

FARMOUT & OPTION AGREEMENT

WEST SUFFIELD AREA, SASKATCHEWAN

THIS AGREEMENT made as of the 17 day of June, 2010

BETWEEN:

Basic Oil Ltd., a corporation incorporated under the laws of Alberta (hereinafter referred to as "Basic");

Carcajou Resources Corp., a corporation incorporated under the laws of Alberta (hereinafter referred to as "Carcajou");

Danmac Resources Ltd., a corporation incorporated under the laws of Alberta (hereinafter referred to as the "Danmac");

Kivacorp Petroleum Ltd., a corporation incorporated under the laws of Alberta (hereinafter referred to as the "Kivacorp");

Purdy & Partners Inc., a corporation incorporated under the laws of Alberta (hereinafter referred to as the "Purdy"),

Radoslav Prodanovic, an individual residing in the City of Calgary, Alberta (hereinafter referred to as the "Rob");

Alice-Marie Maughan, an individual residing in the City of Calgary, Alberta (hereinafter referred to as the "AM Maughan");

(Basic, Carcajou, Danmac, Kivacorp, Purdy, Rob and AM Maughan hereinafter collectively referred to as "Farmor");

and

Capio Exploration Ltd., a corporation incorporated under the laws of Alberta (hereinafter referred to as "Capio" or "Farmee");

WHEREAS Farmor has agreed to grant to Capio the right to earn a portion of Farmor's interest in the Farmout & Option Lands on the terms and conditions hereinafter set forth;

NOW THEREFORE in consideration of the premises and of the covenants and agreements of the Parties, the Parties agree as follows:

1.00 DEFINITIONS AND INTERPRETATION

1.01 Definitions

Each capitalized term used in this Agreement will have the meaning given to it in the Farmout & Royalty Procedure, and, in addition:

- (a) **"Affiliate"** means a corporation or partnership that is affiliated with the Party for which the expression is being applied, and, for the purpose of this definition:
 - (i) a corporation or partnership is affiliated with another corporation or partnership if it directly or indirectly controls or is controlled by that other corporation or partnership, and for the purpose of determining whether a corporation or partnership so controls or is so controlled, it shall be deemed that:
 - (A) a corporation is directly controlled by another corporation or partnership if shares of the corporation to which are attached more than fifty percent (50 %) of the votes that may be cast to elect directors of the corporation are beneficially owned by that other corporation or partnership and the votes attached to those shares are sufficient, if exercised, to elect a majority of the directors of the corporation,
 - (B) a partnership is directly controlled by a corporation or another partnership if that corporation or other partnership beneficially owns more than fifty percent (50 %) interest in the partnership, and
 - (C) a corporation or partnership is indirectly controlled by another corporation or partnership if control, as defined in (A) or (B) above, as the case may be, is exercised through one or more other corporations or partnerships;
 - (ii) where two or more corporations or partnerships are affiliated at the same time with the same corporation or partnership, they will be deemed to be affiliated with each other.
- (b) **"After Earned Wells"** means any well capable of producing Petroleum Substances from the Farmout & Option Lands excluding any Earning Well.
- (c) **"Assignment Procedure"** means the 1993 Canadian Association of Petroleum Landmen Assignment Procedure.
- (d) **"Cantaur Formation"** means the stratigraphic interval of the Cretaceous Period identified between the depths of 1017 meters and 1039 meters on the Gamma Ray curve from the Spectral Density Compensated Neutron Gamma Ray Log record for the well known as "01/09-11-14-20-W3/0".
- (e) **"Capio Area of Exclusion"** means that area outlined in blue on Schedule 'D' attached hereto.
- (f) **"Delta Land Fund Agreement"** means the Amended Delta Land Fund Agreement dated June 17, 2010 amongst Basic Oil Ltd., Carcajou Resources Corp., Danmac Resources Ltd., Kivacorp Petroleum Ltd., Purdy & Partners Inc., Radoslav Prodanovic, and Alice-Marie Maughan a copy which is attached hereto as Schedule "F".

- (g) **"Delta Land Fund Area of Exclusion"** means that area outlined in green on Schedule 'D' attached hereto.
- (h) **"Earning Block"** means either:
- (i) in the event that at the rig release of the applicable Earning Well, such well is classified as a horizontal well in accordance with the Regulations, then Earning Block shall mean all rights within the one quarter section where the surface location of the Earning Well is located and all rights within one other laterally adjoining pre-selected quarter section of the Farmout & Option Lands; or
 - (ii) in the event that at the rig release of the applicable Earning Well, such well is classified as a vertical well in accordance with the Regulations, then Earning Block shall mean all rights within the one quarter section where the surface location of the Earning Well is located.
- (i) **"Earning Well"** means the wells committed to be drilled by the Farmee pursuant to Article 3.00 of this Agreement, and, subject to Article 4.00 of this Agreement, includes an Option Well, and reference to "Test Well" in the Farmout & Royalty Procedure shall be taken to mean "Earning Well" for purposes of this Agreement.
- (j) **"Enerplus Lands"** means Saskatchewan petroleum and natural gas lease number 46967 covering section 11-14-20-W3M excepting out the 9-11-14-20-W3M well and LSD 9-11-14-20-W3M.
- (k) **"First 6 Wells"** means the wells committed to be drilled by the Farmee pursuant to Article 3.00 of this Agreement plus the next four wells comprised of Earning Wells and/or After Earned Wells and drilled on the Farmout & Option Lands subsequent to the date of this Agreement.
- (l) **"Farmee"** means Capio.
- (m) **"Farmor"** means Basic as to a 22.92% interest, Carcajou as to a 22.92% interest, Danmac as to a 12.50% interest, Kivacorp as to a 6.25% interest, Purdy as to a 27.07% interest, Rob as to a 4.17% interest, and AM Maughan as to a 4.17% interest.
- (n) **"Farmout & Option Lands"** means all the rights granted by the Title Documents with respect to Petroleum Substances as described in Schedule "A" under the heading "Farmout & Option Lands".
- (o) **"Farmout & Royalty Procedure"** means the 1997 CAPL Farmout & Royalty Procedure attached hereto as Schedule "B".
- (p) **"Horizontal Contract Depth"** means the depth sufficient to adequately evaluate to the reasonable satisfaction of the Farmor, the Cantaur Formation in the Farmout & Option Lands with a minimum horizontal leg length of 400 meters.
- (q) **"Mutual Interest Lands"** means any acquired interest in petroleum and natural gas rights, any portion of which lies within the area outlined in red in Schedule 'D' attached hereto excluding lands within the Delta Land Fund Area of Exclusion and the Capio Area of Exclusion.
- (r) **"Party"** means a person, firm, corporation, partnership or body politic that is bound by this Agreement.
- (s) **"Seismic Program"** means either, at the Farmee's option:
- (i) a minimum of ten (10) miles of 3000% CDP data shot on or within one mile of the Farmout & Option Lands, 50% of which must be shot over the Farmout & Option Lands; or

