

**PRODUCTION ALLOCATION UNIT AGREEMENT
(HORIZONTAL WELL)**

“**[Name of Agreement]**”

WHEREAS

The Parties own Royalty Interests and Working Interests, or either of them, in the Production Allocation Substances;

The Parties wish to promote economic production of the Production Allocation Substances by the avoidance of unnecessary drilling;

The Parties are of the opinion that their objective will be realized through the Production Allocation Unit Agreement;

NOW THEREFORE in consideration of the covenants herein contained the Parties agree as follows:

ARTICLE I: INTERPRETATION

1.1 Definitions

In this Agreement:

- (a) “**Crown**” means His Majesty the King in right of the Province of Alberta, represented herein by the Minister;
- (b) “**Drainage Well**” if applicable, means a well identified as part of the Well for the purposes of this Agreement that produces Production Allocation Substances but has no production assigned to it by the Regulator;
- (c) “**Effective Date**” means the date described in and established by clause 10.2;
- (d) “**Lease**” means an instrument issued by a Royalty Interest Owner to a Working Interest Owner in respect of any part of the Production Allocation Area granting a Working Interest in the Production Allocation Substances, but does not include any further instruments or interests given by a Working Interest Owner, such as overriding royalty or farmout arrangements;
- (e) “**Minister**” means the Minister of Energy and Minerals;
- (f) “**Operating Agreement**” if applicable, means the agreement, as amended or replaced from time to time, entered into by the Working Interest Owners that governs their operations on the Production Allocation Area;

Commented [CB1]:

A PAUA benefits the freehold and Crown royalty interest and Working Interest Owners that join it by allowing for economic production of the Production Allocation Substances by the avoidance of unnecessary drilling. It is the Operator’s responsibility to gather all the relevant parties’ support and participation in the PAUA. It is not the Crown’s role as Royalty Interest Owner, since the Crown’s main interest is to ensure that it receives the royalties on any production of Crown minerals.

Commented [JH2]: The name is based on the field/pool of the unit well at the proposal stage. Alberta Energy and Mineral’s (AEM) internal system dictates the name of the unit which follows the format of the field/pool based on the proposed unitized well. If the unit name already exists, then by default a sequential number will be added at the end of the unit name. E.g. Provost (field) Cummings (pool) Agreement No. 1 or Provost Cummings Unit No. 2, etc. If necessary AEM will advise the applicant to change the unit name.

INSTRUCTION: Replace the proposed Name of Agreement in all occurrences throughout the entire agreement, as well as, on all Exhibits.

Commented [CB3]:

Drainage wells are not always involved in a (horizontal well) PAUA, but if they are, they should be identified because they are important for determining the tract participation. For example, two wells both draining the unitized zone and production is being reported to the one well. The drain well status is identified as such. Since this clause is not always used, ‘if applicable’ was added for clarification.

Commented [CB4]:

Only freehold mineral owners and the Crown can be Royalty Interest Owners. Only the freehold lessee and Crown lessee can be Working Interest Owners.

- (g) **“Operator”** means a Working Interest Owner which is from time to time designated as Operator;
- (h) **“Party”** means a person who is bound by this Agreement;
- (i) **“Producing Well”** means a well identified as part of the Well for the purposes of this Agreement that produces Production Allocation Substances and to which all such production is assigned by the Regulator;
- (j) **“Production Allocation Area”** means the lands described in Exhibit “A” and shown outlined on Exhibit “B”;
- (k) **“Production Allocation Substances”** has the meaning identified in **Alternative [number]** below. *The alternatives that are not selected have no application to this agreement.*

Alternative 1(Natural Gas):

Natural gas together with associated substances in or obtained from the Production Allocation Zone through the Well, both before and after it has been subjected to any processing, and includes all liquid hydrocarbons other than crude oil;

Alternative 2 (Petroleum and Natural Gas):

Petroleum, natural gas and other hydrocarbons, (except coal), or any of them, and all other substances associated therewith, produced from the Production Allocation Zone through the Well;

