

**Major Differences From November, 2006 Draft
(July 19, 2007)**

General

- Continued editing to attempt to make the outcomes more transparent to a non-legal audience, with edits on a lesser scale than in the previous drafts.
- The document has generally been updated to reflect the vast majority of the comments that were received.

Article 1.00

- Def'n of AFE: Added an annotation about the possible use of an interim AFE for wells for which the pre-Spud costs for such matters as consultation and studies are expected to be significant.
- Def'n of Affiliate: Modified to add a reference to trusts.
- Def'n of Extraordinary Damages: Expanded annotations to provide greater clarity about the interrelationship with Clause 4.04 and indemnification obligations for third party losses.
- Def'n of Gross Negligence or Wilful Misconduct: Expanded annotations about potential inclusion of a "Senior Supervisory Personnel" qualification in certain high risk operating areas as is typically done in international and frontier agreements.
- Def'n of Market Price: Reworked definition. Added optional sentence allowing use of an organizational "pool price" for physical sales from the jurisdiction to provide parties with the flexibility to simplify administration.

Article 3.00

- Subclause 3.10A: Added sentence like the last sentence of Clause 3.04 to require a Party to prove Gross Negligence or Wilful Misconduct in order to recover if a Title Document is lost. Associated annotation and consequential changes to Article 4.00.

Article 6.00

- Clause 6.01: Modified Subclause B to allow an Operator to enter into some G&P arrangements for the Joint Account on an interruptible basis to reflect what actually happens in the marketplace. Associated annotation.

Article 7.00

- Have modified Clauses 7.01 and 10.03 to modify the timing for Commencement of an Operation to provide greater flexibility for the situation in which a party makes a commitment to a regulatory authority to conduct an Operation as a condition of an extension of the tenure (i.e., BC lease).

Article 10.00

- Subclause 10.02A: Added an additional sentence that makes it clear that the notice and response period in Clause 10.02 applies to a proposed well for which a holding or other modification to spacing or drilling density would be required to produce. Associated annotation.
- Subclause 10.02G: Added an annotation about the circumstances in which the Parties might choose to amend their agreement to override the election deferral process in F for a deep Development Well program.
- Clause 10.04: Major editing. Added a proviso that an Operator taking over the proposed Operation does not have the right to assume contracts for goods and services entered into by the Proposing Party unless those contracts pertain exclusively to the Operation. Associated annotation.
- Clause 10.06: Added a third tier of cost adjustment-90% for wells for which the original drilling rig release date is more than 180 months before issuance of the Operation Notice requesting equalization. Modification to the annotation.
- Subclause 10.07B: Modified, so that the former Development Well participants subject to a cost recovery have the right to participate if the well is being plugged back in the Exploratory Well formations for an uphole Recompletion. This requires any such electing Party to pay back the outstanding portion of the amount reimbursed to it, plus the unrecovered amount of the principal amount of any Equipping Costs in the cost

recovery account. Associated annotation and consequential changes to the definition of Receiving Party and Clause 10.08.

- Subclause 10.08B: Modified the responsibility to reimburse the WI share of associated Equipping Costs from 50% to the principal amount remaining outstanding in the cost recovery account.
- Subclause 10.08C: Added a field inspection right to assess the technical integrity of the well and HSE.
- Subclause 10.08F: Modified the responsibility for incremental costs if the new equipment will serve substantially the same function as equipment that already exists on the well. Associated annotation.
- Clause 10.10: Added an annotation about the need to consider adding an additional provision for Joint Lands in B.C. to address the situation in which a Party “commits” to work to obtain an extension to a lease.
- Subclause 10.13E: Added a field inspection right to assess the technical integrity of the facility and HSE.
- Clause 10.19: Modified to correct a flaw in the historic provision when there are layered operations in a well (i.e., different Parties elected not to participate at different times).

Article 13.00

- Clause 13.01: Reworked the Clause and the associated annotations on the segregation issue to align more fully to the CAPLA initiative. Consequential changes in Subclause 24.04B and the associated annotations.

Article 18.00

- Clause 18.05: Added an annotation about the benefits of creating additional documentation to address the Parties’ expectation for management and licencing of jointly held seismic data.

Article 21.00

- Clause 21.03: Made audit exceptions an optional Paragraph and included a negotiated financial limit. Associated annotation.

Article 25.00

- Clause 25.06: Added a new Clause to address the expectation that inconsistent ownership that evolves over time would not allow a Party to initiate an application to terminate a holding.