

**PART OF THE ROYALTY CLAUSE, THE DEFAULT CLAUSE AND THE LEASE TERMINATION
CLAUSE IN CPR PETROLEUM LEASES PRESCRIBED BY THE CPR SUBSEQUENT TO THE 1953
BORYS DECISION**

- "7A. That **should the Lessee** in the course of its drilling operations on the said area **develop a flow of natural gas, the Lessee will pay to the Lessor** (in addition to the rent and royalty on the leased substances other than natural gas herein provided for) **a royalty of twelve and one-half percent (12 1/2%) of the current market value** at the place of such production **of so much of such gas as is actually sold**; and all the provisions of this Lease shall, so far as the same are applicable, apply to the operations of the Lessee resulting in the development of natural gas to the same extent as though liquid petroleum only were developed; **it being understood and agreed by and between the parties hereto:**
- (a) **That the Lessor does not warrant to the Lessee that the Lessor is the owner of the natural gas rights** in the said area, **but** the Lessor, for the term of this Lease or any renewal thereof or longer, **conveys to the Lessee all or any interest the Lessor may have in such natural gas, subject to the payment of the aforesaid rent and royalties.**
 - (b) **That, notwithstanding that the Lessor is not shown by the records of the Land Titles Office** for the ___ Alberta Land Registration District **to be the registered owner of the natural gas** under the said area, **the royalty payable in respect of said gas shall be paid by the Lessee to the Lessor until it shall be determined by a final judgement of a Court of competent jurisdiction, or it is acknowledged by the Lessor in writing, that the Lessor is not the owner of the said natural gas.**
 - (c) **That, if it should at any time be determined** by a final judgement of a Court of competent jurisdiction, or be acknowledged in writing by the Lessor, **that the Lessor is not the owner of the natural gas, then the Lessee shall thereafter pay the said royalty to the Lessor on such hydrocarbons only** within or under the area **as are owned by the Lessor, provided that no action shall be commenced or initiated by the Lessee against the Lessor to determine the ownership** of any of the hydrocarbons within, or under the said area.
 - (d) **In the event that an action is brought against the Lessor and the Lessee, or against either of them, in respect of the ownership** of any hydrocarbons other than coal and petroleum in or under said land, and that a final judgement is given by a Court of competent jurisdiction that the Lessor is not the owner of some of said hydrocarbons, and/or decreeing payment by the Lessor and Lessee, or either of them, of damages with or without costs in respect of hydrocarbons determined not to be owned by the Lessor and removed or interfered with by the operations of the Lessee, **the Lessee shall indemnify the Lessor against payment of** and shall pay the amount of such **damages and costs of actions, but, on the payment of such damages and costs by the Lessee, the Lessor shall refund to the Lessee the amount, without interest, of all royalties paid by the Lessee to the Lessor in respect of the hydrocarbons** produced from said land by the Lessee and **the ownership of which said Court has adjudged is not vested in the Lessor.**
18. **In the case of the breach or non-observance or non-performance on the part of the Lessee of any covenant, proviso, condition, restriction or stipulation herein contained** which ought to be observed or performed by the Lessee and which has not been waived by the Lessor, **the**

Lessor may give to the Lessee written notice requiring it to remedy such default and in the event of the Lessee failing to remedy such default within a period of Sixty (60) days from the receipt of such notice, this Lease shall thereupon terminate and it shall be lawful for the Lessor, into and upon the said lands (or any part thereof in the name of the whole) to re-enter and the same to have again, repossess and enjoy, anything herein contained to the contrary notwithstanding.

...

20. Within six months from the termination of this Lease from any cause, **if all rent and royalties due thereunder shall have been paid** and all covenants, provisos, conditions, restrictions and stipulations hereby imposed upon the Lessee shall have been duly observed and performed, **the Lessee may remove from the leased area all tools and machinery, buildings and erections which it may have placed thereon and may pull all casing** subject to compliance with the Government regulations in that respect, and that, **in default of removal within such period, all such tools and machinery, buildings, erections and casing shall be absolutely forfeited and shall become and be the property of the Lessor.**"

(emphasis added)