Alternative 3 (Petroleum and Related Hydrocarbons, excluding Natural Gas):

Petroleum, solution gas and related hydrocarbons (other than coal) and any other substances, whether hydrocarbons or not, which are produced in association therewith, or any of them, but does not include natural gas occurring in its free state, in or obtained from the Production Allocation Zone through the Well;

- (l) **“Production Allocation Zone”** means the [formation name] Formation occurring between the depths of [depth] m and [depth] m [KB] as shown on a portion of the [log name] Log of [well name], identified as [unique well identifier], (a copy of the log is attached hereto as Exhibit “C”), within and under the Production Allocation Area;
- (m) **“Regulator”** means the Alberta Energy Regulator;
- (n) **“Royalty Interest”** means:
 - (i) an absolute ownership interest, or a fee simple or similar ownership estate, in Production Allocation Substances in the Production Allocation Zone, or
 - (ii) a right under the Lease or pursuant to the *Mines and Minerals Act* to a share of Production Allocation Substances produced from the Production Allocation Zone,

Commented [CB5]:
INSTRUCTION:
 Indicate the specific Alternative being selected, 1, 2 or 3 respective to the produced substance.

Commented [CB6]:
INSTRUCTION:
 Fill in the required proposed well log information: formation name, depths, log name, well name and unique well identifier.

Commented [CB7]:
INSTRUCTION:
 Select from the dropdown box the measurement that applies. KB, MD or TVD

Commented [CB8]:
 This does not include an Overriding Royalty, net profits interest or similar obligations owed by third parties created through a contractual obligation other than the Lease.

or to a share of the proceeds from the sale of such Production Allocation Substances, or to a payment based on the quantity or value of such Production Allocation Substances,

but does not include a Working Interest or any further interests given by a Working Interest Owner in respect of the Production Allocation Substances, the interest of a purchaser of such Production Allocation Substances after production, a mortgage, charge or other security interest, or any right of a government agency to a payment based on the quantity or value of such Production Allocation Substances;

- (o) **“Royalty Interest Owner”** means a Party owning a Royalty Interest;
- (p) **“Tract”** means a parcel of land in the Production Allocation Area described and assigned a Tract number in Exhibit “A” and shown outlined on Exhibit “B”;
- (q) **“Tract Participation Factor”** means the percentage allotted to a Tract and set forth in Exhibit “A”;
- (r) **“Well”** means [well name], identified as and consisting for the purposes of this Agreement of [unique well identifiers of the Producing Well and if applicable the Drainage Wells associated with the Well];
- (s) **“Working Interest”** means any interest which entitles the owner thereof to produce and dispose of, or to participate in the production and disposition of, Production Allocation Substances, and with which is associated a responsibility for bearing all or a portion of the costs of recovering such Production Allocation Substances; and
- (t) **“Working Interest Owner”** means a Party owning a Working Interest.

Commented [CB9]:
The well clause is used to define the PAUA well and any drain wells. The well is used to calculate the tract factors and also has associations to other clauses in the model agreement document. PAUAs are single well based, while unit agreements have a separate well list (Exhibit 'E') due to the numerous wells used in determining the unitized tract factors, zone, etc.

INSTRUCTION:
Fill in required well information: well name, unique well identifier of the Producing Well, drainage well(s) associated with the well, if applicable.

1.2 Headings

The headings of the Articles and clauses of this Agreement have been inserted for convenience of reference only and shall not affect the construction or interpretation of the Agreement.

1.3 References

In this Agreement, words importing the singular shall include the plural and vice versa; wording importing gender shall include the masculine, feminine and neuter genders; and references to persons shall include individuals, corporations, partnerships, bodies politic and other entities, all as the context may require.

1.4 Time

In the Agreement all times are Mountain Standard Time or Daylight Saving Time, whichever is then being used and observed in accordance with the Daylight Saving Time Act (Alberta).

1.5 Dual Capacity

If a Party owns a Working Interest and a Royalty Interest, its execution and delivery of this Agreement shall constitute execution and delivery in both capacities.

