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## **POOLING AGREEMENT**

THIS POOLING AGREEMENT is made effective as of the 29<sup>th</sup> day of October, 2003.

### **BETWEEN:**

**BURLINGTON RESOURCES CANADA LTD.**, a body corporate,  
having offices at the City of Calgary in the Province of Alberta  
(hereinafter referred to as "**BRCL**")

- and -

**DEVON ARL CORPORATION**, a body corporate having offices at the  
City of Calgary in the Province of Alberta (hereinafter referred to as  
"**Devon**")

BRCL is the holder of a 100% Working Interest in the Part I Lands. Devon is the holder of a 100% Working Interest in the Part II Lands.

The Parties wish to pool their respective interests in the Part I Lands and Part II Lands, and provide for the operation and development of the Pooled Lands for the purpose of producing Pooled Substances therefrom.

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

### **1. INTERPRETATION**

1.1 In this Head Agreement, unless otherwise defined below, the definitions contained in Clause 101 of the Operating Procedure shall apply, and in addition:

"**Assignment Procedure**" means the 1993 CAPL Assignment Procedure;

"**Effective Date**" means the date set forth at the top of the first page of this Head Agreement;

"**Encumbrances**" means royalties, overriding royalties, production payments, net profits interests, liens, mortgages, pledges, claims, options, rights of first refusal and charges of a similar nature;

"**Formation**" means All Petroleum and Natural Gas zones granted by the Title Documents;

"**Head Agreement**" means the Agreement, other than the Schedules;

"**Operating Procedure**" means the 1990 CAPL Operating Procedure and the 1996 PASC Accounting Procedure, incorporating the revisions and elections described in Schedule "B";

"**Part I Lands**" means the areal lands and formations and Petroleum Substances described in Schedule "A" under the heading "Part I Lands";

"**Part II Lands**" means the areal lands and formations and Petroleum Substances described in Schedule "A" under the heading "Part II Lands";

"**Pooled Interests**" has the meaning given to this term in Section 4.2 herein;

**"Pooled Lands"** means the Pooled Substances within, upon or under the Part I Lands and the Part II Lands, but only insofar as they pertain to the Formation, and also includes, where the circumstances require, the surface area of the lands included in the Part I Lands and the Part II Lands;

**"Pooled Substances"** means petroleum, natural gas and related hydrocarbons and all other minerals and substances (whether fluid or solid and whether similar or dissimilar and whether hydrocarbons or not) produced in association with any of the foregoing in which an interest to explore for is granted or acquired under the Title Documents insofar as they relate to the Pooled Lands;

**"Pre-Pooled Working Interests"** means the Working Interests of the Parties in the Part I Lands and the Part II Lands immediately prior to the pooling effected by Section 4.1 herein, which interests are set forth in Schedule "A";

**"Title Documents"** means the documents described in Schedule "A", insofar as they pertain to the Pooled Lands, by virtue of which the Parties are entitled to drill for, win, take, own or remove Pooled Substances from the Pooled Lands, and includes, if applicable, all renewals, extensions or continuations thereof and all further documents of title issued pursuant thereto.

## 2. SCHEDULES

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

- (a) Schedule "A" which sets forth and describes the Part I Lands, Part II Lands, the Pre-Pooled Working Interests, the Title Documents and Encumbrances; and
- (b) Schedule "B" which is a description of the revisions and elections in respect of the Operating Procedure and which sets forth the addresses for service of the Parties.

## 3. EFFECTIVE DATE AND TERM

This Agreement shall be effective on the Effective Date and shall in all respects be interpreted as if executed and delivered by the Parties on that date.

## 4. POOLING OF INTERESTS

4.1 The Parties hereby pool their respective Pre-Pooled Working Interests in the Pooled Lands and Title Documents so that from and after the Effective Date the development and maintenance of the Pooled Lands may be conducted without regard to the boundaries of the separate leases comprising the Title Documents.

