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'88 JUL 20 AM 10 30

Re: Registration of Significant Discovery Licence No. 197

WHEREAS Exploration Agreement No. 197 is deemed to be a significant discovery licence effective upon April 4, 1987 ("SDL No. 197") pursuant to ss.127(3) of the Canada-Newfoundland Atlantic Accord Implementation Act and ss.122(3) of the Canada-Newfoundland Atlantic Accord Implementation (Newfoundland) Act;

THEREFORE the Registrar, on behalf of the Board acknowledges and declares that SDL No. 197 is hereby registered to reflect the terms and conditions more specifically described within the following schedules attached hereto:

Schedule I	-	LANDS
Schedule II	-	OWNERSHIP
Schedule III	-	REPRESENTATIVE(S) AND ADDRESSES FOR SERVICE
Schedule IV	-	EXPLORATION AGREEMENT No. 197

Subject always to the provisions of ss.127(3) of the Canada-Newfoundland Atlantic Accord Implementation Act and ss.122(3) of the Canada-Newfoundland Atlantic Accord Implementation (Newfoundland) Act.

CNOPB / L'OCTNHE
INTEREST / TITRE

REGISTRATION NO. 188011

No. D'ENREGISTREMENT: _____

DATE: July 20, 1988

TIME/HEURE: 10:57

N. A. D. G. M.
REGISTRAR / DIRECTEUR

SCHEDULE I - LANDS

<u>LATITUDE/LONGITUDE</u>	<u>SECTIONS</u>	<u>HECTARES</u>
47°10'N 47°45'W	Secs. 40,49,50, 58,59,60,67,68, 69,70,77,78,79, 80,87,88,89,90, 97,98,99,100.	7722

TOTAL: 7722 HECTARES

SDL 197 (SOUTH TEMPEST G-88)

SCHEDULE II - OWNERSHIP

<u>LATITUDE/LONGITUDE</u>	<u>SECTIONS</u>	<u>INTEREST HOLDERS</u>	<u>PERCENTAGE SHARE</u>
47°10'N 47°45'W	Secs. 40,49,50, 58,59,60,67, 68,69,70,77, 78,79,80,87, 88,89,90,97, 98,99,100.	Mobil Oil Canada, Ltd. Petro-Canada Inc. Gulf Canada Corporation	56.250 25.000 18.750

SDL 197 (SOUTH TEMPEST G-88)

SCHEDULE III - REPRESENTATIVE(S) AND ADDRESSES FOR SERVICE

REPRESENTATIVE: Mobil Oil Canada, Ltd.

ADDRESS: P. O. Box 800
Calgary, Alberta
T2P 2J7

Attention: Land Department

Canada-Newfoundland Offshore Petroleum Board
Fifth Floor, TD Place
140 Water Street
St. John's, Newfoundland
A1C 6H6

Attention: The Chairman

SDL 197 (SOUTH TEMPEST G-88)

SCHEDULE IV

MAY 12 1988

EXPLORATION AGREEMENT - NO. 197

RECEIVED
Canada-Newfoundland
Offshore Petroleum Board

THIS AGREEMENT is effective as of the 15th day of
January, 1983,

BETWEEN

HER MAJESTY THE QUEEN in
right of Canada,
(hereinafter called
"Canada"), represented by
the Minister of Energy,
Mines and Resources

(hereinafter called the
"Minister")

AND

Mobil Oil Canada, Ltd.;

Gulf Canada Resources Inc.;

Petro-Canada Inc.

(hereinafter collectively
called the "Explorer").

WHEREAS the Minister is empowered pursuant to the Canada Oil and Gas Act (hereinafter called the "Act") to enter into an Exploration Agreement (hereinafter called the "Agreement") relating to the Lands;

AND WHEREAS the Minister and the Explorer have agreed to enter into the Agreement upon the terms and conditions hereinafter set forth;

AND WHEREAS the "Crown share" has been reserved to Canada pursuant to the Act;

NOW THEREFORE it is agreed by and between the parties hereto as follows:

1. INTERPRETATION

(1) In this Agreement, including all Schedules annexed hereto, unless the context requires otherwise:

- (a) "Act" means the Canada Oil and Gas Act;
- (b) "COGLA" means the Canada Oil and Gas Lands Administration in its capacity as agent for the Minister;
- (c) "Lands" means the Canada lands described in Schedule II or such portion thereof as remains subject to the Agreement from time to time;
- (d) "period" means a segment or portion of the term described in Schedule III or, if no period is described therein, means the entire term of this Agreement;
- (e) "Regulations" means any and all regulations now made or that may be made at any time under the authority of the Act, the Oil and Gas

Production and Conservation Act, and any Acts passed in substitution therefor.