- (ii) a minimum of seven (7) miles of 3000% CDP data shot on or within one mile of the Farmout & Option Lands, 50% of which must be shot over the Farmout & Option Lands and a licenced copy of one (1) square mile of that certain existing 3-D seismic data set with coverage over Section 30 -T13 R19 W3M.
- (t) **"Seismic Data"** means, with respect to geophysical data from the Seismic Program to be supplied by Capio to Farmor pursuant to Article 2.00 hereto, all basic field data, shot point base map(s), survey notes, chaining notes, and final stacked sections with respect thereto, including, without limitation:
 - a. a print of a shot-point location map;
 - b. a copy of the field tape(s); and
 - c. a copy of the stacked tape(s), where available;
 provided that Farmee will not be required to disclose its interpretation(s) of that data or its proprietary processing techniques, if any.
- (u) **"Verticle Contract Depth"** means the lesser of:
 - (i) the depth sufficient to adequately evaluate to the reasonable satisfaction of the Farmor all formations comprised in the Farmout & Option Lands down to and including the Cantaur Formation; or
 - (ii) the depth of 1100 meters, subsurface, whichever shall first occur.

1.02 **Conflicts**

- (a) In the event of any conflict or inconsistency between the provisions of the Head Agreement and any Schedule attached hereto, except for the Assignment Procedure, the provisions of the Head Agreement shall prevail.
- (b) In the event of any conflict or inconsistency between the provisions of this Agreement and the Title Documents, the provisions of the Title Documents shall prevail and this Agreement shall be deemed to have been amended accordingly.
- (c) In the event of any conflict or inconsistency between the provisions of this Agreement and the Regulations, the provisions of the Regulations shall prevail and this Agreement shall be deemed to have been amended accordingly.

1.03 **Headings and References**

- (a) The Article headings and any other captions or indexes hereto shall not be used in any way in construing or interpreting any provisions hereof.
- (b) Unless otherwise expressly stated, references to Articles or Clauses herein shall mean Articles or Clauses of this Head Agreement.
- (c) For greater certainty, where a word is defined in this Agreement, a derivative of that word shall have a corresponding meaning.
- (d) This Agreement is to be read and interpreted with all changes of gender and number as required by context.
- (e) References in this Agreement and the attached Farmout & Royalty Procedure to "Head Agreement" shall mean this Agreement.

1.04 Schedules

The following Schedules are attached hereto and made part of this Agreement:

- (a) Schedule "A" which describes the Title Documents, the Farmout & Option Lands, and the interest and encumbrances of the Farmor therein.
- (b) Schedule "B" which describes the elections and revisions to the Farmout & Royalty Procedure.
- (c) Schedule "C" which is the Farmor's Well Information Requirement Schedule.
- (d) Schedule "D" which represents the Mutual Interest Lands, the Capio Area of Exclusion and Delta Land Fund Area of Exclusion.
- (e) Schedule "E" which is the elections and revisions to the 1990 CAPL Operating Procedure ("Operating Procedure") and to which is attached the 1996 PASC Accounting Procedure and its rates and elections.
- (f) Schedule "F" which is the Delta Land Fund Agreement.

The 1997 CAPL Farmout and Royalty Procedure, the 1990 CAPL Operating Procedure and the 1996 PASC Accounting Procedure are incorporated into this Agreement by reference.

2.00 SEISMIC PROGRAM – COMMITMENT

Subject to surface access, regulatory approval and crew availability, on or before August 15, 2010, Farmee shall commence field acquisition of the Seismic Program. The Farmee will conduct the Seismic Program diligently, and will process the data therefrom in a timely manner, all at its sole cost, risk and expense. The Farmee shall supply one (1) copy of the Seismic Data pertaining to the Seismic Program to Carcajou on behalf of all of the Farmors within 10 days of the completion of the processing of the data, but in no event later than 30 days following the completion of the field acquisition of the data. In the event that Farmor elects to acquire a Seismic Program that includes the acquisition of one (1) square mile of that certain existing 3-D seismic data set with coverage over T13 R19 W3M:30 then as soon as reasonably practical after such acquisition the Farmee shall provide to Carcajou, on behalf of the Farmors, a licensed copy of such 3D seismic data. The Farmee will retain all trading rights to the Seismic Data. In the event Mutual Interest Lands become available for acquisition after the Seismic Program or a portion thereof has been acquired by Farmee, then Farmee shall provide all available Seismic Data to Farmor prior to Farmor's requirement to elect to participate or not in the acquisition of such Mutual Interest Lands.