1.6 Notification of Parties

Within 30 days of full execution of this Agreement, the Operator shall forward to each Party notification of the Effective Date together with a copy of the execution pages of all the counterparts, and shall also submit to the Regulator one copy of this Agreement.

Commented [JH10]: The Crown as Party to this unit requires one copy of the unit agreement, exhibits and original copies of all counterpart execution pages. Both AEM and the Regulator retain this information on file, however clients must contact the Regulator to retrieve any unit correspondence.

It is the Operator's responsibility to give a copy to the Regulator and AEM. Records can be scanned and electronically submitted to UnitAgreements@acr.ca.

ARTICLE II: EXHIBITS

2.1 Exhibits

The following Exhibits are attached to and incorporated in this Agreement:

- (a) Exhibit "A", which numbers and describes each Tract and sets forth its Tract Participation Factor and, with respect to each Tract:
 - (i) sets forth the names of the owners of the Working Interests in the Tract and their percentage Working Interests in the Tract,
 - (ii) sets forth the names of the owners of the Royalty Interests in the Tract and their percentage Royalty Interests in the Tract, and
 - (iii) identifies the Lease relating to the Tract, if any;
- (b) Exhibit "B", which is a plan of the Production Allocation Area identifying the Tracts;
- (c) Exhibit "C", which is a reproduction of a portion of the log depicting the Production Allocation Zone.

Commented [CB11]: The Exhibit 'A' outlines the tract participation share, land description, agreement numbers, working interest owners etc. The Exhibit 'A' may be revised by the Operator, as required.

Commented [CB12]: Exhibit 'C' shows the portion of the log identifying the top and bottom of the unitized interval. The log interval on the Exhibit 'C' is identified whereas it is the geological name that is assigned the production which is used to describe the Production Allocation Zone in the model agreement.

2.2 **Revision or Correction of Exhibits**

The Operator shall revise Exhibit “A” within 30 days of receiving notification in writing of any change of interest, due to any disposition of a Working Interest or of a Royalty Interest or of any interest therein, by way of sale, assignment, transfer, lease, sublease, conveyance, gift, change of possession or other transaction, together with documentary evidence of such disposition and counterparts of this Agreement executed by the acquiring parties who are not Parties. For a revised Exhibit “A”, the Operator shall number each such revised Exhibit consecutively, and shall identify on the revised Exhibit the effective date of that revision. To correct any clerical errors, the Operator shall provide a corrected Exhibit “A” and indicate “correction” beside the number of the Exhibit or the revised Exhibit being corrected, with any such correction being effective as of the effective date of the Exhibit or the revised Exhibit that it is correcting. Each time that Exhibit “A” is revised or corrected pursuant to this Agreement, the Operator shall supply the Regulator and the Minister with one copy each, and shall supply each Working Interest Owner with a copy thereof. Each Working Interest Owner shall supply each of its Royalty Interest Owners, excepting the Crown, with a copy thereof.

Commented [JH13]: Specifying this requirement for the Operator helps to identify the revised Exhibit and for the Parties to the PAUA to be clear on which Exhibit ‘A’ is effective at a particular time.

The Operator is required to supply the Regulator (email to: UnitAgreements@acr.ca) and the Minister (via Electronic Transfer System. [Information Bulletin 2016-01](#)) with a copy of a revised or corrected Exhibit ‘A’.

The Crown requires all revised exhibits to be numbered sequentially.

ARTICLE III: AUTHORITY TO WORKING INTEREST OWNERS

3.1 Operations

The Working Interest Owners are hereby granted the right to develop and operate the Well for the production of Production Allocation Substances from the Production Allocation Zone in such manner and by such methods as the Working Interest Owners consider necessary and proper.

3.2 Delegation

The Working Interest Owners, if more than one, may delegate to the Operator any of the rights and powers herein or otherwise granted to them.

3.3 Decisions of Working Interest Owners

If there are two or more Working Interest Owners, any matter to be determined under this Agreement by the Working Interest Owners shall be determined in accordance with the provisions of the Operating Agreement, if applicable.

