

EXHIBIT "F"

Attached to and made a part of an agreement entitled "Unit Operating Agreement – Dunvegan Gas Unit No. 1"

ACCOUNTING PROCEDURE

PART 1

GENERAL

101. Definitions

In this Accounting Procedure:

- (a) **"Agreement"** means the agreement to which this Schedule is attached.
- (b) **"Controllable Material"** means Material classified as controllable in the Controllable Material Price Catalogue, as revised from time to time, of the Petroleum Accountants Society of Western Canada.
- (c) **"for the Joint Account"** means for the benefit and risk and at the expense of the Parties, in accordance with their respective interests in the Joint Property.
- (d) **"Joint Operations"** means all operations for the Joint Account.
- (e) **"Joint Property"** means property held for the Joint Account.
- (f) **"Material"** means the equipment, machinery and supplies acquired for the Joint Account and classified as follows:
 - (1) Condition "A" means that which is new;
 - (2) Condition "B" means that which has been used but is sound and is suitable for its original function without reconditioning;
 - (3) Condition "C" means that which has been used and would be suitable for its original function after reconditioning or that which cannot be reconditioned for, but has a limited service in, its original function;

(4) Condition "D" means that which is not suitable for its original function but is usable for another function; and

(5) Condition "E" means that which is junk.

(g) "New Price" means the cost of Condition "A" Material at a reputable supply store where such Material is available or at the carrier receiving point to which such Material could be delivered, whichever is the closer to the Joint Property. Tubular goods 2 inches in diameter and over shall be priced on a carload basis. Any cash discount that may be allowed by a dealer shall not be deducted in determining the New Price.

(h) "Non-Operators" means the Parties, whether one or more, other than Operator.

(i) "Operator:" means the Party designated in the Agreement to conduct the Joint Operations.

(j) "Parties" means the persons, firms and corporations who are bound by the Agreement.

102. Approvals

(a) Approvals required under Clauses 204, 306, 316, 318, 405 and 501 shall be obtained by Operator in accordance with Clause 404(b) of the Agreement.

(b) Approvals required under Clauses 303(c) and 314(b)(2) shall be obtained by Operator in writing from 3 or more Parties having interests in the Joint Property totalling 75 percent or more.

PART II

RECORDS, BILLINGS AND RELATED MATTERS

201. Records

Operator shall maintain records of Controllable Material (excluding replacements) showing the date of acquisition, description, cost for the Joint Account and details of retirement of each item of Controllable Material. Operator may maintain records of replacements of Controllable Material.

202. Bills

Operator shall bill Non-Operators on or before the last day of each month for their share of charges and credits recorded during the next preceding calendar month. Bills shall be accompanied by statements of all charges and credits for the Joint Account, summarized by appropriate classifications indicative of the nature thereof.

203. Payments and Refunds

Bills shall be paid within 15 days after receipt thereof. Credits shall be refunded within 15 days after bills are rendered.

204. Right to Protest or Question Bills

Any of Non-Operators may protest or question the correctness of a bill, notwithstanding the payment of it, if such protest or question is made in writing to Operator within the 26 months next following the end of the calendar year in which the bill was presented, otherwise the bill shall be deemed conclusively to be correct for all purposes. No adjustment favourable to Operator shall be made after such period except with approval pursuant to Clause 102(a).

205. Audits

Any of Non-Operators, upon notice in writing to Operator and all other non-Operators, shall have the right to audit Operator's accounts and records maintained for the Joint Account for any calendar year within the 24 month period next following the end of such calendar year. Any claims of discrepancies disclosed by such audit shall be made in writing to Operator within the 26 month period next following the end of such calendar year. Where two or more Non-Operators desire to conduct audits, they shall make every reasonable effort to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to Operator. Costs of audits shall be borne by all Non-Operators.

PART III

CHARGES

Operator may incur for the Joint Account and charge under this Part III the following:

301. Rentals, Royalties and Other Payments

Rentals, royalties and other payments the Operator is required to make under the terms of the Agreement.

302. Labour

- (a) Salaries and wages of Operator's employees while directly engaged in work, other than operation and maintenance, on the Joint Property.
- (b) Salaries and wages of Operator's employees up to and including *Second Level Supervisor while directly engaged in operation and maintenance on the Joint Property, and salaries and wages of Operator's technical employees while directly engaged in operation and maintenance on the Joint Property.
- (c) In this Clause, "operation and maintenance" means all operations associated with the Joint Property exclusive of exploration operations, Construction Projects and Drilling, as defined in Clauses 314(a) (1) and 314(a) (4).

303. Employee Benefits

Operator's costs with respect to employee whose salaries and wages are chargeable under Clause 302:

- (a) for holiday, vacation, sickness and disability benefits and other customary allowances, which may be charged as a percentage of the said salaries and wages in accordance with Operator's cost experience; and
- (b) for any payment made and borne by Operator pursuant to any law applicable to it as an employer other than any law relating to benefits chargeable under Clause 303(a); and
- (c) for its established employee benefit plans, but not in excess of **twenty two (22%) percent of the total charges under Clauses 302 and 303(a). The said rate may be adjusted from time to time upon approval pursuant to Clause 102(b).