3.00 EARNING WELLS - COMMITMENT

3.01 Commitment

The Farmee hereby commits to drill two Earning Wells to Horizontal Contract Depth on the Farmout & Option Lands. The Farmee shall, subject to using reasonable diligence in obtaining a rig, surface access and regulatory approval, Spud the first of the two horizontal Earning Wells on or before September 1, 2010 at a location of its choice on the Farmout & Option Lands. The Farmee shall, subject to surface access, rig availability and regulatory approval, Spud the second horizontal Earning Well as soon as practically possible after rig release of the first Earning Well.

3.02 Farmee to Pre-Select Earning Block

Prior to Spud of each of the first of the two Earning Wells, Farmee shall pre-select by notice in writing to Farmor an Earning Block from the Farmout & Option Lands.

3.03 Farmee's Earning Well Obligations

The Farmee shall drill the two Earning Wells at the time and location set forth in Article 3.01 of this Agreement. After Spud of each Earning Well, Farmee shall thereafter diligently and continuously drill each such well in accordance with Article 3.00 of the Farmout & Royalty Procedure to Horizontal Contract Depth and Complete, Cap or Abandon each Earning Well at the sole cost, risk and expense of the Farmee. Farmee will use reasonable efforts to Equip each Earning Well as soon as practical after each Production Test. The Farmee shall provide the Farmor with well information from each Earning Well in accordance with Article 9.00 of the Farmout & Royalty Procedure.

4.00 OPTION WELL

4.01 Election to Drill an Option Well

If the Farmee has performed all of the requirements of Article 2.00 and 3.00 of this Agreement and is not otherwise in default hereunder, the Farmee shall have the option, exercisable after 90 days from the date of first production from the first Earning Well after Equipping such well, if applicable, but in no event later than 120 days from the rig release date of the first Earning Well, to elect to drill an Option Well at a location of the Farmee's choice on an unearned portion of the Farmout & Option Lands. The Farmee may elect to drill such Option Well by notice in writing to Farmor and such notice shall contain the Farmee's pre-selected Earning Block for such Option Well. If the Farmee elects to drill an Option Well, the Farmee shall, subject to surface access, regulatory approval, and rig availability, Spud the Option Well within Thirty (30) days of such election. Option Wells shall be drilled to either Vertical Contract Depth or Horizontal Contract Depth. Failure to so elect to drill the Option Well will be deemed an election not to drill the Option Well and the Farmee shall have no further right to earn an interest in the balance of the unearned Farmout Lands.

4.02 Election to Drill further Option Wells

If the Farmee is not in default hereunder, the Farmee shall have the continuing option to elect to drill further Option Wells on the Farmout & Option Lands in the same manner as set out above except such election shall be made within 30 days of rig release of the preceding Option Well, and Spud within thirty (30) days of that election. Such right to drill Option Wells shall continue until December 31, 2011 or until all of the Farmout & Option Lands have been earned by the Farmee, whichever is the earlier.

5.00 ENERPLUS LANDS

Farmor shall have the exclusive right to acquire an interest in the Enerplus Lands. In the event that if: i) prior to December 31, 2011; and ii) at the time of acquisition of an interest in the Enerplus Lands by Farmor, Farmee has a continuing right to earn any unearned portions of the Farmout & Option Lands and Farmee is not in default under his Agreement, then the interest acquired by Farmor in the Enerplus Lands shall become part of the Farmout and Option Lands.

6.00 INTEREST EARNED

6.01 Horizontal Well

Provided Farmee is not in default under this Agreement and subject to Article 3.00 of the Farmout & Royalty Procedure, for each Earning Well drilled as a horizontal well to Horizontal Contract Depth the Farmee shall

earn 100% of Farmor's interest in the applicable pre-selected Earning Block subject to the Existing Royalty and the Overriding Royalty as more particularly described in this Agreement and Schedule B attached hereto.

6.02 Verticle Well

Provided Farmee is not in default under this Agreement and subject to Article 3.00 of the Farmout & Royalty Procedure, for each Earning Well drilled as a verticle well to Vertical Contract Depth, the Farmee shall earn 100% of Farmor's interest in the applicable pre-selected Earning Block subject to the Existing Royalty and the Overriding Royalty as more particularly described in this Agreement and Schedule B attached hereto.

7.00 OVERRIDING ROYALTY

The Overriding Royalty reserved to the Farmor pursuant to this Agreement and more particularly outlined in Article 5.00 of the Farmout & Royalty Procedure shall be such that the Overriding Royalty for all Earning Wells and/or the First 6 Wells (whichever well count is greater) shall be calculated such that the percentage for Article 5.01 A. Alternate 1: shall be 15% and for all After Earned Wells that are not First Six Wells shall be 13%. (For greater clarity, if Farmee drills less than six (6) Earning Wells, then only the First Six Wells shall be at 15%. If Farmee drills six (6) or more Earning Wells then just the Earning Wells shall be at the higher 15%).

8.00 EXISTING ENCUMBRANCE

The Farmor's interest in the Farmout & Option Lands is encumbered by a 3% overriding royalty as described in the Delta Land Fund Agreement ("Existing Royalty"). Upon earning an interest in the Farmout & Option Lands, Farmee agrees to replace Farmor as Royalty Payor of the Existing Royalty and pay the Existing Royalty in accordance with the provisions of the Delta Land Fund Agreement attached hereto as Schedule F.