ARTICLE IV: ALLOCATION OF PRODUCTION ALLOCATION SUBSTANCES

4.1 Tract Participations

Each Tract has a Tract Participation as shown on Exhibit “A”.

4.2 Allocation Among Tracts

On and after the Effective Date of this Agreement, the Production Allocation Substances when produced from the Well shall be allocated among the Tracts in accordance with their respective Tract Participation Factors. Subject to clause 6.1, the amount of Production Allocation Substances so allocated to each Tract, and only that amount, shall be deemed conclusively to have been produced from the Tract.

4.3 Allocation Among Parties

- (a) The Production Allocation Substances allocated to a Tract shall be allocated among the Working Interest Owners in that Tract in accordance with their respective Working Interests in the Tract as set forth in Exhibit "A".
- (b) The Working Interest Owner in each Tract shall account to the Royalty Interest Owner in that Tract, in accordance with clause 6.1, for any royalty payable or deliverable to that Royalty Interest Owner in respect of the Production Allocation Substances allocated to that Tract pursuant to clause 4.2.

ARTICLE V: CANCELLATION OF LEASE

5.1 Lease Cancellation

If a Lease, of which the Crown is not the lessor, is cancelled, surrendered or terminated,

- (a) the lessor of such Lease shall have the right, by notice to the other Parties within ten days of the confirmation of such cancellation, surrender or termination, to assume and be bound by this Agreement and any applicable Operating Agreement as the owner of the Working Interest covered by such Lease, effective as of 0800 on the first day of the month following the date on which such cancellation, surrender or termination is confirmed.
- (b) after expiry of the ten day period provided by clause (a), if the lessor has not so assumed the Working Interest, then the Working Interest Owners, in the proportion of their Working Interests, shall have the right by notice to the other Parties within ten days to assume such Working Interest; in which case the lessor, without consideration except as provided in clause 5.2, shall issue them a Lease with respect thereto on the same terms and conditions as the Lease which was cancelled, surrendered or terminated.
- (c) after expiry of the total 20 day period provided by clauses (a) and (b), if the lessor and Working Interest Owners have not so assumed the Working Interest, then the lessor shall then have the right by notice to the other Parties within 20 days, to issue a Lease, covering the Working Interest of the Lease that was cancelled, surrendered, or terminated, to a person who is not an existing Working Interest Owner under this Agreement. Upon execution of a counterpart of this Agreement, such person shall become the Working Interest Owner for the Lease and shall be bound by this Agreement and any applicable

Commented [CB14]:

Clause 5.1 describes the measures that the freehold lessor or the existing working interest owners could take to continue operating under the PAUA, despite the cancellation, surrender or termination of a freehold lease. Without these measures, the PAUA would terminate and the parties would have to restart the unitization process.

Regarding the working interest left vacant by the terminated freehold lease, the freehold lessor has priority in deciding to assume the working interest under clause 5.1(a) and can deal with the working interest subsequently. If not, then the existing Working Interest Owners can step in to preserve the PAUA under clause 5.1(b). This allows the freehold lessor to remain entitled to its share of the royalty and other benefits under the freehold lease, in addition to being able to recover some or all outstanding royalties under clause 5.2.

Clause 5.1(c) was added to respond to the termination of a freehold lease. This clause is available to the freehold lessor if clause 5.1(a) and clause 5.1(b) are not taken, in order to respect the rights and interests of existing parties to the PAUA. As a last resort, if the freehold lessor and the existing Working Interest Owners do not assume the working interest, the freehold lessor can preserve the PAUA by bringing in a new freehold lessee as a new Working Interest Owner.

Operating Agreement effective as of 0800 on the first day of the month following the date on which such cancellation, surrender or termination is confirmed.

Unless the lessor or all or some of the Working Interest Owners or a person who is not an existing Working Interest Owner so assume such Working Interest by clauses (a), (b), or (c), this Agreement shall terminate effective as of the date of confirmation of the cancellation, surrender or termination of the Lease.

