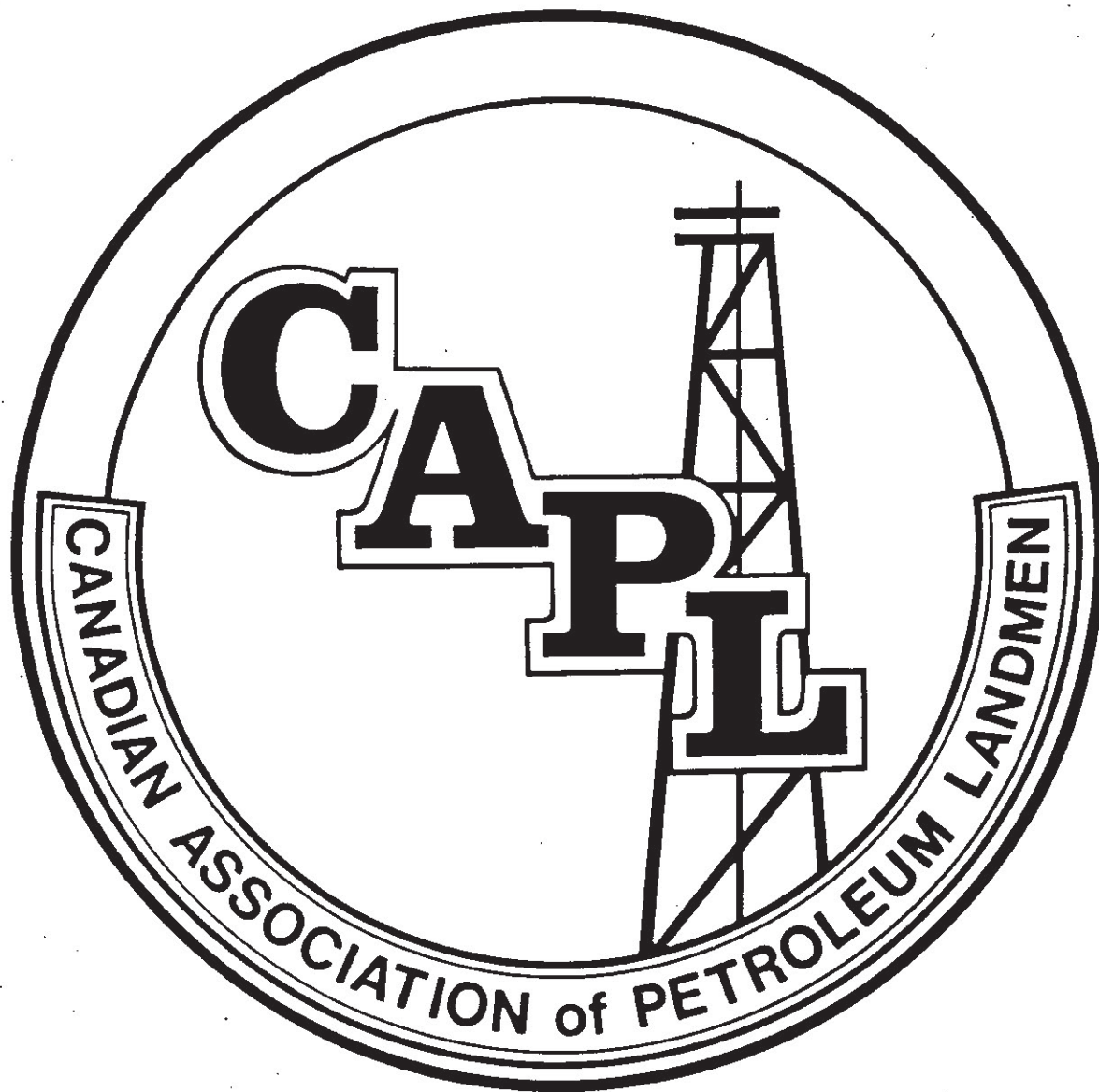


ASSIGNMENT PROCEDURE
(Annotated)



