

ADDENDUM TO A PETROLEUM AND NATURAL GAS LEASE AND GRANT MADE
EFFECTIVE THE ____ DAY OF _____ A.D. 20__, BETWEEN

and

(hereinafter referred to as the “Lease”).

The Lease is hereby amended as follows:

1. The following phrase is deleted from the granting clause: “and to store and recover any substances injected into the Lands”;
2. Clause 1 (e) is amended by adding the following words: “but only to the extent that the foregoing are included in the Certificate of Title set forth above.”;
3. Clause 1 (f) is amended by deleting the phrase: “any well drilled on any spacing unit laterally adjoining the said lands” and substituting the phrase “any well on any spacing unit laterally or diagonally adjoining the said lands”;
4. Clause 1 (g)(iii) is amended by deleting the phrase: “injected substance” and substituting the phrase “substance injected for the purposes set forth in clause 1 (g)(i) above”;
5. Clause 1 (g)(iv) is deleted in its entirety;
6. Clause 3 is amended by deleting the word “producing” and substituting the phrase “commercial production of”.
7. Clause 4 (a) is amended by deleting the phrase: “the Lessee may deduct any reasonable expense incurred by the Lessee (including a reasonable rate of return on investment) for separating , treating , processing, compressing and transporting the leased substances to the point of sale beyond the wellhead” and substituting the phrase: “the Lessee may deduct any reasonable expense incurred by the Lessee in processing and transporting the leased substances beyond the wellhead (including a reasonable rate of return on investment).”;
8. Clause 4 (d) is amended by adding the following phrase: “including, without limiting the generality of the foregoing, all financial information relating to the reasonable expense deducted by the Lessee in determining the current market value at the wellhead.”;
9. A new Clause 4 (e) is added as follows: “The current market value for that portion of the leased substances comprised of natural gas and the condensate and natural gas liquids contained therein shall be equal to the Reference Price for the said substances as published by the Alberta Department of Energy, less any intra-Alberta transportation allowances or fractionation allowances permitted in determining the Crown’s valuation

price for Crown royalty purposes. Provided that, in the event that the Alberta Department of Energy or its successor ceases to publish monthly Reference Prices, transportation allowances and fractionation allowances, the current market value of natural gas and the condensate and natural gas liquids contained therein shall be based on the method then used by the Alberta Crown to establish a price for the said substances for Crown royalty purposes.”;

10. Clause 8 is amended by deleting the word “laterally” in the 2nd and 3rd lines, the 2nd line of 8(a), the 1st line of 8(b), the 2nd line of 8(c), and the 4th line of 8(d) and substituting the phrase “laterally or diagonally”;
11. Clause 9 (d) & (e) are deleted in their entirety and a new Clause 9 (d) is added: “If, at any time during or after the primary term, the Lessee wishes to unitize the lands or the leased substances or any portion, zone or formation thereof with any other lands, zones, formations or substances, the Lessee shall provide the Lessor with a copy of the proposed Unit Agreement together with a written request that the Lessor approve the proposed unitization. Any and all such requests by the Lessee shall be accompanied a summary of the basis and manner of the proposed unitization, including the manner of allocating unitized production among the tracts of land proposed to be unitized. The consent of the Lessor to such unitization shall not be unreasonably withheld.”;
12. Clause 9 (f) is re-numbered as Clause 9 (e) and amended by deleting the phrase “whether conducted before, after or during the exercise of the rights and powers granted under this Clause,”;
13. Clause 13 (a) is amended by adding the following sentence: “At the end of the Primary Term, the Lessee shall surrender all zones or formations within the Lands which lie below the base of the deepest formation completed for and capable of production of the Leased Substances within the Lands, the Pooled Lands or the Unitized Lands.”;
14. A new clause 13 (d) is added as follows: “In the event of the Lessee having registered in the Land Titles Office for the area in which the lands are situated, the lease and this addendum or any caveat or other document in respect thereof, the Lessee shall withdraw or discharge the documents so registered within a reasonable time after termination of this agreement. Provided that, in the event the lease and this addendum shall terminate but only as to a part thereof, the Lessee shall take such steps as may be necessary to amend or replace any caveat or other document registered with respect to the Lease and this addendum to limit it to those parts of the lease and this addendum that continue in force.”;
15. Clause 15 (b) is amended by deleting the phrase: “; nor shall it terminate if the Lessee within the 30 days of such final determination has remedied or commenced to remedy the breach or breaches, and having so commenced to remedy the breach or breaches, thereafter diligently continues to remedy the same.”;

16. A new clause 19 (e) is added as follows: “All payments to the Lessor shall be accompanied by a report setting forth the basis for the payment. The report shall include:
- (i) for crude oil: the volume produced in cubic meters; the volume sold in cubic meters; the price received per cubic meter sold; the gross sales proceeds; the deductions for transporting from the wellhead to the point of sale; and the net sales value for royalty purposes;
- (ii) for natural gas, condensate, propane, butane and pentanes plus: the volume of raw gas and condensate produced in thousands of cubic meters and cubic meters respectively; the volume of propane, butane and pentanes plus recovered from the raw gas in cubic meters; the volume of condensate, propane, butane and pentanes plus sold in cubic meters and the volume of residue gas sold in thousands of cubic meters; the heat content per unit volume of the residue gas sold in gigajoules per thousand cubic meters; the Reference Price of each of the products sold, including any adjustments for intra-Alberta transportation or liquid fractionation; the gross value of each of the products sold for royalty purposes; the total gross value of all products sold; the deductions for transporting from the wellhead to the point of sale; the deductions for processing; the total net value of all products sold for royalty purposes; and the total net value for royalty purposes as a percentage of the total gross value of the products sold.”
17. Clause 22 is amended by deleting the following sentence: “The terms of this agreement constitute the entire agreement between the parties, and no implied covenant or liability of any kind is created or shall arise by reason of anything contained herein.”; and
18. A new clause 27 is added under the heading “Applicable Law” as follows: “This agreement shall be construed under the laws of the Province of Alberta. The parties hereto agree that the ten-year period for seeking a remedial order under section 3(1)(b) of the Limitations Act, S.A., 1996 c. L-15.1 (the “Act”), as amended, for any claim (as defined in the Act) arising in connection with this lease shall be a period of time equal to the term of this lease plus two years (the “New Limitation Period”). Provided that, in no event shall the New Limitation Period be less than 10 years”.