5.2 Outstanding Royalties

If some or all of the existing Working Interest Owners or a person who is not an existing Working Interest Owner assume, pursuant to clause 5.1, the Working Interest covered by the Lease which has been cancelled, surrendered or terminated, they shall pay the net proceeds, after the deduction of all of their costs, of the share of Production Allocation Substances allocated to that Working Interest to the Royalty Interest Owner until such time as the Royalty Interest Owner has recovered any outstanding ascertained royalty liability relating to Production Allocation Substances previously allocated to such Working Interest.

ARTICLE VI: ROYALTY

6.1 Calculation of Royalty

The Working Interest Owner in each Tract shall calculate the royalty for that Tract:

- (a) on the total amount of Production Allocation Substances produced from the Well, and
- (b) at the rate under the Lease or pursuant to the *Mines and Minerals Act*, as the case may be,

and shall pay or deliver to the Royalty Interest Owner in the Tract a royalty share of production based on the amount of Production Allocation Substances allocated to the Tract.

6.2 Disposition of Royalty Interest Owner's Share of Production Allocation Substances

In the event that any portion of a Working Interest Owner's share of Production Allocation Substances allocated to a Tract is deliverable in kind to an owner of a Royalty Interest in respect of that Tract, such Working Interest Owner shall ensure that such royalty delivery obligations are satisfied.

ARTICLE VII: INFORMATION

7.1 Access for Inspection Purposes

- (a) Any Party may, by notice in writing, require the Operator to submit to him copies of records in respect of the production of Production Allocation Substances from the Well, and the Operator shall comply with the notice within 30 days of the date of the notice.
- (b) Upon reasonable prior notice to the Operator, the Operator shall permit and facilitate any Party or its authorized representative, at all reasonable times and at the Party's sole risk and expense, to enter upon and have access to the wellsite for the purpose of inspecting equipment or facilities associated with the Well, or for the purpose of inspecting any records of production of Production Allocation Substances from the Well.

Commented [CB15]:

The PAUA agreement does not limit itself to a date to avoid conflict with an existing operating or other form of contractual agreement. Only a Party to the PAUA agreement or its authorized representatives can access the site. A Party is a Working Interest Owner or Royalty Interest Owner who is bound by the agreement. If this scenario is a concern for operators, then their joint operating agreement should be more specific on these details especially regarding Health, Safety and Environment (HSE) type matters.

ARTICLE VIII: STATUTORY COMPLIANCE

8.1 Laws and Regulations

In exercising their respective rights and discharging their respective obligations under this Agreement, the Parties shall comply in all material respects with all statutes, regulations and other lawful governmental directives from time to time in force in the Province of Alberta. In the event of any conflict between the provisions of this Agreement and the provisions of any such statute, regulation or other lawful governmental directive, the provisions of such statute, regulation or directive shall take precedence.

ARTICLE IX: EFFECT ON LEASES

9.1 Continuation of Leases

All operations conducted with respect to the Production Allocation Zone or production of Production Allocation Substances shall, except for the purpose of calculating payments to Royalty Interest Owners, be deemed conclusively to be operations upon or production from the Production Allocation Zone in each Tract, and such operations or production shall continue in full force and effect each Lease and any other agreement or instrument relating to the Production Allocation Zone or Production Allocation Substances as if such operations had been conducted on, and a well was producing from, each Tract or portion thereof in the Production Allocation Area.

Commented [CB16]:

Clause 9.1 reflects section 15(1)(b) of the PNG Tenure Regulation, which allows for continuation of Crown leases located within a unit area of a unit agreement (e.g. PAUA). This clause provides for freehold leases covered by PAUAs to be similarly continued.

9.2 Leases Amended

Each Lease and any other agreement or instrument relating to the Production Allocation Zone or Production Allocation Substances is hereby amended only to the extent necessary to make it conform to this Agreement.

ARTICLE X: TERM AND TERMINATION

10.1 Effect of Execution and Delivery

Subject to clause 10.3, this Agreement is binding upon a person who executes and delivers a counterpart thereof to the Operator, and that person is bound by this Agreement as of the time of such delivery.

