

SEISMIC REVIEW OPTION AND ROYALTY AGREEMENT

THIS AGREEMENT is dated the 10th day of July, 2007.

BETWEEN:

Burlington Resources Canada Partnership, a general partnership having offices at the City of Calgary in the Province of Alberta (hereinafter referred to as "**Burlington**")

- and -

Birchcliff Energy Ltd, a body corporate having offices at the City of Calgary in the Province of Alberta (hereinafter referred to as "**Birchcliff**")

WHEREAS under a Seismic Review & Option Letter Agreement dated May 29, 2007, as amended July 30, 2007 ("the Letter Agreement") **Burlington** has agreed to grant the right to earn its interests in the Farmout Lands to **Birchcliff** and **Birchcliff** has agreed to accept the right to earn such interests based on the terms set forth in the Letter Agreement.

WHEREAS the parties agree to provide for a gross overriding royalty on the Additional Lands if applicable; and

WHEREAS the parties further agree to provide for a gross overriding royalty on Section 6-081-11W6M as to all PNG from Surface to Basement as described under Crown PNG Lease #0505100280 currently held by Birchcliff 100%; and

WHEREAS the parties wish to formalize the terms agreed to under the Letter Agreement and provide for the royalty payable hereunder with respect to the Farmout Lands, the Additional Lands (if applicable) and Section 6-081-11W6M as described in Crown PNG Lease #0505100280, from and after the Effective Date.

In consideration of the mutual covenants and agreements set forth below and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, the Parties have agreed as follows:

1. DEFINITIONS

1.1 In this Agreement, unless otherwise defined below, those words and phrases that are capitalized shall have the meaning given to such words and phrases pursuant to Clause 1.01 and Clause 1.02 of the Farmout & Royalty Procedure and, in addition:

✓ **"Additional Lands"** means any PNG Rights acquired by Birchcliff within a period of one (1) year from the effective date of this agreement with respect to Sections 4;5;7 (SW ¼ Sec. 7 PNG below base Doig only) ;18-081-11W6M

"Birchcliff Seismic" means a 2D trade line which runs from the NE 27-80-11 W6 to the SW 19-81-11- W6;

"Burlington Seismic" means a licensed copy of the 3D seismic data covering a portion of or all of the Farmout Lands and the Additional Lands and the 2D seismic respecting Section 8-81-11 W6;

"Confidential Information" means the Burlington Seismic and the Birchcliff Seismic;

"Contract Depth" means that drilling depth of a well sufficient to penetrate 25 metres below the top of the Debolt formation or 2538 metres subsurface, whichever shall first occur;

"Effective Date" means May 29, 2007

"Farmee" means **Birchcliff**;

"Farmor" means **Burlington**;

"Farmout & Royalty Procedure" means the 1997 CAPL Farmout & Royalty Procedure, incorporating the elections and revisions described in Schedule "B";

"Pre-Farmout Working Interest" means the Working Interests of the Farmor in the Farmout Lands on the Effective Date as set out in Schedule "A" and prior to any earning by Farmee herein; and

2. **SCHEDULES**

2.1 The following Schedules are attached to and form part of this Agreement:

- (a) Schedule "A", which describes the Pre-Farmout Working Interests of the Farmor in the Farmout Lands, the Title Documents, the Farmout Lands and the Encumbrances;
- (b) Schedule "B", which is a description of the revisions and elections in respect of the Farmout & Royalty Procedure;
- (c) Schedule "C", which specifies the types of drilling information required to be supplied by the Farmee to the Farmor pursuant to Clause 9.01 of the Farmout & Royalty Procedure;

3. **SEISMIC REVIEW**

3.1 On or before June 27, 2007, Farmor shall make available the Burlington Seismic for Farmee's review at a work station at Burlington's offices, and Farmee shall make available the Birchcliff Seismic for Farmor's review at a work station at Birchcliff's offices in an effort to determine a potential well location on Section 8-81-11 W6.