4.2 As of the Effective Date, the respective undivided Working Interests (hereinafter referred to as the **"Pooled Interests"**) of the Parties in the Title Documents and the Pooled Lands is as follows:

BRCL	-	50%
Devon	-	50%

4.3 This Head Agreement creates a cross-conveyance of the respective Working Interests of the Parties in the Title Documents and Part I Lands and Part II Lands pooled pursuant to Section 4.1.

## 5. TITLE AND ENCUMBRANCES

- 5.1 No Party warrants title to its Pre-Pooled Working Interests in the Pooled Lands and Title Documents; however, each Party confirms that;
- (a) it is not aware of any act or omission whereby it is (or would be) in default under the terms of the Regulations or the Title Documents and that, prior to the execution of this Agreement, it has not received, or otherwise become aware of, any notice of default for the Pooled Lands that has not been remedied or that has not been addressed specifically in the Head Agreement;
  - (b) it has the authority to enter into this Agreement; and
  - (c) the Pre-Pooled Working Interests contributed by it in the Pooled Lands and Title Documents are not subject to any Encumbrances except those disclosed in Schedule "A".
- 5.2 For greater certainty, the Parties confirm that each party shall, on behalf of the other Parties, pay all rentals, shut-in or suspended well payments, and any other payments necessary to maintain the Title Documents in good standing.
- 5.3 No Party will do, or cause to be done, anything to encumber the Pooled Lands which:
- (a) adversely and materially affects the Pooled Interest of any other Party; or
  - (b) results in the Title Documents becoming subject to termination or forfeiture.

## 6. OPERATING PROCEDURE AND OPERATOR

- 6.1 From and after the Effective Date, the Operating Procedure, as amended by this Head Agreement, shall apply as if it had been attached and included as a schedule hereto, and shall:
- (a) govern the relationship and respective rights and obligations of the Parties with respect to the matters set forth therein; and
  - (b) govern all operations conducted on or in respect of the exploration and development of the Pooled Lands, the production of Pooled Substances from the Pooled Lands and other related matters described in the Operating Procedure.
- 6.2 **BRCL** is appointed as initial Operator of the Pooled Lands and **BRCL** accepts such appointment as of the Effective Date and agrees to assume the duties, obligations and rights of the Operator under the Operating Procedure.

## 7. LIMITATIONS ACT

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.



**8. JOINT ELECTION FOR GOODS AND SERVICES TAX**

The Parties jointly elect, effective as of the Effective Date, pursuant to paragraph 273(1)(a) of the *Excise Tax Act* (Canada), as amended, to have the Operator account for goods and services tax in respect of all properties and services that are supplied, acquired or imported by the Operator on behalf of the Parties, except for goods and services tax to be collected on the sale of production taken in kind.

**9. COVENANTS RUNNING WITH THE LANDS**

The terms, covenants and conditions of this Agreement shall be covenants running with the Title Documents and the Pooled Lands for so long as this Agreement is in force and effect.

**10. ASSIGNMENT PROCEDURE**

The Assignment Procedure is incorporated into this Agreement as if it had been attached and included as a schedule. The addresses for service of a notice pursuant to Clause 4.02 of the Assignment Procedure shall be the addresses for service of notices under Clause 2202 of the Operating Procedure.

**11. MISCELLANEOUS**

- 11.1 The headings of the sections of this Head Agreement are for reference only, and will not be used in interpreting any provision herein.
- 11.2 In this Head Agreement, singular, masculine or neuter words will be construed as including the plural or feminine or corporate and vice versa, as the context requires, and the reference "herein" refers to the provisions of this Head Agreement.
- 11.3 No amendment or variation of the provisions of this Head Agreement shall be binding upon any Party unless and until it is evidenced in writing executed by the Parties.
- 11.4 Where a term is defined herein a derivative of that defined term shall have a corresponding meaning.
- 11.5 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.
- 11.6 This Agreement shall enure to the benefit of and be binding upon the respective administrators, trustees, receivers, successors and assigns of the Parties.
- 11.7 The terms and conditions of this Agreement express and constitute the entire agreement among the Parties with respect to the Pooled Lands and the Title Documents and supersede all other agreements, representations, documents, writings and understandings among the Parties relating to the Pooled Lands and the Title Documents.
- 11.8 This Head Agreement may be executed in counterpart and all executed counterparts, together, shall constitute one agreement.