(f) "work program" means the program of work authorized under the Act, as described in Schedule III;

(g) "work program prospect area" means an area, as approved by COGLA, bounded by section lines underlain by a geological prospect designated by the Explorer for drilling during the term of the Agreement.

(2) All words and phrases used in the Agreement have the meaning given by the Act or the Regulations.

(3) The Agreement is made under and subject to the Act, any Act passed in substitution therefor, the Regulations and the provisions of any other Act of Canada and regulations made thereunder that prescribe, relate to or affect the Agreement and the Act and Regulations and such other Act and other regulations shall be deemed to be incorporated into the Agreement as though specifically enumerated herein.

2. RIGHTS

(1) Without prejudice to any rights and liabilities of any of the parties hereto pursuant to the Act, the Agreement confers, during its term, with respect to the Lands, the right to explore for and the exclusive right to drill for oil or gas, the exclusive right to develop the Lands in order to produce oil or gas, and the exclusive right, subject to compliance with the provisions of the Act and the Agreement, to obtain a production licence.

(2) The rights under the Agreement shall be held by the interest holders in the shares and as to the lands as set forth and described in Schedule I as appended hereto or as amended from time to time.

3. TERM

The term of the Agreement is as set out in Schedule III unless otherwise terminated or extended pursuant to the Agreement or the Act.

4. SUCCESSIVE TERM

- (1) The Agreement may be renegotiated for the Lands, other than any portion thereof subject to a declaration of significant discovery, for successive terms not exceeding 5 years each. Failing such renegotiation and subject to subsections 16(3) and 16(4) and section 66 of the Act, the interest is deemed to be surrendered and the Lands become Crown reserve lands.
- (2) Where a successive term of the Agreement is being renegotiated and such renegotiation cannot be completed prior to the expiry of the term of the Agreement for any reason not attributable to the Explorer, the Minister shall extend the term, but not for any period in excess of 8 years including the term hereof, to allow for such renegotiation or for the making of an application to take a provisional lease.

5. SURRENDER

The Explorer may surrender the interest with respect to all or any portion of the Lands in accordance with the Act.

6. WORK PROGRAM

- (1) Subject to paragraphs 5, 7 and 12 herein, the Explorer shall, during the term of the Agreement, conduct, or cause to be conducted, the work program.
- (2) Unless otherwise provided for herein, the requirements of the work program are in respect of the Lands save and except for the Lands or any portion thereof subject to a declaration of significant discovery.
- (3) All wells either required to be drilled pursuant to the work program or proposed to be drilled, for the purposes of the procedure described in Schedule IV hereof, shall be drilled on work program prospect areas.

7. DEPOSITS

- (1) The Explorer shall make a deposit or deposits with COGLA, in a form satisfactory to the Minister in the amount, if any, set out in Schedule III.
- (2) Where a deposit has been made by the Explorer and the Minister has made a determination that
 - (a) the requirements and obligations for which the deposit has been made have been satisfied, the Minister shall direct that the deposit be refunded; or
 - (b) part of the requirements and obligations for which any deposit has been made have been satisfied, the Minister may, in his discretion, direct that the deposit or part thereof, be refunded.
- (3) Where the Minister has made a determination that the Explorer has not satisfied in whole or in part the requirements and obligations of the Agreement for which a deposit has been made by the Explorer he may, in his discretion, direct that the deposit, or a portion thereof, be immediately forfeited to Canada.
- (4) Notwithstanding the foregoing, the work deposits, if any, required for geophysical work as set out in Schedule III shall be refunded in the following manner:
 - (a) if less than one-half of the total reconnaissance and detailed seismic survey has been completed, there shall be no refund of the work deposit;
 - (b) if one-half or more of the total reconnaissance and detailed seismic survey has been completed, the refund of the work deposit shall

be the product of the total seismic survey deposit and the percentage equivalent of the quotient obtained by dividing the number of kilometres of completed seismic survey by the total number of kilometres of reconnaissance and detailed seismic survey required.

8. RELINQUISHMENT OF LANDS

The Agreement shall be deemed surrendered with respect to any portion of the Lands selected by COGLA in accordance with the procedure set out in Schedule IV hereto.

9. CANADA BENEFITS PLAN

Prior to the commencement of any work program, the Explorer shall, pursuant to subsection 10(3) of the Act, submit a plan satisfactory to the Minister for the employment of Canadians and providing Canadian manufacturers, consultants, contractors and service companies with a full and fair opportunity to participate on a competitive basis in the supply of goods and services used in that work program.