4. **DRILLING ELECTION**

4.1 On or before August 30th, 2007 Farmee shall, by written notice, elect:

- (a) to farm in on Farmor's 50% Pre-Farmout Working Interest in the Farmout Lands and drill a Test Well and earn an interest therein.
- (b) not to drill a Test Well on the Farmout Lands and surrender its right to earn Farmor's Pre-Farmout Working Interest in the Farmout Lands.

4.2 If Farmee elects within the permitted time to drill the Test Well, the Farmee shall, subject to Section 9 herein, spud the Test Well prior to September 5, 2007. Farmee shall diligently and continuously drill the Test Well to Contract Depth and test, log and complete, cap or abandon the Test Well. From and after the Effective Date, the Farmout & Royalty Procedure shall apply as set forth in Clause 17.01 of the Farmout & Royalty Procedure, as if it had been attached and included as a schedule hereto.

4.3 Farmor shall make available until August 30, 2007 the Burlington Seismic for review by Farmee and any prospective third party participant with Farmee in the Test Well.

4.4 Failure by the Farmee to elect within the period aforesaid shall be deemed to be an election to surrender its right to earn Farmor's Pre-Farmout Working Interest in the Farmout Lands and this Agreement shall continue only as to provide for the Royalty payable hereunder with respect to Section 6-081-11W6M as set forth in Clause 7 herein, and the Additional Lands (if applicable) as set forth in Clause 6 herein.

5. **EARNING**

5.1 If the Farmee has fulfilled its obligations under Subclause 3.01A of the Farmout & Royalty Procedure for the Test Well and the Farmee is not otherwise in default under this Agreement or the Farmout & Royalty Procedure, the Farmee will, subject to Subclause 3.04A of the Farmout & Royalty Procedure, earn the following interests in the Farmout Lands:

- (a) 100 % of the Farmor's Pre-Farmout Working Interest in the Farmout Lands, subject to a net 2.5% non convertible Overriding Royalty reserved to Farmor under the Farmout & Royalty Procedure.

6. **ADDITIONAL LANDS**

6.1 Farmee agrees to grant Farmor a 5% gross overriding royalty based on a 100% Working Interest, subject to no deductions respecting any PNG interest(s) acquired by Farmee within one (1) year of the effective date of this Agreement in the Additional Lands Such Royalty shall be proportionately reduced where the interest(s) acquired by Farmee in the respective section(s) is less than an undivided 100% interest.

7. **ADDITIONAL ROYALTY**

- 14379 ✓ 7.1 Farmee also agrees to grant to Farmor a net 2.5% gross overriding royalty, subject to no deductions, respecting Sec. 6-081-11W6M as described in Crown PNG Lease #0505100280.

8. **TITLE**

- 8.1 Farmor does not warrant, covenant, represent or agree to convey to Farmee any better right, title, or interest in the Farmout Lands than it is allowed to by virtue of the Title Documents. Farmor covenants only that it holds the Farmout Lands as to it's Pre-Farmout Working Interest and furthermore that it has not encumbered its interest in the Title Documents, except as identified on the attached Schedule "A".

9. **SUSPENSION OF OBLIGATION TO SPUD**

- 9.1 If the Farmee is prevented from fulfilling its obligation to Spud the Test Well by the date specified herein due to either: (i) the inability to obtain a rig; (ii) surface inaccessibility; or (iii) the inability to obtain Regulatory approval for the conduct of the operation, then, provided the Farmee could not have prevented such occurrence by the exercise of reasonable diligence at a reasonable cost, the provisions of Clauses 1602 and 1603 of the Operating Procedure shall apply to such occurrence as if such occurrence were an event of "force majeure" therein.

10. **GOVERNING AGREEMENT**

- 10.1 It is acknowledged that Sec. 8-081-11W6M is governed by a Cross-Conveyed Pooling and AMI Agreement dated February 22, 2002 originally between Burlington Resources Canada Ltd. and Devon ARL Corp. (the "Governing Agreement"), which provides for a right of Right of First Refusal between the parties. Pursuant to this Agreement, if Farmee elects to drill the Test Well on the Farmout Lands pursuant to Clause 4, Farmee shall have the right to drill such Test Well with a third party participant and in this respect Farmor shall waive their Rights of First Refusal in order to permit a disposition of interest in Sec. 8-081-11W6M to a third party participant.

