

MADE at the City of Calgary, in the
Province of Alberta, on

26th day of October 2005


ALBERTA ENERGY AND UTILITIES BOARD

WHEREAS the Lieutenant Governor in Council, by Order in Council numbered O.C. 491/2005 dated October 19, 2005, hereto attached as Appendix A, has authorized the granting of this approval.

The Alberta Energy and Utilities Board, pursuant to the Oil and Gas Conservation Act, chapter O-6 of the Revised Statutes of Alberta, 2000, orders the pooling of tracts within a certain drilling spacing unit in the **Ewing Lake Field** as follows:

- 1) All tracts within Section 13 of Township 37, Range 21, West of the 4th Meridian, shall be operated as a unit to permit the production of gas from all zones to the base of the Belly River Group through a well to be drilled in Legal Subdivision 9.
- 2) Bears paw Petroleum Ltd. shall drill and, if commercial quantities of gas are encountered, complete a well in the drilling spacing unit as described in clause 1 hereof, within 6 months of the date of this order.
- 3) Bears paw Petroleum Ltd. (hereinafter called "the Operator") shall be the Operator of the said well and shall be responsible for the well and for all completing, producing and abandonment operations at the well.
- 4) The costs of drilling, operating and abandoning the well shall be paid by the Operator, subject to the terms and conditions hereinafter contained.
- 5) The Operator shall allocate to each tract its share of the production of gas from the drilling spacing unit, such share being in the same proportion to the whole of the production of the drilling spacing unit as the area of the tract is to the total area of the drilling spacing unit.
- 6) (1) Subject to clauses 7 and 8 hereof, the owner of a tract entitled to take the tract's share of production of gas may elect to take in kind and dispose of, or to direct the disposition of, the tract's share of production by notice to the Operator given
 - a) not less than 30 days before it is expected to place the well on production, or
 - b) thereafter not less than 60 days before the time at which the owner will start or resume taking in kind or directing the disposition of the share.(2) If an owner fails to give notice as provided for in subclause (1), the Operator shall sell the tract's share of production at not less than the current price in the Field and account to the owner for the proceeds of the sale.

- (3) If dispute arises between the Operator and an owner who elects to take in kind, or direct the disposition of his tract's share of production regarding the point of delivery of the tract's share, the dispute shall be referred to the Board and the Board's decision shall be final.
- 7) (1) If the well is placed on production, the owner of each tract in the drilling spacing unit shall pay each month to the Operator the tract's share of the operating expenses of the well, such share being in the same proportion as the allocation to each tract of its share of production in accordance with clause 5.
- (2) If a tract's share of the operating expenses for any month is not paid within 15 days of the time the owner of the tract has been billed for such expenses, and whether or not the owner of the tract has given notice under clause 6, the Operator shall
- a) sell the tract's share of the production of gas at not less than the current price in the Field,
 - b) remit 20 per cent of the proceeds of such sale to the owner of the tract,
 - c) apply on the tract's share of the operating expenses 80 per cent of the proceeds of such sale or such lesser amount as may be required to pay the tract's share of operating expenses, and
 - d) account to the owner for the balance of the proceeds of the sale of the tract's share of production.
- (3) If dispute arises between the Operator and an owner regarding the operating expenses of the well or the tract's share of such expenses, the dispute shall be referred to the Board and the Board's decision shall be final.
- 8) (1) If the well is placed on production, the owner of each tract shall pay to the Operator the tract's share of the actual cost of drilling the well to, and completing it in, the formation(s) referred to in clause 1, such share being in the same proportion to the whole of the actual cost of drilling the well to, and completing it in, the said formation(s) as the allocation to each tract of its share of production in accordance with clause 5.
- (2) The Operator shall give the owner of each tract within the drilling spacing unit a statement in writing of the tract's share of the actual cost of drilling and completing the well, and subject to the other provisions of this order, the owner of the tract shall, on or before 30 days after the later of the delivery of the statement to him, the issuance of this pooling order, or the well being placed on production, pay the share of the actual cost.
- (3) If a tract's share of the actual cost of drilling and completing the well is not otherwise paid within the time specified in subclause (2), and whether or not the owner of the tract has given notice under clause 6, the Operator shall
- a) apply a penalty equal to 200 per cent of the owner's tract's share of the actual cost of drilling and completing to that tract's share of the costs,

- b) sell the tract's share of production of gas at not less than the current price in the Field,
 - c) remit 20 per cent of the proceeds of such sale to the owner of the tract,
 - d) apply on the tract's share of the actual cost of drilling and completing, the portion of the 80 per cent of the proceeds of the sale of the tract's share of production remaining after payment of the tract's share of operating expenses pursuant to clause 7 or such lesser amount as may be required to pay the balance of the tract's share of the actual cost, and
 - e) account to the owner for the balance of the proceeds of the tract's share of production.
- (4) If dispute arises between the Operator and an owner regarding the cost of drilling and completing the well or the tract's share of the cost, the dispute shall be referred to the Board and the Board's decision shall be final.
- 9) (1) An owner is not required to make, and the Operator is not entitled to recover, payment under clauses 7 and 8 hereof
- a) if the well fails to produce gas from the formation(s) described in clause 1 hereof, or
 - b) exceeding in any month, 80 per cent of the value of the share of production that the Operator would otherwise be entitled to receive.
- (2) If the tract's share of production of gas in any month is sold by the Operator and the proceeds applied for payment under clauses 7 and 8 hereof, the proceeds shall be applied firstly to the payment under clause 7 and secondly to the payment of the tract's share of the cost of drilling and completing the well plus penalty.

END OF DOCUMENT



Province of Alberta
Order in Council

Appendix A

O.C. 491/2005

OCT 19 2005

ORDER IN COUNCIL

Approved and ordered:

Lieutenant Governor

The Lieutenant Governor in Council approves the making of Order No. P 290 by the Alberta Energy and Utilities Board in the form attached, being an order pooling tracts within a certain drilling spacing unit in the Ewing Lake Field.

CHAIR

For Information only

Recommended by: Minister of Energy

Authority: Oil and Gas Conservation Act
(section 80)