



## **PETROLEUM AND NATURAL GAS LEASE**

**NO. 0518020190**

**Term Commencement Date:** February 08, 2018

**Lessee:**

MKS INVESTMENTS LTD.

100.00000000%

WHEREAS Her Majesty is the owner of the minerals in respect of which rights are granted under this Lease;

THEREFORE, subject to the terms and conditions of this Lease, Her Majesty grants to the Lessee, insofar as Her Majesty has the right to grant the same, the exclusive right to drill for and recover the Leased Substances within the Location, together with the right to remove from the Location any Leased Substances recovered, for the term of five years computed from the Term Commencement Date and, subject to the *Mines and Minerals Act*, for so long after the expiration of that term as this Lease is permitted to continue under that Act.

RESERVING AND PAYING to Her Majesty,

- (a) in respect of each year during which this Lease remains in effect, a clear yearly rental computed at the rate prescribed by, and payable in accordance with, the *Mines and Minerals Act*, and
  - (b) the royalty on all Leased Substances recovered pursuant to this Lease, that is now or may hereafter from time to time be prescribed by, and that is payable in accordance with, the *Mines and Minerals Act*, such royalty to be calculated free of any deductions except those that are permitted under the *Mines and Minerals Act*.
- 1(1) In this Lease, a reference to the *Mines and Minerals Act* or to any other Act of the Legislature of Alberta referred to in section 2(2)(b) of this Lease shall be construed as a reference to
- (a) that Act, as amended from time to time,
  - (b) any replacement of all or part of that Act from time to time enacted by the Legislature, as amended from time to time, and
  - (c) any regulations, orders, directives or other subordinate legislation from time to time made under any enactment referred to in clause (a) or (b), as amended from time to time.
- (2) In this Lease,
- (a) "Her Majesty" means Her Majesty in right of Alberta, as represented by the Minister of Energy of the Province of Alberta;
  - (b) "Leased Substances" means the minerals described under the heading "Description of Location and Leased Substances" in the Appendix to this Lease;
  - (c) "Location" means the subsurface area or areas underlying the surface area of the Tract and described in the Appendix to this Lease under the heading "Description of Location and Leased Substances";

- (d) "Oil Sands Area" means an oil sands deposit designated by the Alberta Energy and Utilities Board under section 7 of the *Oil Sands Conservation Act*, c. O-5.5;
- (e) "Term Commencement Date" means the date shown on the first page of this Lease as the Term Commencement Date;
- (f) "Tract" means the tract or tracts of land described under the heading "Description of Location and Leased Substances" in the Appendix to this Lease.

2. This Lease is granted upon the following conditions:

- (1) The Lessee shall pay to Her Majesty the rental and royalty reserved under this Lease.
- (2) The Lessee shall comply with the provisions of
  - (a) the *Mines and Minerals Act*, and
  - (b) any other Acts of the Legislature of Alberta that prescribe, apply to or affect the rights and obligations of a lessee of petroleum and natural gas rights that are the property of Her Majesty, or that relate to, apply to or affect the Lessee in the conduct of its operations or activities under this Lease.
- (3) The provisions of the Acts referred to in subsection (2) of this section are deemed to be incorporated in this Lease.
- (4) In the event of conflict between a provision of this Lease and a provision referred to in subsection (2) of this section, the latter provision prevails.
- (5) The Lessee shall not claim or purport to exercise any rights, prerogatives, privileges or immunities that would otherwise exempt the Lessee from compliance with any of the provisions of the *Mines and Minerals Act* or of any other Act of the Legislature of Alberta referred to in subsection (2)(b) of this section.
- (6) Natural gas produced pursuant to this Lease shall be used within Alberta unless the consent of the Lieutenant Governor in Council to its use elsewhere is previously obtained.
- (7) The Lessee shall keep Her Majesty indemnified against
  - (a) all actions, claims and demands brought or made against Her Majesty by reason of anything done or omitted to be done, whether negligently or otherwise, by the Lessee or any other person in the exercise or purported exercise of the rights granted and duties imposed under this Lease, and
  - (b) all losses, damages, costs, charges and expenses that Her Majesty sustains or incurs in connection with any action, claim or demand referred to in clause (a).