* Amended by Mail Ballot 95-08, Effective Jan. 1, 1996

**20% - Amended by Mail Ballot 84-02, Effective Jan. 1, 1985

**22% - Amended by Mail Ballot 98-36, Effective Jan. 1, 1999

304. Travel Expenses

Travel expenses of employees whose salaries and wages are chargeable under Clause 302.

305. Material

Costs, as provided in part IV, of Material purchased or furnished by Operator and of transporting such Material.

306. Services and Utilities

Costs of services and utilities for Joint Operations obtained from persons not Parties.

307. Operator's Facilities and Equipment

Costs for use of Operator's own facilities and equipment in accordance with Clause 406.

308. Damage or Loss to Joint Property

Costs of replacements or repairs to the Joint Property resulting from damage or loss for which Operator is not liable.

309. Damage Claims

Costs of damage claims arising out of Joint Operations and for which Operator is not liable.

310. Acquisition of Surface Rights and Legal Services

Costs of acquisition of surface rights and of legal services for title work. Fees and related expenses associated with other legal services may be charged only with approval of the Parties.

311. Taxes

Taxes paid for the Joint Account.

312. Insurance

Premiums paid for insurance that Operator is required to carry for the Joint Operations.

313. Camp and Housing Expense

Costs of operating and maintaining all necessary camp and housing facilities for, and boarding of, employees whose salaries and wages are chargeable under Clause 302; provided that the charges for Operator's own facilities shall be commensurate with the costs of ownership and operation thereof; including depreciation and interest on the depreciated investment, less any revenue therefrom. The annual interest rate on investment shall not exceed the prime bank rate of the principal chartered bank in Canada used by Operator plus 1 percent, determined at the beginning of each calendar year. When operations in addition to the Joint Operations are served by these facilities the charge for such facilities shall be apportioned among all such operations on an equitable basis.

314. Overhead

Overhead as provided in Clause 314(b).

(a) In this Clause 314:

- (1) "Construction Project" means any construction or installation undertaken for the Joint Account, including each subsequent addition thereto or alteration thereof or replacement of Controllable Material thereon, but does not include Development.
- (2) "Cost" means the total direct expenditures (less any credits received thereon) exclusive of expenses of litigation, judgements, settlement of claims, royalties on production, salvage credits for Material retired and the value of injected substances purchased for enhanced recovery.
- (3) "Development" means Drilling, installation or additions of equipment and replacement of Controllable Material on or in wells.
- (4) "Drilling" means the drilling, completing, capping, plugging and abandoning, deepening, plugging back, redrilling or reconditioning of a well (except routine clean out) or the conversion of a well to a source, input or producing well.
- (5) "Operation and Maintenance" means all operations associated with the Joint Property exclusive of Development, Exploration operations and Construction projects.

- (6) "Overhead" means all allowance for salaries, wages, employee benefits and expenses of all Operator's employees not chargeable elsewhere in this Part III, and maintaining and operating offices that are not Joint Property.
- (7) "Producing Well" means a well for the Joint Account that in a calendar month:
 - (i) has an allowable for crude oil attributable to it; or
 - (ii) is connected to a permanent gas sales outlet, source or injection system; or
 - (iii) is used as a disposal well

provided that a well that is drilling during the entire month or is permanently shut in and awaiting abandonment shall not be considered a Producing Well, and a well completed in more than one zone shall be considered a separate Producing well for each such zone.

(b) Combined Rate Basis

- (1) (i) for Drilling or Servicing with a rig and crew, *3% of first \$50,000, 2% for next \$100,000 and 1% for over \$150,000, beginning on the date of commencement of Drilling or Servicing and terminating on the rig release date, but, if Drilling is suspended for any period of 15 or more consecutive days while a rig is on location, no charge shall be made for any part of such period of suspension.
- (ii) for each Producing Well, *\$225.00 per month.
- (iii) for each Construction Project,
 - (a) 5 percent of the first *\$50,000 of Cost, plus
 - (b) 3 percent of the next *\$100,000 of Cost, plus
 - (c) 1 percent of the Cost exceeding the sum of *\$150,000 provided that no charge shall be made under this Clause 314(b) (1) (iii) for any Construction Project the total Cost of which is less than \$10,000.00

* Amended by Mail Ballot 84-02, Effective Jan. 1, 1985

- (iv) *10 percent of the cost of operation and maintenance of facilities such as, but not limited to, gathering systems and related facilities, gas processing plants, compressor plants, secondary recovery systems, injection systems and salt water disposal facilities other than disposal wells.

- (2) The rates in Clause 314(b) (1) may be amended from time to time by the Operating Committee if, in practice, they are found to be insufficient or excessive.

315. Interpretation of Technical Data

Costs, as approved by the Parties in interpreting technical data from exploration operations.

316. Engineering Design

Costs of engineering design with approval pursuant to Clause 102(a).