11. **CONFIDENTIAL INFORMATION**

- 11.1 The Confidential Information shall be kept in strict confidence and shall not be used for any purpose whatsoever other than to determine a potential well location pursuant to Clause 3 herein and the evaluation of the Additional Lands and section 6-081-11W6M. The Confidential Information shall not be disclosed to any person other than the parties to this Agreement and any third party participant with Farmee, and the directors, officers, employees, agents, consultants and representatives of each of Birchcliff and any

participant. Each party shall be responsible for any breach of use of the Confidential Information by any of its representatives and agrees, at its sole cost and expense, to take all reasonable measures (including but not limited to court proceedings) to restrain its representatives from prohibited or unauthorized disclosure or use of the Confidential Information. The parties further agree that the Confidential Information shall not be copied or reproduced for the parties' individual benefit. It is understood and agreed that money damages would not be sufficient remedy for any breach of the confidentiality requirements in this agreement and the parties shall be entitled to specific performance and injunctive or other relief as a remedy for any such breach by the parties and their representatives.

12. ASSIGNMENT BY FARMEE DURING EARNING PHASE

12.1 Notwithstanding Clause 12.01 of the Farmout & Royalty Procedure, prior to both the Farmee earning an interest in the Farmout Lands and the expiry of the Farmee's right to earn any further interest in the Farmout Lands pursuant to the terms of this Agreement, the Farmee shall not dispose of any of its rights and obligations under this Agreement, without the written consent of the Farmor, which consent shall not be unduly withheld.

12.2 The provisions of Section 12.1 herein shall not apply to:

- (a) an assignment made by way of security for the Farmee's present or future indebtedness or liabilities; or
- (b) an assignment to an Affiliate of the Farmee, or in consequence of a merger or amalgamation of the Farmee with another corporation.

13. LIMITATIONS ACT

13.1 The two-year period for seeking a remedial order under section 3(1)(a) of the *Limitations Act*, R.S.A. 2000 c. L-12, as amended, for any claim (as defined in that *Act*) arising in connection with this Agreement is extended to:

- (a) for claims disclosed by an audit, two years after the time this Agreement permitted that audit to be performed; or
- (b) for all other claims, four years.

14. GOVERNING LAW AND ATTORNMENT

14.1 Notwithstanding Clause 2805 of the Operating Procedure which is incorporated pursuant to Clause 1.02 of the Farmout & Royalty Procedure with respect to this Agreement the relationship of the Parties shall be governed and construed in accordance with the laws in effect in the Province of Alberta, provided that this does not affect the obligations of the

Parties to comply with the Regulations applicable to the Title Documents. The Parties irrevocably attorn to the jurisdiction of the courts of the Province of Alberta and any courts of appeal therefrom with respect to any matter or thing arising under or related to this Agreement.

15. MISCELLANEOUS

- 15.1 The headings of the sections of this Agreement are for reference only, and will not be used in interpreting any provision herein.
- 15.2 Time shall be of the essence in this Agreement.
- 15.3 In this Agreement, singular, masculine or neuter words will be construed as including the plural, feminine, corporate and vice versa, as the context requires, and reference to "herein" refers to the provisions of this Agreement.
- 15.4 Where a term is defined herein, a derivative of that defined term shall have a corresponding meaning.
- 15.5 No amendment or variation of the provisions of this Agreement shall be binding upon any Party unless and until it is evidenced in writing and executed by the Parties.
- 15.6 The Parties shall from time to time and at all times do all such further acts and execute and deliver all such further deeds and documents as shall be reasonably required in order to fully perform and carry out the terms of this Agreement.
- 15.7 This Agreement shall enure to the benefit of and be binding upon the respective administrators, trustees, receivers, successors and permitted assigns of the Parties.
- 15.8 The terms and conditions of this Agreement express and constitute the entire agreement among the Parties with respect to the Farmout Lands, the Additional Lands and Section 6-081-11W6M as described in Crown PNG Lease #0505100280, and the Title Documents, insofar as they pertain to the aforesaid lands.
- 15.9 This Agreement may be executed in counterpart and all executed counterparts, together, shall constitute one agreement.