10. CANADIAN OWNERSHIP RATE

After December 31, 1982, each interest holder shall in accordance with subsection 10(5) of the Act, from time to time as required by the Minister, obtain and provide in a form satisfactory to the Minister, evidence of that interest holder's Canadian ownership rate, as determined under the Canadian Ownership and Control Determination Act.

11. SUBMISSION OF INFORMATION

- (1) The Explorer shall submit such documentation and information as is prescribed by the Regulations.
- (2) The Explorer shall submit to COGLA information with respect to the identity, the share of the interest and the contribution of each participant to the cost of operations conducted on the Lands under the terms of the Agreement.

12. PERFORMANCE AND DEFAULT

- (1) The Minister may determine, on the basis of evidence satisfactory to the Minister submitted by the Explorer for the purpose of that determination, whether the Explorer has satisfied the requirements and obligations under the Agreement.
- (2) Subject to subparagraph (3) hereof, where the Minister has made a determination under paragraph 12(1) that the Explorer has not satisfied the requirements under the Act or the Agreement, he may proceed in accordance with section 55 of the Act.
- (3) Failure to post the deposit or deposits as required by the Agreement, may result in a cancellation of the Agreement by the Minister and thereupon the Lands, other than any portion thereof subject to a declaration of significant discovery, become Crown reserve lands.
- (4) Subject to subparagraph (5) hereof, it is hereby understood and agreed that the remedies of the Minister for the failure of the Explorer to satisfy the requirements of the work program are limited to
 - (a) cancellation of the Agreement except as it relates to any portion of the Lands subject to a declaration of significant discovery;
 - (b) forfeiture of the deposits as provided for in paragraph 7 hereof; or
 - (c) both
- (5) It is hereby understood and agreed that the remedies of the Minister for the failure of the Explorer to satisfy the geophysical work requirements of the work program are limited to forfeiture of any deposit, or a portion thereof as determined in accordance with paragraph 7 hereof, made in respect of such geophysical work.

13. WAIVER AND RELIEF

- (1) Where the Minister is satisfied that the work program or any part thereof cannot be executed within the respective time periods and to the extent provided in

Schedule III, he may grant an extension or extensions thereof upon such conditions as he may deem appropriate but in no case shall the aggregate of the term and extension or extensions exceed eight years.

- (2) The Minister may in writing waive any breach of a covenant or term herein contained, but such waiver only relates to the specific breach to which it refers, and not to any subsequent breach of the same or a different kind.

14. INDEMNITY

- (1) Each of the interest holders in the Agreement shall, in respect of that portion of the Lands to which each such interest holder's share relates, at all times, jointly and severally, indemnify and save harmless Canada from and against all claims, demands, loss, costs, damages, actions, suits or other proceedings by whomsoever made, sustained, brought or prosecuted, in any manner based upon, occasioned by, or attributable to, anything done or omitted to be done by the Explorer, its contractors, servants or agents, in the fulfilment of agreements made herein or in the exercise of the rights or obligations contained herein.
- (2) For greater certainty, interest holders in this Agreement who do not hold shares with respect to that portion of the Lands in relation to which a claim, demand, loss, cost, damage, action, suit or other proceedings arises are not liable to indemnify Canada under subparagraph (1).
- (3) For the purposes of subparagraphs (1) and (2), "Canada" shall not include a Crown corporation.

15. SUCCESSORS AND ASSIGNS

Subject to paragraph 16, the Agreement enures to the benefit of and is binding on the parties and their respective heirs, administrators, successors and assigns.

16. TRANSFER OF INTERESTS

The Explorer shall be and continue to remain liable under the provisions of the Agreement unless and until such time as a transfer, assignment or other disposition in the approved form has been registered pursuant to the Act.

17. NOTICE

(1) Where in this Agreement or under the Regulations it is required that a notice, communication or statement (hereinafter called "notices") be given, such notices may be served on the Administrator of COGLA, on the behalf of the Minister, by personal delivery, registered prepaid post, telex or telecopy addressed to the Minister

c/o Administrator, Canada Oil and Gas
Lands Administration
355 River Road
Ottawa (Canada)
K1A 0E4

and to the Explorer at that address specified in Schedule V hereto, or such other addresses as may be designated from time to time by the respective parties.

(2) Notices may be served:

(a) personally by delivering them to the party on whom they are to be served at the foregoing address, provided such delivery shall be during normal business hours. Personally served notices shall be deemed received by the addressees when actually delivered as aforesaid;

(b) by registered prepaid post mailed to the foregoing address. Notices so served shall be deemed to be received on the fourth day after the day of posting, excluding Saturdays, Sundays and statutory holidays; or,

(c) by telex or telecopy directed to the party on whom they are to be served at that party's address for service. Notices so served

shall be deemed received by the respective addressees thereof: (i) when actually received by them if received within the normal working hours of a business day; or, (ii) at the commencement of the next ensuing business day following transmission thereof, whichever is the earlier.