- (8) The use in this Lease of the word "Lessee", "Lease", "Leased Substances" or "rental," or of any other word or expression,
  - (a) does not create any implied covenant or implied liability on the part of Her Majesty, and
  - (b) does not create the relationship of landlord and tenant between Her Majesty and the Lessee for any purpose.
- (9) This Lease is also subject to the special provisions, if any, contained in the Appendix to this Lease.

APPENDIX

TO

PETROLEUM AND NATURAL GAS LEASE NO. 0518020190

TERM COMMENCEMENT DATE:

FEBRUARY 08, 2018

AGGREGATE AREA:

960 HECTARES

TRACT ONE

DESCRIPTION OF LOCATION AND LEASED SUBSTANCES:

5-14-086: 31NE; 32NW

5-14-087: 4E; 5; 8NE; 9N,SE

PETROLEUM AND NATURAL GAS

TRACT TWO

DESCRIPTION OF LOCATION AND LEASED SUBSTANCES:

5-14-087: 4NW; 8SE; 9SW

PETROLEUM AND NATURAL GAS

EXCEPTING PETROLEUM AND NATURAL GAS IN THE GILWOOD MBR

AS DESIGNATED IN DRRZD 10

INTERVAL: 5,693.00 - 5,772.00 FEET

KEY WELL: 00/02-21-079-08W5/0

LOG TYPE: INDUCTION ELECTRIC

SPECIAL PROVISIONS:

NIL

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**NOTICE TO LESSEE**

THE LAND(S) IN THIS LEASE IS/ARE WITHIN AN OIL SANDS AREA AS DESIGNATED BY THE ENERGY RESOURCES CONSERVATION BOARD (ERCB). SOLUTION GAS IS EXPRESSLY EXCLUDED FROM THE PETROLEUM AND NATURAL GAS RIGHTS GRANTED UNDER CROWN AGREEMENTS ISSUED IN RESPECT OF OIL SANDS AREAS. MOREOVER, PRODUCTION OF GAS FROM THE LAND(S) IN THIS AGREEMENT MAY BE DISALLOWED OR PRECLUDED BY ORDER OF THE ERCB OR OTHERWISE, ON THE GROUNDS THAT SUCH PRODUCTION MAY DETRIMENTALLY AFFECT THE RECOVERABILITY OF OIL SANDS FROM THOSE LANDS. BY ACCEPTING THIS AGREEMENT FOR THE PETROLEUM AND NATURAL GAS RIGHTS IN THESE LANDS, THE LESSEE/LICENSEE HEREBY ACKNOWLEDGES ALL OF THE ABOVE, AND THAT PRODUCTION OF GAS FROM THE LANDS IN THIS AGREEMENT MAY BY ORDER OF THE ERCB OR OTHERWISE BE PRECLUDED OR DISALLOWED, AND HEREBY WAIVES ANY RECOURSE, ACTION, CAUSE OF ACTION OR CLAIM THAT THE LESSEE/LICENSEE MAY HAVE AGAINST THE CROWN IN RIGHT OF ALBERTA AS A RESULT OF OR IN RELATION TO ITS INABILITY FOR ANY OF THE ABOVE REASONS OR FOR ANY OTHER REASON WHATSOEVER TO PRODUCE GAS FROM THE LANDS IN THIS AGREEMENT. FOR THE DEFINITION OF SOLUTION GAS AND OTHER RELEVANT INFORMATION, PLEASE REFER TO INFORMATION LETTER 99-38. FOR CURRENT POLICY ON NATURAL GAS PRODUCTION IN THE OIL SANDS ZONES IDENTIFIED WITHIN OIL SANDS AREAS, PLEASE REFER TO ERCB INTERIM DIRECTIVE 99-01.

SURFACE ACCESS IS NOT AFFECTED

FOR FURTHER INFORMATION, PLEASE CONTACT:

DONNA CRAWFORD  
MANAGER  
ALBERTA DEPARTMENT OF ENERGY  
9945 108 ST  
EDMONTON AB T5K 2G6 (780) 427 8933