IN WITNESS WHEREOF the Parties have executed this Head Agreement.

**BURLINGTON RESOURCES CANADA  
LTD.**

Per: 

Name: **D.F. Schatz**  
Title: **Senior Landman**

**DEVON ARL CORPORATION**

Per: 

Name: **G.R. FRALEIGH**  
Title: **SENIOR LANDMAN**

## SCHEDULE "A"

Attached to and forming a part of a Pooling Agreement  
made effective as of the 29<sup>th</sup> day of October, 2003 and made between

Burlington Resources Canada Ltd. and Devon ARL Corporation

This Schedule consists of 1 page, including this page

### PART I LANDS

<u>Title Documents</u>	<u>Part I Lands</u>	<u>Pre-Pooled Working Interests</u>	<u>Encumbrances</u>
M321 Alberta 5 Year PNG Lease No. 0500010603 Expiry Date: January 27, 2005	Twp 81 Rge 12 W6: Section 3; All PNG Rights PNG 730 HWAY	BRCL - 100%	Crown Royalty

### PART II LANDS

<u>Title Documents</u>	<u>Part I Lands</u>	<u>Pre-Pooled Working Interests</u>	<u>Encumbrances</u>
EXPIRED M317 Alberta 5 Year PNG Lease No. 0500100221 Expiry Date: October 5, 2005	Twp 81 Rge 12 W6: Section 21; All PNG Rights	Devon -100%	Crown Royalty

NOTE: Devon 16B Bonanza 16-21-81-12 W6 D&AWell is excluded from this Head Agreement.

## SCHEDULE "B"

Attached to and forming a part of a Pooling Agreement

made effective as of the 29<sup>th</sup> day of October, 2003 and made between

Burlington Resources Canada Ltd. and Devon ARL Corporation

This Schedule consists of 3 pages including this page

### **CAPL OPERATING PROCEDURE – 1990 – Rates, Elections and Revisions**

1. Definitions (Clause 101)

Subclause (a) is revised to read:

"abandonment" means (i) the proper plugging and abandonment of a wellbore or the decommissioning or removal of a production facility, as applicable; (ii) the salvage of the associated salvable material and equipment; (iii) the restoration of the applicable surface location and any applicable access roads; and (iv) any required remediation of any associated environmental damage or problems, all in compliance with the Regulations and to the reasonable satisfaction of the owner or occupier of the surface.

Subclause (b) is revised to read:

"Accounting Procedure" means the 1996 PASC Accounting Procedure incorporating the elections and revisions described in Schedule "B" to the Agreement.

2. Insurance (Clause 311):

A \_\_\_ or B X

During the drilling and completion operations on any well drilled for the recovery of petroleum substances from the joint lands, upon reaching the zones of the Devonian Period or zones from earlier periods, each party shall, in addition to the insurance provisions of Clause 311B of the Operating Procedure, independently, but in proportion to the cost sharing under the AFE covering such operations, carry Blowout Insurance (consisting of self-insurance and/or commercial insurance) to a limit of at least twenty million dollars (\$20,000,000) for expenses relating to the following: control of well; underground blowout, re-drilling/re-completion; seepage, pollution, clean-up and containment; deliberate well firing; and evacuation. Upon request, each party shall promptly provide each other with evidence that such insurance is maintained, including a copy of any particular policy of insurance, if so requested.

