar as they relate to the Pooled Lands.

2.00 **SCHEDULES**

The following Schedules are attached hereto and incorporated into this Agreement:

- (i) Schedule "A" which sets forth the Pooled Lands and the Title Documents; and
- (ii) Schedule "B" which is the Operating Procedure, the Accounting Procedure and the Assignment Procedure;

3.00 **TITLE**

3.01 **Requisite Authority**

Each of the parties hereto represents and warrants that it has the requisite capacity and authority to enter into this Agreement and to perform the obligations to which it thereby becomes subject.

3.02 **No Warranty of Title**

No party hereto warrants title to its respective interest in the Title Documents or the Pooled Lands or agrees to convey to the other party any better title thereto than it has therein or is entitled to acquire therein on the Effective Date. Each of the parties covenants that its respective interest in the Title Documents and Pooled Lands is only encumbered by the applicable lessor's royalty and any other encumbrances specifically set forth in Schedule "A" and that, as of the Effective Date, it has complied with the terms of its Title Documents to the extent necessary to keep them in force.

3.03 **Responsibility for Encumbrances**

Except as otherwise provided herein, if the interest of any party in the Pooled Lands is now or hereafter shall become encumbered by any security interest or by any royalty, overriding royalty, production payment or other charge of a similar nature, other than the lessor's royalty under the Title Documents and other encumbrances as set forth in Schedule "A", such security interest, royalty, overriding royalty, production payment or other charge of a similar nature shall be charged to and paid entirely by the party whose interest is or becomes thus encumbered. Any such encumbrance hereafter made or granted by a party shall be expressly made subject to the rights of the other parties hereunder and the party whose interest becomes so encumbered shall indemnify and save harmless the other parties in respect of such encumbrance. In no event shall a party hereto acquiring an interest in such lands by virtue of the operation of any provision of the body of this Agreement or of the Operating Procedure (except for Article XXIV of the Operating Procedure where applicable) ever be required to assume any part of such interest, payment or charge.

4.00 **POOLING**

4.01 **Parties to Pool Interests**

Subject to the terms and conditions of this Agreement, the parties hereby pool their respective interests in and to the Title Documents and the Pooled Lands so that from and after the Effective Date all Operations on the Pooled Lands may be conducted without regard to the boundary lines of the Part I Lands and Part II Lands and as though the Pooled Lands were covered by a single petroleum and natural gas lease executed by the respective lessors of the documents comprising the Title Documents in favour of all parties, it being the intention of the parties that, save as hereinafter provided, the interests of the parties in the Pooled Lands, the Pooled Substances and the Title Documents shall be as follows:

___ %

___ %

(hereinafter referred to as the "Pooled Interests")

4.02 **Interests Held in Trust**

Each party shall hold its respective Title Documents in trust insofar as they relate to the Pooled Lands for the parties hereto, and the terms of such trust shall be subject and limited to the express terms of this Agreement. Notwithstanding anything to the contrary herein contained, such pooling shall not give rise to a cross-assignment of interests and upon termination of this Agreement, the interests of the parties in the Title Documents and Pooled Lands shall revert to the undivided interests which were in effect immediately prior to the Effective Date.

4.03 **Allocation of Production, Revenue and Expenses**

From and after the Effective Date, and unless otherwise provided herein:

- (a) all costs and expenses incurred in the exploration, development or Operation of the Pooled Lands; and
- (b) all Pooled Substances produced, or revenues received, as a result of Operations on the Pooled Lands

shall be shared by and be allocated to the parties according to their respective Pooled Interests.

5.00 **JOINT WELL**

On or before _____, _____, the Operator for the joint account of the parties shall, subject to surface access, Spud a Joint Well and shall diligently and continuously drill, log, test and Complete, Cap or Abandon such Joint Well. The Joint Well shall be drilled on the Pooled Lands to a depth sufficient to penetrate _____ metres into the _____ formation, or to a total depth of _____ metres subsurface, whichever shall first occur.

6.00 **OPERATIONS**

6.01 **Operating Procedure to Govern**

From and after the Effective Date hereof, save as may otherwise be provided herein, the Operating Procedure as amended by this Agreement shall govern the relationship of the parties hereto and applies to all Operations conducted with respect to the exploration, development and maintenance of the Pooled Lands for production of the Pooled Substances.

6.02 **Appointment of Operator**

_____ is hereby appointed Operator, accepts such appointment and shall be responsible for the Operation and development of the Pooled Lands for the joint account and, subject to the terms and provisions of this Agreement and the Operating Procedure, as amended hereby, shall have the sole and exclusive control and management of all Operations conducted pursuant to this Agreement.

6.03 **Conduct of Operations**

The Operator shall, in conducting all Operations hereunder perform in a diligent and workmanlike manner, in accordance with good oilfield practice and in strict compliance with the terms of the Title Documents, this Agreement, the Operating Procedure as amended hereby and the Regulations.

7.00 **TERM OF POOLING**

7.01 **Agreement to Remain in Effect**

Subject to the following Subclause of this Clause, this Agreement shall remain in effect as long as the Pooled Lands are capable of production of Pooled Substances in Paying Quantities from the Joint Well or any other wells drilled pursuant to this Agreement and as long as Operations are conducted on the Pooled Lands and thereafter until all wells on the Pooled Lands drilled pursuant to this Agreement have been Abandoned and all materials, equipment and personal property used in connection with Operations hereunder have been disposed of and final settlement of accounts made among the parties hereto.

THIS IS AN 11-PAGE DOCUMENT, including schedules.