9.00 CAPIO - AREA OF EXCLUSION

If, during the period commencing on the date of execution of this Agreement and ending December 31, 2011 (the "Exclusion Period"), Farmee, an Affiliate of Farmee, or any party acting on behalf of Farmee or an Affiliate of Farmee acquires any interest in any of the petroleum and natural gas rights within the Capió Area of Exclusion identified on Schedule "D", other than an interest acquired from Farmor (the "Third Party Interest"), then Farmee shall within ten (10) days of such acquisition provide Farmor with written notice of such acquisition including the details thereof and Farmor, irrespective of the date it received such notice from Farmee shall have the option, exercisable within twenty (20) days of a receipt of such written notice, to acquire the entire Third Party Interest by paying to Farmee its costs of acquisition of the Third Party Interest and/or assuming the obligations of Farmee with respect to the Third Party Interest. Failure by Farmor to exercise its option with respect to any acquisition as set out above shall not preclude Farmor from exercising its option with respect to any future acquisition made by Farmee, an Affiliate of Farmee, or any party acting on behalf of Farmee or an Affiliate of Farmee during the Exclusion Period.

10.00 DELTA LAND FUND - AREA OF EXCLUSION

If, during the period commencing on the date of execution of this Agreement and ending December 31, 2011 (the "Farmor Exclusion Period"), Farmor, an Affiliate of Farmor, or any party comprising Farmor, or any party acting on behalf of Farmor or an Affiliate of Farmor acquires any interest in any of the petroleum and natural gas rights within the Delta Land Fund Area of Exclusion identified on Schedule "D", other than an interest acquired from Farmee (the "Other Party Interest"), then Farmor shall within ten (10) days of such acquisition provide Farmee with written notice of such acquisition including the details thereof and Farmee, irrespective of the date it received such notice from Farmor shall have the option, exercisable within twenty (20) days of a receipt of such written notice, to acquire the entire Other Party Interest by paying to Farmor its costs of acquisition of the Other Party Interest and/or assuming the obligations of Farmor with respect to the Other Party Interest. Failure by Farmee to exercise its option with respect to any acquisition as set out above shall not preclude Farmee from exercising its option with respect to any future

acquisition made by Farmor, an Affiliate of Farmor, or any party acting on behalf of Farmor or an Affiliate of Farmor during the Farmor Exclusion Period.

11.00 MUTUAL INTEREST LANDS

Article 8.00 of the Farmout & Royalty Procedure will be in effect from the date of this Agreement until December 31, 2011. Subject to Article 8.00 of the Farmout & Royalty Procedure, the Parties will have the right to participate in any acquisition of Mutual Interest Lands in the following percentages:

Farmee	50%
Farmor	50%

In the event that not all of the Parties comprising Farmor elect to participate in the acquisition of Mutual Interest Lands, then those Parties comprising Farmor that do elect to participate in such acquisition may do so and proportionately to their participating interest may acquire the non-participating Farmor's interest in such Mutual Interest Lands. For greater clarity it is intended that if not all parties comprising the Farmor elect to acquire Mutual Interest Lands those parties electing to acquire shall acquire the Farmor's entire interest such that all acquisitions are made in the percentages identified above.

In the event Farmee acquires any seismic information other than from the Seismic Program including new field acquisitions or purchase of third party data ("Other Seismic Data") over the Mutual Interest Lands during the term identified above, then Farmor shall have the option, at its election, to participate in the acquisition of the Other Seismic Data on the same terms and conditions as Farmee by paying 50% of the actual acquisition costs to acquire a 50% proprietary share in the Other Seismic Data or pay one third of the actual acquisition costs for a non-proprietary licensed copy of the Other Seismic data, prior to the deadline to commit to participate in the acquisition of applicable Mutual Interest Lands.

If Farmee acquires during the term provided for in this Article 11.00 an interest in those Mutual Interest Lands that as of the date of this Agreement are unleased Saskatchewan Crown lands, then within five days of such acquisition, Farmee shall pay to Farmor the sum of \$5,000 ("Prospect Fee") per section of such acquired Mutual Interest Lands. In the event that less than an interest in one complete section of such Mutual Interest Lands is acquired, then the applicable Prospect Fee shall be reduced proportionately to the acreage acquired.

12.00 FARMOR DESIGNATES TWO REPRESENTATIVES

Article 1.03 of the Farmout & Royalty Procedure is hereby amended such that the parties comprising Farmor hereby agree to designate Basic and Carcajou as the Farmor's representatives: (i) to receive all information and notices to be provided to the Farmor; and (ii) to receive all elections and provide elections on behalf of the Parties comprising Farmor. The rights and obligations of the Parties comprising Farmor will be several and not joint or collective, and will accrue proportionately to the Parties comprising Farmor in the percentages set forth in Article 1.01 (m) of this Agreement.

13.00 RESTRICTION ON ADDITIONAL DRILLING

During the period that the Farmee has the right to earn an interest in the Farmout & Option Lands ("Earning Period"), no Party may propose to drill an additional well pursuant to the Operating Procedure upon any Mutual Interest Lands until the Earning Period has terminated and Farmee has provided all relevant well information and Seismic Data to Farmor. Notwithstanding this Article, additional wells may be drilled hereunder prior to the completion of the Earning Period if the Parties mutually consent and agree to amend this Article.

14.00 TRUST ARRANGEMENT

Upon Farmee fulfilling its obligations herein and provided Farmee is not in default of any term or condition of this Agreement, Farmor shall hold in trust for Farmee the interest earned in the Title Documents as they pertain to the Farmout & Option Lands. This Agreement shall be sufficient to evidence the trust arrangement until such time as Farmee has earned in entire sections (individual title documents), at which point and upon written notice from Farmee to Farmor, Farmor shall transfer such earned title documents to Farmee.