3. Marketing Fee (Clause 604):

A X or B \_\_\_

4. Casing Point Election (Clause 903):

A X or B \_\_\_

5. Operator for Independent Operations (Clause 1004)

Revised to read:

1004 Operator for Independent Operations - Notwithstanding anything to the contrary contained in this Operating Procedure, if the Operator is a participating party, it shall carry out the operation for the account of the participating parties; provided, if the Operator is not a participating party, the participating parties shall, as and among themselves and in accordance with the provisions of Clause 206, mutatis mutandis, appoint an Operator for the operation. If the operation is commenced prior to the time the Operator becomes a participating party (and it is specifically understood that nothing in this Clause shall restrict or prohibit the proposing party from actually commencing operations as provided in Clause 1003), the Operator, upon becoming a participating party, shall have the right to take over and carry out the operation for the participating parties.

6. Penalty for Independent Operations (Clause 1007):

Development Wells            300%

Exploratory Wells            500%

7. Drilling of a Well Required to Preserve Title (Clause 1010): 180 Days

8. Addresses for Notices (Clause 2202):

Burlington Resources Canada Ltd.  
P. O. Box 4365, Station "C"  
Calgary, AB T2T 5N2

Devon ARL Corporation  
1600, 324 – 8 Avenue S.W.  
Calgary, Alberta T2P 2Z5

Attention: Land Administration

Attention: Land Department

9. Disposition of Interest (Clause 2401):

A X or B \_\_\_



10. Recognition Upon Assignment (Clause 2404): Clause 2404 is deleted
11. Laws Of Jurisdiction To Apply (Clause 2805): Revised to read:

The Agreement and the relationship of the parties with respect to the joint lands 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 any Regulations applicable to the Title Documents or the joint lands that are located outside the Province of Alberta, if any. 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 the Agreement or the joint lands.

**Accounting Procedure – 1996 – Rates, Elections and Revisions**

- Clause 105: Operating Fund 10 %
- Clause 110: Approvals 2 or more parties totalling  
65 %
- Clause 112(a): Expenditure Limitations excess of \$25,000.00  
(c): excess of \$50,000.00
- Clause 202(b): Employee Benefits 25 %
- Clause 213(b): Housing Shall \_\_\_\_\_ /Shall not X.
- Clause 216: Warehouse Handling 5 %
- Clause 218: Litigation and Claims: 1<sup>st</sup> Paragraph amended as follows: Legal costs and expenses incurred in handling, investigating, and settling litigation, or claims arising by reason of Joint Operations "*except when the expense is a direct result of or is directly attributable to the gross negligence or wilful misconduct of the Operator or its Affiliates provided that such an act or omission of the Operator or its Affiliates shall be deemed not to be gross negligence or wilful misconduct insofar as such act or omission was done or was omitted to be done in accordance with the instructions of or with concurrence of the Parties*" or necessary to protect or recover the Joint Property including court costs, costs of investigating or procuring evidence, and amounts paid in settlement or satisfaction of any litigation or claim should be recognized as Joint Account costs.
- Clause 219(b): Abandonment & ReclamationDelete
- Clause 302:
- (a) For each Exploration Project:  
(1) 5 % of the first 50,000 plus  
(2) 3 % of the next 100,000 plus  
(3) 1 % of cost exceeding the sum of (1) and (2)
- (b) For each Drilling Well:  
(1) 3 % of the first 50,000 plus  
(2) 2 % of the next 100,000 plus  
(3) 1 % of cost exceeding the sum of (1) and (2)
- (c) For initial Construction Project:  
(1) 5 % of the first 50,000 plus  
(2) 3 % of the next 100,000 plus  
(3) 1 % of cost exceeding the sum of (1) and (2)
- (d) For each subsequent Construction Project:  
(1) 5 % of the first 50,000 plus  
(2) 3 % of the next 100,000 plus  
(3) 1 % of cost exceeding the sum of (1) and (2)
- (e) For Operations and Maintenance:  
(1) 10 % of the cost of operation and maintenance of Joint Property; and  
(2) \$150.00 per Producing Well per month  
(3) ----- flat rate per month
- Clause 302(e) (2) and (3): Will be adjusted annually
- Clause 406: Dispositions \$50,000.00