317. Warehousing Handling

- (a) 2 ½ percent of the cost of tubular goods 2 inches in diameter and over and each other item of Material having a New Price in excess of \$1,000.00 delivered from Operator's warehouse and 5 percent of the cost of all other Material delivered from Operator's warehouse if not maintained as part of the Joint Property.
- (b) Costs of maintaining warehouses which are part of the Joint Property.

318. Other Costs

Costs, as approved pursuant to Clause 102(a), for which provision is not made elsewhere in this Accounting Procedure.

* Amended by Mail Ballot 95-08, Effective Jan. 1, 1996

PART IV

BASIS OF CHARGES

401. Purchases

Operator shall, whenever practicable:

- (a) purchase Material for delivery directly to the Joint Property; and
- (b) purchase for or transfer to the Joint Property only such Material as is required for immediate use and avoid the accumulation of surplus stocks.

402. Charges for Purchases

Material purchased shall be charged at the price paid by Operator. Discounts actually received in respect thereof shall be for the Joint Account.

403. Charges for Material Furnished by Operator

When it is not practicable to purchase Material for delivery directly to the Joint Property, Material may be furnished by Operator from its stocks, in which event Material shall be charged as follows:

- (a) Condition "A" at New Price;
- (b) Condition "B" at 75 percent of New Price;
- (c) Condition "C" at 50 percent of New Price; and
- (d) Condition "D" at a reasonable price based on the use to which it is to be put.

404. Premium Prices

Whenever, in Operator's opinion, Material is not available at reasonable prices, Operator shall in writing notify Non-Operators thereof. Within 2 days after receipt of such notice each Non-Operator may notify Operator in writing that it wishes to deliver to Operator such Material and such notice shall set forth the price and delivery date. Operator shall decide if the price and date for delivery of such Material are reasonable in the circumstances and, if so, shall purchase such Material from such Non-Operators. If more than one Non-Operator wishes to supply such Material, Operator shall decide the quantity of such Material that each such Non-Operator may deliver. If Operator decides such Material is not available from the Non-Operators on reasonable terms, Operator may acquire

such Material and make a charge for the Joint Account of the actual cost and expense incurred in purchasing, transporting and preparing such Material for use.

405. Transportation of Material

Operator may charge the actual cost of transporting Material to or from the Joint Property, provided that the charge for transporting Material furnished by Operator shall not exceed the estimated cost of transporting such Material from the reputable supply store where such Material is available or the carrier receiving point to which such Material could be delivered, whichever is the closer to the Joint Property. No charge shall be made for transporting Material from the Joint Property to other properties of Operator except with approval pursuant to Clause 102(a).

406. Operator's Facilities

- (a) Operator may charge for use of Operator's own facilities and equipment at rates, not exceeding those prevailing in the Immediate area for available like facilities and equipment, commensurate with the costs of ownership and operation thereof, including depreciation and interest on the depreciated investment. The annual interest rate on 1 percent, determined at the beginning of each calendar year.
- (b) In lieu of rates provided in Clause 406(a), Operator may charge for use of its own facilities and equipment, except automotive equipment, at the commercial rates prevailing in the immediate area, less 20 percent.
- (c) When requested to do so, Operator shall inform Non-Operators in advance of the rates to be charged.

PART V

DISPOSAL OF MATERIAL

501. Operator's Authority to Dispose of Material

Operator may dispose of any surplus Material the New Price of which is less than \$10,000.00. Operator shall obtain the approval of Non-Operators pursuant to Clause 102(a) to dispose of any other Material.

502. Sales

The proceeds of sales of material shall be for the Joint Account.

503. Valuation of Material

Material disposed of to the Parties shall be valued as follows:

- (a) Condition "A" at New Price;
- (b) Condition "B"
 - (1) at 75 percent of New Price if the Material was a charge for the Joint Account as Condition "A", or
 - (2) at 65 percent of New Price if the Material was a charge for the Joint Account as Condition "B";
- (c) Condition "C" at 50 percent of New Price; and
- (d) Condition "D" and "E" at the best price obtainable.

When the use of Material is temporary and the reduced value provided in this Clause is not justified, such Material shall be valued on a basis consistent with its use.

PART VI

INVENTORIES

601. Frequency of Inventory and Expense

An inventory of Controllable Material shall be taken at reasonable intervals and the expense of such inventory shall be a charge for the Joint Account.

602. Notice of Inventories

Operator shall give Non-Operators 30 days' notice of any inventory proposed to be taken hereunder and each Party shall be entitled to be represented at the taking of such inventory.

603. Reconciliation

The Parties participating in the inventory shall reconcile the inventory with the records maintained pursuant to Clause 201 and the expense of such reconciliation shall be a charge for the Joint Account.

604. Report of Inventory

Operator shall submit each inventory to Non-Operators, together with a list of overages and shortages, showing the cost for the Joint Account of shortages and the original or estimated cost of overages to each Party.

605. Special Inventory

Operator shall, upon written notice from any Non-Operator, cause the taking of a special inventory of Controllable Material. Such Non-Operator shall be entitled to be represented at the taking of the special inventory. The inventory shall be commenced within 30 days of receipt of the written notice. The expense of such inventory and, if a reconciliation is requested by the Non-Operator, the expense of such reconciliation shall be borne by such Non-Operator.