10.2 Term of Agreement

The allocation of production provided for herein shall become effective at 0800 on the first day of the first calendar month which is the earliest of:

- (a) the month in which production of Production Allocation Substances from the Well commences, or
- (b) the month following the date of execution and delivery of this Agreement, in accordance with clause 10.1, by the owners of 100% of the Working Interest and 100% of the Royalty Interest within the Production Allocation Area.

That date and time is referred to in this Agreement as the Effective Date of this Agreement.

10.3 Release of Parties

Notwithstanding clause 10.2, this Agreement shall cease to bind the Parties or to be effective unless it is executed and delivered, in accordance with clause 10.1, by the owners of 100% of the Working Interest and 100% of the Royalty Interest within the Production Allocation Area, on or before the 1st day of [month], [year].

Commented [CB17]:
There are no 'Survival of Terms' necessary for this PAUA. Each lessee already has an obligation under their existing lease to conduct future operations. The Working Interest Owners and Royalty Interest Owners would continue any ongoing obligations to each other under their applicable leases, farm-outs and Joint Operating Agreements etc. The Crown needs to release itself as Party to this agreement.

10.4 Automatic Termination

This Agreement shall terminate upon the occurrence of the earliest of:

- (a) the inclusion of the Production Allocation Zone within and under, and subject to the terms of a Unit Agreement,
- (b) the permanent abandonment of the Well or of the Production Allocation Zone within the Well, or
- (c) the surrender or cancellation of any Crown Leases relating or pertaining to the Production Allocation Zone,

Commented [CB18]:
The Operator completes this information since they have an idea of how long it will take to have the PAUA fully executed. If there are unforeseen delays after the PAUA has been submitted, then the date will be changed to accommodate additional time BEFORE the agreement is fully executed.
INSTRUCTION:
Fill in the date following the format: month, year

and the Parties shall thereupon cease to be bound by the provisions of this Agreement.

10.5 Notice to Terminate

- (a) If a new Drainage Well or Producing Well is drilled or an existing Drainage Well or Producing Well is lengthened or otherwise modified without an amendment to this Agreement being executed by all of the Parties to include the new Drainage Well or Producing Well or the modifications to the existing Drainage Well or the existing Producing Well under this Agreement and to correspondingly change and adjust the Tract Participation Factor of the Tracts, the Crown may give the Operator written notice of its intention to terminate this Agreement. If the Parties have not executed an amendment Agreement that accomplishes all of the above objectives and deals with all of the above matters,
- (i) within the period of four months following the date of the written notice, or
 - (ii) if an extension of the four month period is mutually agreed upon by the Crown and the Operator, within that extended period,

this Agreement shall terminate at the end of the four month period or of the extension of the four month period.

- (b) If, at any time after the Effective Date of this Agreement, the Well ceases to produce Production Allocation Substances for a period of 12 consecutive months or more, for a reason not contained in or contemplated by clause 11.5, any Party may give the Operator written notice of its desire to terminate this Agreement. If upon the expiry of a period of three months following the giving of any such notice the Well has not recommenced production of Production Allocation Substances, this Agreement shall terminate.

10.6 Notice to Royalty Interest Owners

The Operator shall give notice of the termination of this Agreement, within 30 days of its occurrence, to the Royalty Interest Owners.

ARTICLE XI: MISCELLANEOUS

11.1 Warranty of Title

Each of the Parties represents and warrants that, to the best of its knowledge, it has good right, full power and absolute authority to enter into this Agreement, that the Leases and any title documents relating to the Production Allocation Area are valid and subsisting documents, and that the obligations, covenants, provisions and condition on its part under the Leases have been kept, observed and performed to the date on which it executes and delivers to the Operator a counterpart of this Agreement.

Commented [CB19]:

The Crown enters into PAUAs under section 102 of the *Mines and Minerals Act* and PNG Tenure Regulation. The Minister can give notice and withdraw from a unit agreement due to no unit operations being conducted which also applies to PAUAs. 12 months of non-productivity can qualify a Party to give 3 month notice to the Operator to terminate the PAUA under section 24(2) of the Regulation.