15.00 CREDITS AND INCENTIVES

Any incentives, credits, grants, rebates or grouping rights obtained pursuant to the Regulations on account of any operations conducted by a Party on the Farmout & Option Lands hereunder shall be owned, earned and retained by the Parties in proportion to the respective working interest participation in such operation.

16.00 LIMITATIONS ACT

16.01 Time Extension

The Parties agree that 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.

17.00 NOTICES

17.01 Addresses for Notices

The address for service of notices under this Agreement for each of the Parties is as follows:
Notwithstanding the inclusion of each of the Farmor's Addresses for Notices, the parties that comprise the Farmor hereby fully accept the terms of clause 12.00 with respect to delivery of all notices.

FARMEE:
Capio Exploration Ltd.
1100, 717 – 7th Avenue SW
Calgary, Alberta
T2P

Attention: Land Department
Facsimile No.: (403) 410-3056

FARMOR:

Basic Oil Ltd.	Carcajou Resources Corp.
1127 Prospect Ave SW	SW22-21-3-W5M
Calgary, AB T2T 0X2	Box 15, Site 4, RR 1
Attention: Mr. Mike Maughan	Millarville, AB, T0L 1K0
	Attention: Mr. Dan MacDonald

Danmac Resources Ltd.	Kivacorp. Petroleum Ltd.
#78, 100 Signature Way S.W.	1216 Belavista Cres. S.W.
Calgary, AB, T3H 2W6	Calgary, AB, T2V 2B1
Attention: Mr. Jim MacDonald	Attention: Mr. Dave Fitzpatrick
Purdy and Partners Inc.	Radoslav Prodanovic
2550, 700- 2nd Street S.W.	3223 2 nd Street S.W.
Calgary, AB T2P 2W2	Calgary, AB
Attention: Mr. Rob Purdy	T2S 1T5
Alice-Marie Maughan	
1122 Talon Avenue S.W.	
Calgary, AB, T2T 1G1	

18.00 ENVIRONMENTAL RESPONSIBILITY

18.01 Liability to Enure

Subject to the provisions of Article IV of the Operating Procedure, in the event that any environmental damage occurs as a result of operations conducted pursuant to this Agreement, excluding damage resulting from the gross negligence of the Party conducting such operations, the Parties will correct such damage to a standard acceptable under the Regulations and shall be responsible for the costs incurred in accordance with their respective participating interests in the operation giving rise to such problem, notwithstanding that all wells may then have been abandoned and the Title Documents have been surrendered. Further, notwithstanding Clause 2901 of the Operating Procedure, the Parties acknowledge and agree that any environmental obligations attributable to operations conducted hereunder shall survive the termination of this Agreement, in accordance with any regulations that may apply.

19.00 MISCELLANEOUS

19.01 Authority

Each Party covenants that it has good right, full power and authority to enter into this Agreement.

19.02 Further Assurances

Each of the Parties shall from time to time and at all times do 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.

19.03 Supersedes Prior Agreements

This Agreement replaces and supersedes all prior agreements, documents, writings and verbal understandings among the Parties relating to the Farmout & Option Lands and the Title Documents.

19.04 Time of Essence

Time shall be of the essence in this Agreement.

19.05 Enurement

Subject to the terms herein, this Agreement shall be binding upon and enure to the benefit of the Parties and their respective successors and permitted assigns.

19.06 Governing Law

This Agreement shall be interpreted and construed in accordance with the laws in force in the Province of Alberta. The Parties agree to submit to the exclusive jurisdiction of the courts of the Province of Alberta in any actions related to this Agreement.

19.07 Use of Name

Each Party agrees that it will not use, suffer or permit to be used directly or indirectly the name of any other Party to this Agreement for the purpose of or in connection with the obtaining of financial assistance for any of the operations respecting the Farmout & Option Lands or the promotion of any enterprise, syndicate, partnership or other association intended to control, own or finance either directly or indirectly any interest or operations respecting the Farmout & Option Lands.

19.08 Entire Agreement

The Parties acknowledge they have expressed herein the entire understanding and obligations of this Agreement and it is expressly understood and agreed no implied covenant, condition, term or reservation shall be read into this Agreement relating to or concerning any matter or operation provided for herein.

19.09 Parties as Principles

Each of the Parties comprising Farmor and executing this Agreement, hereby confirms that it is acting as a principle of Farmor and not acting for, or representing another person, corporation or partnership.

19.10 Execution in Counterpart

This Agreement may be executed in separate counterparts and all executed counterpart pages taken together shall constitute one and the same Agreement.

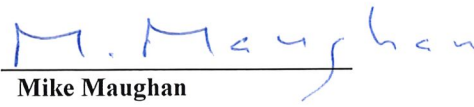
IN WITNESS WHEREOF the Parties have caused this Agreement to be duly executed.

CAPIO EXPLORATION LTD.

Per: 
Scott Godsmen

Per: 
Dwight Dracek

BASIC OIL LTD.

Per: 
Mike Maughan

CARCAJOU RESOURCES CORP.

Per: 
Dan MacDonald

DANMAC RESOURCES LTD.

Per: 
J.S. MacDonald

KIVACORP PETROLEUM LTD.

Per: 
Dave Fitzpatrick

PURDY & PARTNERS INC.

Per: 
Rob Purdy


Radoslav Prodanovic

Witness: 


Alice-Marie Maughan

Witness: 

This is a counterpart execution page to a Farmout & Option Agreement dated the 17th day of June, 2010, between Basic Oil Ltd., Carcajou Resources Corp., Danmac Resources Ltd., Kivacorp Petroleum Ltd., Purdy & Partners Inc., Radoslav Prodanovic, Alice-Marie Maughan and Capiro Exploration Ltd..