18. BENEFIT

No member of the House of Commons shall be admitted to any part of this Agreement or to any benefit to arise therefrom.

19. HEADINGS

Headings used in the Agreement do not form a part thereof and shall not be used or referred to in construing or interpreting the provisions thereof.

20. REPRESENTATIVE

Unless otherwise designated in the prescribed manner, for the purpose of the Agreement the representative or representatives, as the case may be, of the Explorer shall be as specified in Schedule VI.

21. COUNTERPART EXECUTION

The Agreement may be executed in several counterparts, each of which so executed shall be deemed to be an original, and such counterparts together shall constitute one and the same instrument and it shall not be necessary in proving the same to produce more than one set of such counterparts.

IN WITNESS WHEREOF this Agreement has been executed on behalf of Canada by the Minister and by the Explorer.

DATED at Ottawa, this _____ day of _____, 1985.

WITNESS

MINISTER OF ENERGY, MINES AND
RESOURCES.

DATED at _____, this _____ day of _____, 1985.

MOBIL OIL CANADA, LTD.

DATED at _____, this _____ day of _____, 1985.

GULF CANADA RESOURCES INC.

DATED at _____, this _____ day of _____, 1985.

PETRO-CANADA INC.

SCHEDULE I

197 - MOBIL

<u>LAT./LONG.</u>	<u>OWNERSHIP</u>	<u>SHARE</u>	<u>CROWN SHARE</u>
46°40' X 47°30'NW/4	Mobil	56.25%	14.0625%
46°40' X 47°45'NE/4	Gulf Can. Res.	18.75%	4.6875%
46°50' X 47°30'W/2	Petro-Canada	25%	6.25%
46°50' X 47°45'N/2 & SE/4			
46°50' X 48°00'N/2			
46°50' X 48°15'N/2			
47°00' X 47°30'W/2			
47°00' X 47°45'			
47°00' X 48°00'			
47°00' X 48°15'			
47°10' X 47°45'			
47°10' X 48°00' SE/4			

SCHEDULE II

197 - MOBIL

<u>LATITUDE</u>	<u>LONGITUDE</u>	<u>HECTARES</u>
46°40'	47°30' NW/4	8 860
46°40'	47°45' NE/4	8 860
46°50'	47°30' W/2	17 685
46°50'	47°45' N/2 & SE/4	26 520
46°50'	48°00' N/2	17 670
46°50'	48°15' N/2	17 670
47°00'	47°30' W/2	17 630
47°00'	47°45'	35 260
47°00'	48°00'	35 260
47°00'	48°15'	35 260
47°10'	47°45'	35 150
47°10'	48°00' SE/4	<u>8 800</u>

Total: 264 625 HA

SCHEDULE III

1. TERM

The Agreement is effective as of January 15, 1983, and has a term of three (3) years unless otherwise extended, surrendered or cancelled.

2. WORK PROGRAM

(a) Prior to the expiry of the term the Explorer shall, subject to paragraphs 5, 7 and 12 of the Agreement, conduct or cause to be conducted a program of exploratory work described as follows:

- (i) undertake (in conjunction with Exploration Agreements nos. 196, 198, 199, 200, 201, 202) 4,500 kilometres of seismic survey on the Lands; and
- (ii) all pre-drilling, site and environmental studies as may be necessary to satisfy the requirements of the Regulations;
- (iii) drill the well or wells required by subparagraph 2(b) hereof at locations determined following consultation with COGLA and to depths approved by COGLA;

all in accordance with good oil field practice for the assessment of the potential for accumulations of oil and gas on the Lands.

(b) The Explorer shall drill a minimum of two (2) exploratory wells on the Lands. Subject to paragraph 8 of the Agreement:

- (i) satisfactory completion of each exploratory well on the Lands shall entitle the Explorer to maintain the provisions of the Agreement for the remainder of its term with respect to that portion of the Lands comprising a work program prospect area on which is drilled such exploratory well, together with any additional area as may be required by the Explorer to satisfy Petroleum Incentive Programme ("PIP") minimum area requirements;

.../2

- (ii) satisfactory completion of all required exploratory wells on the Lands shall entitle the Explorer to maintain the provisions of the Agreement with respect to the Lands for the remainder of the term;