IN WITNESS WHEREOF the Parties have executed this Agreement.

Burlington Resources Canada Partnership,
An affiliate of ConocoPhillips Canada

Birchcliff Energy Ltd.

Per:



Name:

ALEXIS J. WATSON

Title:

Per:



Name:

Robert J. Grisack

Title:

Land Manager

SCHEDULE "A"

Attached to and forming a part of a Seismic Review Option and Royalty Agreement dated July 10, 2007 and effective May 29, 2007 and made between **Burlington Resources Canada Partnership** and **Birchcliff Energy Ltd.**

This Schedule consists of 1 page including this page

Title Documents

Farmout Lands

Farmor's Pre-Farmout Working Interest

Encumbrances

M301
(e+p)
Crown P&NG Lease
0502090260

Twp 81 Rge 11 W6M: Sec
8
All PNG

50.00%

C S/S

SCHEDULE "B"

Attached to and forming a part of a Seismic Review Option and Royalty Agreement dated July 10, 2007 and effective May 29, 2007 and made between **Burlington Resources Canada Partnership** and **Birchcliff Energy Ltd.**

This Schedule consists of 2 pages including this page

CAPL Farmout & Royalty Procedure - 1997 – Rates, Elections and Revisions

1. Effective Date (Subclause 1.01(f)): **May 29, 2007**
2. Payout (Subclause 1.01(t), if Article 6.00 applies): Alternate A ____ B ____
If Alternate B applies: ____ cubic metres, ____ years
3. Incorporation Of Clauses From 1990 CAPL Operating Procedure (Clause 1.02):

(i) Insurance (311) Alternate A ____ B X.

Revised by adding the following at the end thereof:

"During the drilling and completion operations on the Test Well or Option Well, if applicable, the Farmee shall carry Operator's Extra Expense Insurance to a limit of at least fifteen million dollars (\$15,000,000) for expenses relating to the control of a well including, but not limited to: (i) making wells safe; (ii) deliberate well firing; (iii) underground blowout; (iv) re-drilling/recompletion; (v) drilling relief wells; (vi) seepage and pollution contamination, clean-up and containment; (vii) joint venture contingent liability; and (viii) evacuation expense. Upon request, Farmee shall promptly provide Farmor with evidence that such insurance is maintained, including a copy of any particular policy of insurance, if so requested."

4. Article 4.00 (Option Wells): will ____ /will not X apply
5. Article 5.00 (Overriding Royalty): will X /will not ____ apply
6. Quantification Of Overriding Royalty (Subclause 5.01A, if applicable):

See Clauses 5, 6 and 7 of the Head Agreement for the Overriding Royalty percentages respecting the Farmout Lands, the Additional Lands and Sec. 6-081-11W6M

7. Permitted Deductions (Subclause 5.04B, if applicable): **NO DEDUCTIONS**

Alternate 1 only ____ / 2 only ____ / 1 and 2 ____ /neither 1 nor 2 X
If Alternate 2 applies, ____ %

8. Article 6.00 (Conversion Of Overriding Royalty): will ____ / will not X apply
If Article 6.00 applies, conversion to ____ % of Working Interest in Subclause 6.04A
9. Article 8.00 (Mutual Interest Lands): will ____ /will not X apply

10. Article 9.03

Subclause (b) is deleted and replaced with:

"The additional information described in the well information requirement Schedule for that Royalty Well. However, if that Royalty Well is being drilled to obtain information to evaluate any petroleum and natural gas rights within 3.2 kilometers of that well that have been offered for sale at a Crown land sale and the provisions of Article 8.00 are not then in effect, the obligation to deliver that additional information will be suspended until 7 days following the applicable Crown land sale."]

11. Reimbursement Of Land Maintenance Costs (Clause 11.02): will ____ /will not X apply

If Clause 11.02 applies: \$ _____

SCHEDULE "C"

Attached to and forming a part of a Seismic Review Option and Royalty Agreement dated July 10, 2007 and effective May 29, 2007 and made between **Burlington Resources Canada Partnership** and **Birchcliff Energy Ltd.**

This Schedule consists of 2 pages including this page

Well Data Requirements