11.2 Inurement

This Agreement shall inure to the benefit of, and be binding upon, the respective executors, administrators, successors and assigns of the Parties including, but not limited to, any individuals or corporations granted or assigned Working Interests subsequent to the Effective Date of this Agreement.

11.3 No Partnership, Joint Venture or Joint Operation

Nothing herein contained shall be read or construed as creating a partnership or joint venture, or as imposing upon any Party any partnership or joint venture duty, obligation or liability of any kind.

11.4 Time of the Essence

Time is of the essence in this Agreement.

11.5 Force Majeure

Neither the Operator nor any other Party shall be deemed to be default with respect to non-performance of its obligations hereunder, other than financial, if and so long as its non-performance is due, in whole or in part, to any cause beyond its reasonable control, but lack of funds shall not be a cause beyond a Party's reasonable control. The performance of such obligations shall begin or be resumed within a reasonable time after such cause has been removed. Neither this Agreement nor any other agreement or instrument relating to the Production Allocation Zone or Production Allocation Substances shall terminate by reason of suspension of operations for any cause set forth in this clause.

11.6 Execution in Counterpart

This Agreement may be executed in separate counterparts and all the executed counterparts together shall constitute one agreement.

IN WITNESS WHEREOF the Parties have duly executed this Agreement as of the date shown opposite its name hereunder.

DATE: _____

HIS MAJESTY THE KING IN RIGHT OF ALBERTA, as represented by the Minister of Energy and Minerals

Per: _____ {seal}

Per: _____ {seal}

ADDRESS FOR SERVICE:

11th Floor, North Petroleum Plaza
9945-108 Street
Edmonton, Alberta T5K 2G6

Fax No. (780) 422-5447

Commented [JH20]: INSTRUCTION:

Prepare counterpart execution pages and provide enough copies to AEM to sign, so each agreement holder will have an executed page from AEM.

For example, if there are two Working Interest Owners and two Royalty Owners submit four execution pages for our signature. They will be signed by AEM and returned to the Unit Operator who will include them in each agreement holder's copy of the PAUA.

Please note you may either list all companies included on one page or have a separate page for each company.

COUNTERPART EXECUTION PAGE TO AN AGREEMENT ENTITLED
“[Name of Agreement]”

IN WITNESS WHEREOF the Parties have duly executed this Agreement as of the date shown opposite its name hereunder.

DATE: _____

Per: _____ { seal }

Per: _____ { seal }

ADDRESS FOR SERVICE:

Commented [JH21]: As per the Mines and Minerals Administration Regulation, section 23.3(3) and 23.5(1), unit operator can submit signed and dated execution pages electronically.

INSTRUCTION:

All 'signed and dated' execution pages must be combined into a single PDF and submitted under one email to EnergyUnitsHelpDesk@gov.ab.ca. In the email Subject line, include the Crown assigned unit name and number.

AEM will reply to the email and acknowledge receipt.

COUNTERPART EXECUTION PAGE TO AN AGREEMENT ENTITLED
“[Name of Agreement]”

EXHIBIT "A" - PART I

ATTACHED TO AND MADE PART OF AN AGREEMENT ENTITLED
 “[Name of Agreement]”

Tract No.	Land Description (M R T: Sec)	Lease Number	Royalty Interest Owner	Share of Royalty Interest Owner (%)	Tract Participation (%)	Working Interest Owner	Share of Working Interest (%)	Share of Tract Participation (%)
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SAMPLE

Commented [JH22]: INSTRUCTION:
 Fill in the required Exhibit A information:

- Tract No. must be in consecutive order
- Land Description must follow the format M R T: Sec
- Lease Number is required for both Crown and Freehold tracts
- Royalty Interest Owners must be filled in
- Share of Royalty Interest Owner (%) is a new column. For Freehold (FH), record FH royalty interest owner’s % in the overall Tract Participation (Note: AEM does not validate or use these numbers. See waiver below). For Crown, record 100%. This column cannot be blank.
- Tract Participation (%) must have consistent use of decimal points (no more than 7 decimal points)
- Working Interest Owner must be filled in
- Share of Working Interest (%) must equal to 100% at a tract level
- Share of Tract Participation (%) must equal back to the Tract Participation (%) at a tract level

Commented [CB23]:
 This is a summary of the Working Interest Owners.