SCHEDULE "A"

This is Schedule "A" attached to and made part of that Farmout & Option Agreement dated June 17, 2010 between Basic Oil Ltd., Carcajou Resources Corp., Danmac Resources Ltd., Kivacorp Petroleum Ltd., Purdy & Partners Inc., Radoslav Prodanovic, Alice-Marie Maughan and Capio Exploration Ltd.

FARMOUT & OPTION LANDS

Title Document	Land Description	Farmor's Interest	Encumbrances
Saskatchewan P&NG Lease PN63760	T13R19W3M:Lsds 03, 04, 05, E/2, NW of Section 30 all P&NG surface to the top Precambrian T13R19W3M: Lsd 06 of Section 30 all P&NG from the base Vanguard Group to the top Precambrian	100%	Saskatchewan Crown Royalty 3% nonconvertible overriding royalty
Saskatchewan P&NG Lease PN64101	T13R20W3M:23 all P&NG surface to the top Precambrian.	100%	Saskatchewan Crown Royalty 3% nonconvertible overriding royalty
Saskatchewan P&NG Lease PN64102	T13R20W3M:NE26 all P&NG surface to the top Precambrian.	100%	Saskatchewan Crown Royalty 3% nonconvertible overriding royalty
Saskatchewan P&NG Lease PN63765	T14R20W3M:2 all P&NG surface to the top Precambrian.	100%	Saskatchewan Crown Royalty 3% nonconvertible overriding royalty
Saskatchewan P&NG Lease PN63766	T14R20W3M:14 all P&NG surface to the top Precambrian.	100%	Saskatchewan Crown Royalty 3% nonconvertible overriding royalty
Saskatchewan P&NG Lease PN63767	T14R20W3M:24 all P&NG surface to the top Precambrian.	100%	Saskatchewan Crown Royalty 3% nonconvertible overriding royalty

SCHEDULE "B"

This is Schedule "B" attached to and made part of that Farmout & Option Agreement dated June 17, 2010 between Basic Oil Ltd., Carcajou Resources Corp., Danmac Resources Ltd., Kivacorp Petroleum Ltd., Purdy & Partners Inc., Radoslav Prodanovic, Alice-Marie Maughan and Capio Exploration Ltd..

1997 Farmout & Royalty Procedure - Rates, Elections

1. Subclause 1.01 (f) - Effective Date June 17, 2010
2. Subclause 1.01 (t), if Alternate 6.00 applies - Payout Alternate A N/A
Alternate B N/A

If Alternate B applies: _____ m³ of Equivalent Production or _____ years
3. Clause 1.02 - Incorporation Of Provisions From 1990 CAPL Operating Procedure

Clause 311 (Insurance) Alternate A _____ Alternate B X

Add 311h:

"In addition to the policies of insurance required under Clause 311A of the Operating Procedure, Farmee shall obtain and maintain control of well insurance to the extent of a minimum of five million dollars (\$5,000,000) with respect to each well drilled hereunder and each such policy shall also include the waivers of subrogation required by Clause 311A of the Operating Procedure. All costs of insurance maintained by Farmee pursuant to this Clause shall be borne solely by Farmee and, upon request of Farmor, Farmee shall promptly provide Farmor with evidence that such insurance is maintained by Farmee, including a copy of any particular policy of insurance if so requested by Farmor".

4. Article 4.00 - Option Wells will X / will not _____ apply
5. Article 5.00 - Overriding Royalty will X / will not _____ apply
6. Subclause 5.01A - Quantification Of Overriding Royalty

This Royalty calculation to apply to all Earning Wells and/or the First Six Wells (whichever well count is greater) pursuant to the Head Agreement.

- (a) For Crude Oil, Alternate 1 will apply (Specify 1 or 2)

If Alternate 1 applies, 15 %

If Alternate 2 applies, _____, min _____ %, max _____ %

- (b) For all other Petroleum Substances, Alternate 1 will apply (Specify 1 or 2)

If Alternate 1 applies, 15 %

If Alternate 2 applies, _____ % in (i) and _____ % in (ii)

This Royalty calculation to apply to all After Earned Wells that are not First 6 Wells.

- (a) For Crude Oil, Alternate 1 will apply (Specify 1 or 2)

If Alternate 1 applies, 13 %

If Alternate 2 applies, _____, min _____ %, max _____ %

- (b) For all other Petroleum Substances, Alternate 1 will apply (Specify 1 or 2)

If Alternate 1 applies, 13 %

If Alternate 2 applies, _____ % in (i) and _____ % in (ii)

7. **Subclause 5.04B - Permitted Deductions**

Alternate 1 only	_____
Alternate 2 only	_____
Alternates 1 and 2	<u> X </u>
Neither Alternates 1 or 2	_____

If Alternate 2 applies, deductions must not be greater than 40 % of the Market Price

8. **Article 6.00 - Conversion of Overriding Royalty** will _____ / will not X apply

9. **Subclause 6.04 A - Operations at Conversion**

If Article 6.00 applies, conversion will be to NA % of the Working Interest held by the Farmor.

12. **Article 8.00 - Area of Mutual Interest** will X / will not _____ apply

13. **Subclause 11.02 - Reimbursement of Land Maintenance Costs** will _____ / will not X apply

If Clause 11.02 applies, the Farmee will pay the Farmor \$ _____. (\$ amount depends on the Agreement)

SCHEDULE "C"

This is Schedule "C" attached to and made part of that Farmout & Option Agreement dated June 17, 2010 between Basic Oil Ltd., Carcajou Resources Corp., Danmac Resources Ltd., Kivacorp Petroleum Ltd., Purdy & Partners Inc., Radoslav Prodanovic, Alice-Marie Maughan and Capio Exploration Ltd..