3. DEPOSITS

- (a) Well deposits in the amount of \$5,000,000 per well will be required in respect of wells required or committed for drilling by the Explorer under the terms of the Agreement. Such deposits shall be made on or before the second anniversary date of the Agreement.
- (b) Geophysical work deposits in the amount of \$1,200 per kilometre of seismic survey will be required in respect of field acquired seismic survey required under the terms of the Agreement. Such deposits shall be made on or before that anniversary date of the Agreement commencing the year of the term in which the seismic data will be field acquired.
- (c) Deposits will be returned to the Explorer following approval by the Minister of the documents, reports and materials, submitted by the Explorer as evidence of completion of the work. The Minister may require the submission of statements of expenditure.
- (d) Prior to the respective anniversary dates, or at such other times as the Minister may determine, the Explorer shall provide the Minister with a written summary of operations carried out during the previous period and proposals for work to be conducted during the ensuing period.

SCHEDULE IV

Procedure for Relinquishment

The Explorer shall relinquish to Canada a portion of the Lands subject to the Agreement. The portion of the Lands to be relinquished will be determined in the following manner:

1. On or before the later of the second anniversary date of the Agreement or forty-five (45) days after the well termination date of a well the drilling of which was commenced on the Lands prior to that anniversary date:
 - (a) The Explorer shall select any significant discovery areas and any work program prospect areas with respect to wells previously drilled or then drilling under the terms of the Agreement. Any contiguous area additional to a particular work program prospect area required to satisfy Petroleum Incentives Program ("PIP") minimum area requirements may be selected;
 - (b) The Explorer may select any work program prospect areas on which a well is either required pursuant to the work program or proposed to be drilled under the terms of the Agreement. Any contiguous area additional to the particular work program prospect area required to satisfy PIP minimum area requirements may be selected;
 - (c) Subject to paragraphs 3 and 4 hereof, the Explorer may select from the Lands the lesser of 40,000 hectares or such smaller area as which, when combined with any previous area selection made under the Agreement at any time by the Explorer, is nearest to fifty per cent (50%) of the area of the Lands;
 - (d) Subject to paragraphs 3 and 4 hereof, COGLA may select from the Lands the lesser of 40,000 hectares or such smaller area as is nearest to fifty per cent (50%) of the area of the Lands or, where COGLA is selecting areas pursuant to the operation of paragraph 1(e) hereof, the lesser of 40,000 hectares or such smaller area as which, when combined with any previous area selection made under the Agreement by COGLA, is nearest to fifty per cent (50%) of the combined area of the Lands and any relinquished lands;

.../2

- (e) The foregoing area selection procedure described in paragraphs 1(c) and 1(d) hereof shall be repeated, if necessary, until COGLA has selected areas from the Lands to equal fifty per cent (50%) of the area of the Lands (or as near to fifty per cent (50%) as is arithmetically possible due to the extent of Lands available for selection and the variability of quarter grid areas);
 - (f) At the conclusion of this process the portion of the Lands so selected by COGLA shall be relinquished by the Explorer and the interest with respect to the relinquished lands shall be surrendered to the Crown.
 - (g) Areas selected by a party to the Agreement shall not thereafter be selected by another party to the Agreement.
2. Notwithstanding the foregoing, if a well is not drilled during the term of the Agreement on a work program prospect area selected, under paragraph 1(b) hereof, for the drilling of a well additional to the well or wells required by the work program, the area so selected shall be relinquished on the last day of the term in addition to the relinquishment of lands otherwise provided for herein. In the event that the required deposit for a well to be drilled on a work program prospect area selected, under paragraph 1(b) hereof, for the drilling of a well additional to the well or wells required by the work program, is not made on or before that anniversary of the Agreement commencing the last year of the term, the area so selected shall be relinquished on that anniversary date, in addition to the relinquishment of lands otherwise provided for herein.
 3. Land selections pursuant to paragraph 1(c) or 1(d) hereof shall not be made for tracts smaller than one whole quarter grid area unless the selection of a smaller tract completes the selection of all lands available for selection in any quarter grid area.
 4. The size and configuration of all lands selections shall be satisfactory to COGLA to ensure viability for future disposition of relinquished lands by the Crown. The selection of areas which lie between quarter grid areas selected in the relinquishment process, as described above, and areas selected under paragraph 1(a) or 1(b) hereof may be required.

Upon completion of the above-described procedure for relinquishment the Explorer will retain an interest with respect to the Lands as defined in the Agreement for the balance of the term of the Agreement.

Schedule V

Address for Service

Mobil Oil Canada, Ltd.
P.O. Box 4055, Station "A"
Toronto, Ontario
M5W 2M1

Schedule VI

Representative(s)

Mobil Oil Canada, Ltd.