INSTRUCTION:
 List the Working Interest Owners on each line with the corresponding sum of its Share of Tract Participation (%).

Commented [CB24]: INSTRUCTION:
 Ensure this is included at the bottom right corner

Commented [JH25]: This waiver must remain at the bottom of Exhibit A at all times.

Working Interest Owners:

_____ %

_____ %

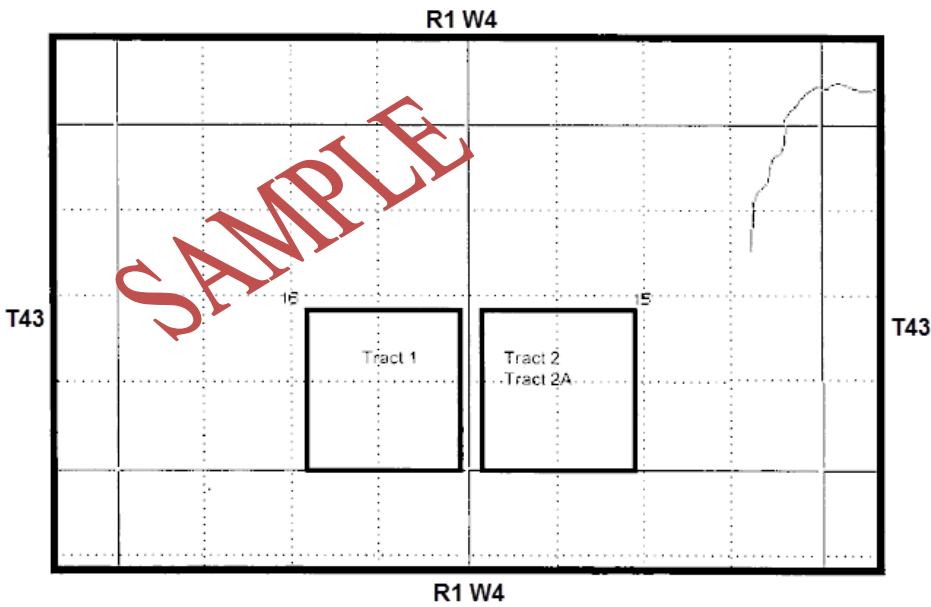
Effective as of the Effective Date

Note: The Crown is not responsible for the information provided by the Royalty Interest Owners who have an absolute ownership interest, or a fee simple or similar ownership estate in the Production Allocation Substances in the Production Allocation Zone.

EXHIBIT "B"

ATTACHED TO AND MADE PART OF AN AGREEMENT ENTITLED
"[Name of Agreement]"

[PLAT OF UNIT AREA]



Commented [CB26]:
INSTRUCTION:
Add the plat of unit area.

Outline the unit area with a bold line and record tract numbers on the corresponding drilling spacing unit.

The Exhibit 'B' should show only the outline of the unit area. Do not include any wells, well paths and text boxes.

Effective as of the Effective Date

Commented [CB27]:
INSTRUCTION:
Ensure this is included at the bottom right corner

EXHIBIT "C"

ATTACHED TO AND MADE PART OF AN AGREEMENT ENTITLED
"[Name of Agreement]"

A portion of the [Log Name] Log recorded at the well [Unique well identifier] located in LSD [Well location].

Commented [CB28]:
INSTRUCTION:
Fill in the header with the required information: log name, unique well identifier and well location.

[Well Log]

Commented [CB29]:
Since there is no provision in the agreement to amend this Exhibit 'C', the notation 'Effective as of the Effective Date' is not required.

INSTRUCTION:
Insert a section of the well log showing the unitized interval.

Record the Top and Bottom interval and identify the unitized interval using thick horizontal lines