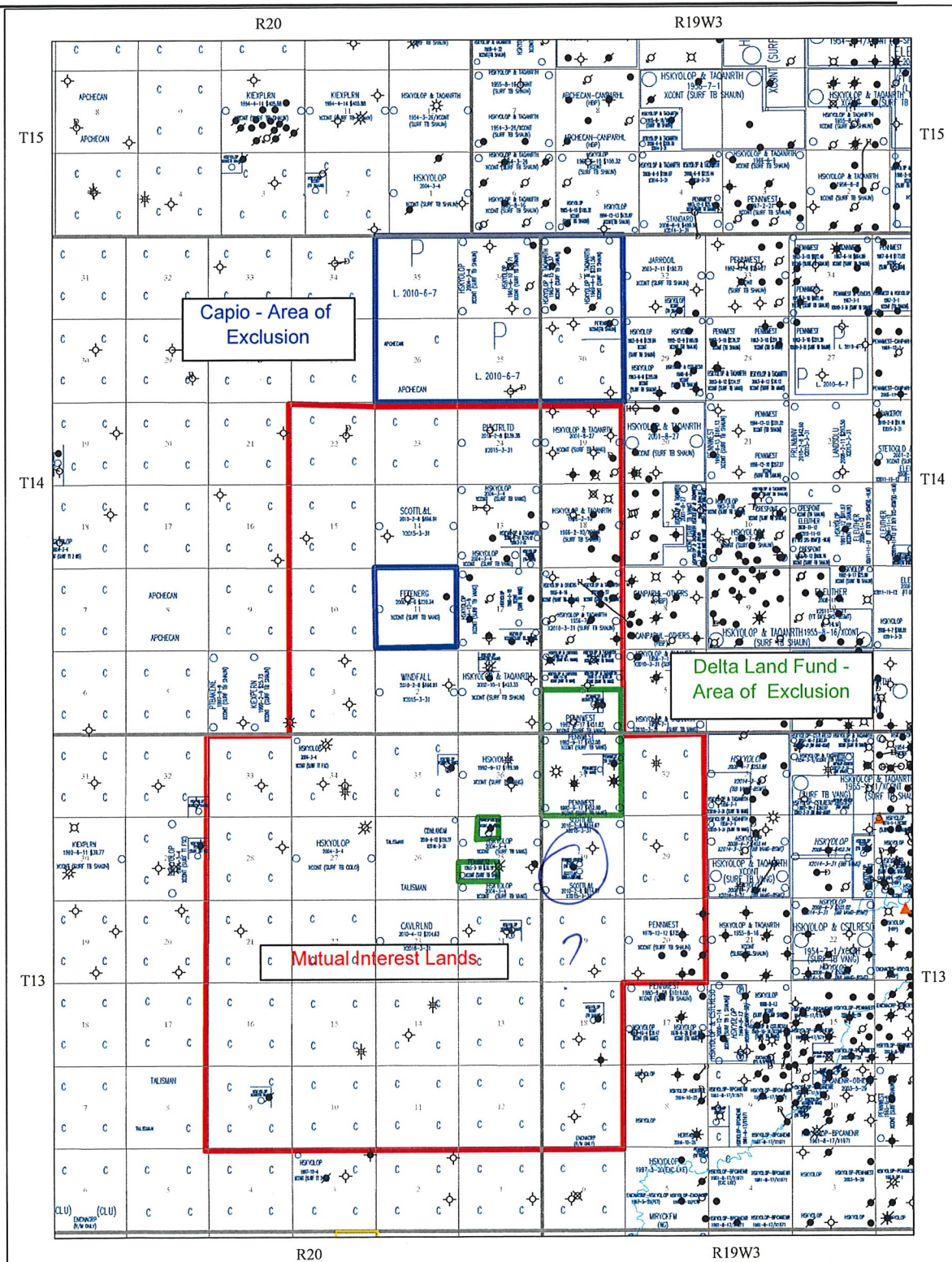
WELL INFORMATION REQUIREMENT SHEET

1. **INFORMATION REQUIRED PRIOR TO DRILLING**
 - SURVEY PLAT 2
 - WELL LICENSE 2
 - DRILLING PROGRAM (including drilling days and cost curves) 2
 - GEOLOGICAL PROGRAM 2
2. **NOTICES REQUIRED**
 - 24 HOURS' NOTICE OF INTENT TO SPUD
 - 24 HOURS' NOTICE OF INTENT TO LOG, CORE, TEST, OR CONDUCT ANY NON-ROUTINE OPERATIONS
 - IMMEDIATE NOTICE OF ANY OIL OR GAS SHOW
 - 48 HOURS' NOTICE OF INTENT TO ABANDON. APPROVAL TO ABANDON WILL BE GRANTED ONLY AFTER CARCAJOU AND BASIC HAS EACH EVALUATED ONE RESISTIVITY LOG AND ONE POROSITY LOG REPRESENTING THE ENTIRE OPEN HOLE INTERVAL.
3. **INFORMATION REQUIRED DURING DRILLING**
 - DAILY 8:30 A.M. TELEPHONE/FAX DRILLING REPORTS YES
 - DAILY/WEEKLY DRILLING TOUR REPORTS 2
 - DAILY/WEEKLY LITHOLOGY (CORE AND SAMPLE DESCRIPTIONS) 2
 - DRILL STEM TEST REPORTS 2
4. **INFORMATION REQUIRED REGARDING GEOLOGY**
 - ACCESS TO CORE YES
 - ACCESS TO OPERATOR'S SAMPLES YES
 - LITHOLOGY LOG & WELL SUMMARY REPORT 2
 - CORE AND SAMPLE DESCRIPTIONS, AND DISK 2
 - OIL, WATER, GAS AND CORE ANALYSES 2
 - FINAL DST REPORTS AND CHARTS (paper and digital) 2
 - LOGS (FIELD AND FINAL PRINTS), AND LAS DISK 2
 - DIRECTIONAL SURVEY AND LAS DISK 2
 - FINAL MUD LOG AND DIGITS IN ASCII FORMAT, OR 2
 - TOTAL GAS DETECTOR DATA AND DIGITS
 - POWERLOG DISK, IF APPLICABLE 2
5. **INFORMATION REQUIRED DURING COMPLETION**
 - COMPLETION PROGRAM 2
 - COMPLETION REPORTS (DAILY) 2
 - BOTTOM HOLE PRESSURE REPORTS 2
 - AOFP AND IP REPORTS 2
 - ALL REGULATORY GOVERNMENT REPORTS 2
 - FINAL COMPLETION OR ABANDONMENT REPORTS 2
6. **CONTACTS**
 - DAILY DRILLING REPORTS TO: Dan MacDonald – Email danmac@platinum.ca
Phone 403-554-1738
 - Mike Maughan – Email mikemaughan63@yahoo.com
Phone: 403-880-2222

MAIL THE ABOVE DATA TO: CARCAJOU RESOURCES CORP. Box 15, Site 4, RR 1, Millarville, AB, T0L1K0 and
BASIC OIL LTD., 1127 Prospect Avenue SW, Calgary, AB, T2T 0X2

SCHEDULE "D"

This is Schedule "D" attached to and made part of that Farmout & Option Agreement dated June 17, 2010 between Basic Oil Ltd., Carcajou Resources Corp., Danmac Resources Ltd., Kivacorp Petroleum Ltd., Purdy & Partners Inc., Radoslav Prodanovic, Alice-Marie Maughan and Capio Exploration Ltd.



SCHEDULE "E"

This is Schedule "E" attached to and made part of that Farmout & Option Agreement dated June 17, 2010 between Basic Oil Ltd., Carcajou Resources Corp., Danmac Resources Ltd., Kivacorp Petroleum Ltd., Purdy & Partners Inc., Radoslav Prodanovic, Alice-Marie Maughan and Capio Exploration Ltd.

CAPL OPERATING PROCEDURE - 1990

Operator: **CAPIO EXPLORATION LTD.**

Clause 311 - Insurance: Alternate A ☒ B

Clause 604 - Marketing Fee: Alternate A ☒ B

Clause 903 - Less than All Parties Participate: Alternate A ☒ B

Clause 1004 - Operator for Independent Operations: is deleted and replaced with Clause 1004 of the 1981 CAPL Operating Procedure.

Clause 1007 - Penalty Where Independent Well Results in Production:

1007 (a) (iv) - Development Wells 300%

1007 (b) (iv) - Exploratory Wells 500%

Clause 1010 - Preservation of Title: 365 Days

Clause 2202 - Address for Service: See Head Agreement

Clause 2401 - Right to Assign, Sell or Dispose: Alternate A ☒ B ☐

Clause 2404 - Recognition upon Assignment: Superseded by the 1993 CAPL Assignment Procedure.

RATES, ELECTIONS AND MODIFICATIONS TO THE 1996 PETROLEUM ACCOUNTANTS SOCIETY OF CANADA (PASC) ACCOUNTING PROCEDURE

101. Rates and Elections

The following clauses of the Accounting Procedure are modified to include the indicated election, alternate, option or value:

105. **Operating Fund:** 10%

110. **Approvals:** Clause _____; from 2; sixty percent (60 %)

112. **Expenditure Limitations:**

(a) excess of twenty-five thousand dollars (\$25,000)

(c) excess of twenty-five thousand dollars (\$25,000)

202. **Employee Benefits:**

(b) exceed twenty-five percent (25%)

213. **Camp and Housing:**

(b) shall _____/shall not X.

216. **Warehouse Handling:**

two and one half percent (2-1/2%)

221. **Allocation Options:** N/A

302. **Overhead Rates:**

(a) Exploration Project _____ percent (_____ %); or

(1) five percent (5 %); Fifty thousand dollars (\$ 50,000)

(2) three percent (3 %); One hundred thousand dollars (\$100,000)

(3) one percent (1 %)

(b) Drilling of a well _____ percent (_____ %); or

(1) three percent (3 %); Fifty thousand dollars (\$ 50,000)

(2) two percent (2 %); One hundred thousand dollars (\$100,000)

(3) one percent (1 %)

(c) Initial Construction _____ percent (_____ %); or

(1) five percent (5 %); Fifty thousand dollars (\$ 50,000)

(2) three percent (3 %); One hundred thousand dollars (\$100,000)

(3) one percent (1 %)

(d) Construction _____ percent (_____ %); or

(1) five percent (5 %); Fifty thousand dollars (\$ 50,000)

(2) three percent (3 %); One hundred thousand dollars (\$100,000)

(3) one percent (1 %)

(e) Operation and Maintenance

(1) ten percent (10 %) of cost; and/or

(2) one hundred & fifty dollars (\$150/producing well/month)

(3) dollars

Subclause 302(e)(2) and 302(e)(3) here shall /shall not X.

406. Dispositions: twenty-five thousand dollars (\$25,000)

SCHEDULE "F"

This is Schedule "F" attached to and made part of that Farmout & Option Agreement dated June 17, 2010 between Basic Oil Ltd., Carcajou Resources Corp., Danmac Resources Ltd., Kivacorp Petroleum Ltd., Purdy & Partners Inc., Radoslav Prodanovic, Alice-Marie Maughan and Capio Exploration Ltd.

Amended Delta Land Fund Agreement dated June 17, 2010 amongst the Farmors