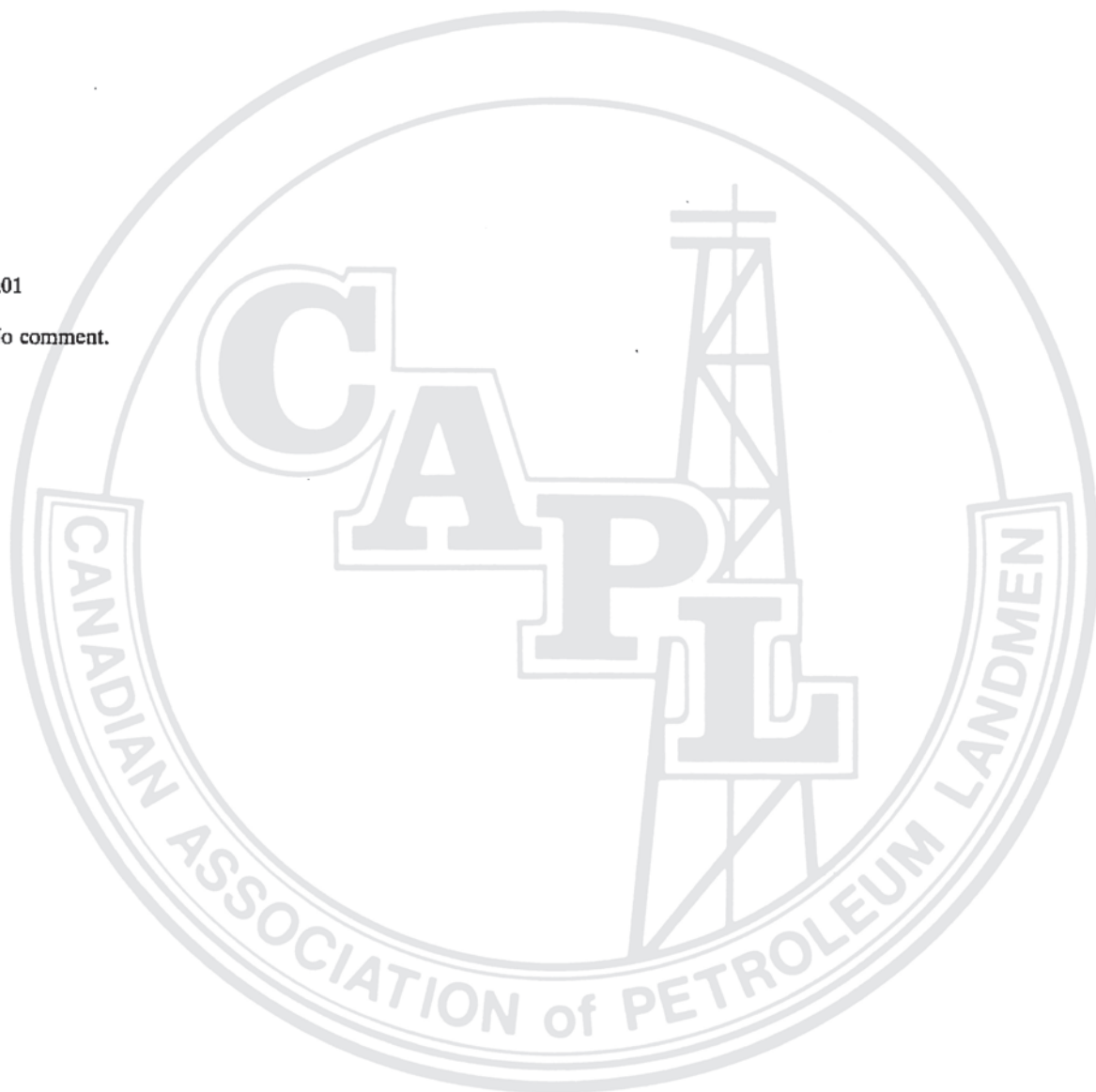
CANADIAN ASSOCIATION OF PETROLEUM LANDMEN
CAPL - 1993

Assignment Procedure (Annotations)

I Definitions

1.01

- (a) No comment.



ASSIGNMENT PROCEDURE

Attached to and forming part of the Agreement dated the day of A.D.

BETWEEN: (AMONG)

ARTICLE 1 DEFINITIONS

1.01 In this Assignment Procedure, the following terms, when capitalized, shall have the meaning assigned to each below:

- (a) "Affiliate" - for the purposes of this Assignment Procedure, means a corporation or partnership that is affiliated with the party in respect of which the expression is being applied, and, for the purpose of this definition 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 is so controlled, it shall be deemed that:
 - (i) a corporation is directly controlled by another corporation or partnership if the shares of the corporation to which are attached more than 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;
 - (ii) a partnership is directly controlled by a corporation or other partnership if that corporation or partnership beneficially owns more than a 50% interest in the partnership;
 - (iii) a corporation or partnership is indirectly controlled by another corporation or partnership if control, as defined above, is exercised through one or more other corporations or partnerships.

Where two or more corporations or partnerships are affiliated at the same time with the same corporation or partnership, they shall be deemed to be Affiliates of each other.

(b) No comment.

(c) The definition of Assigned Interest excludes the rights of Assignor as operator. Therefore, rights of operatorship are not transferable by a Notice of Assignment. Rights of operatorship in most industry agreements today are not assignable. (An example of an exception is contained in Clause 209 of the 1990 C.A.P.L. Operating Procedure if the operator disposes of all its interest in the joint lands and the assignee is an affiliate of the operator). As a result, the A&N Committee believes it would be inappropriate to include operatorship in the definition of Assigned Interest.

An Assignor's resignation as operator and the appointment of a replacement operator (which may or may not be the Assignee) must be in compliance with the relevant provisions of the Master Agreement (the original agreement between Third Party and Assignor).

(d) No comment.

(e) No comment.

(f) No comment.

(g) Binding Date: The significance of this date is that it is the date the Third Party:

(i) officially recognizes the Assignee as a party to the Master Agreement;

(ii) discharges the Assignor as of the Transfer Date (effective date of the transfer).

As to the Assigned Interest, between the Transfer Date and Binding Date, the Third Party should only deal with and recognize the Assignor as agent and trustee for the Assignee. Until the Binding Date, Assignee is represented by the Assignor as its agent and trustee for all purposes relating to the Assigned Interest.

With the Notice process, the Third Party (as operator) does not have to account to the Assignee for any expenses or revenues prior to the Binding Date, nor will Third Party have to make retroactive adjustments to its accounts to remove the Assignor as of the Transfer Date. Any such adjustments will be made as of the Binding Date. Under Clause 3.03 Assignor and Assignee must settle between themselves as to the allocation of expenses and revenues between the Transfer Date and the Binding Date.

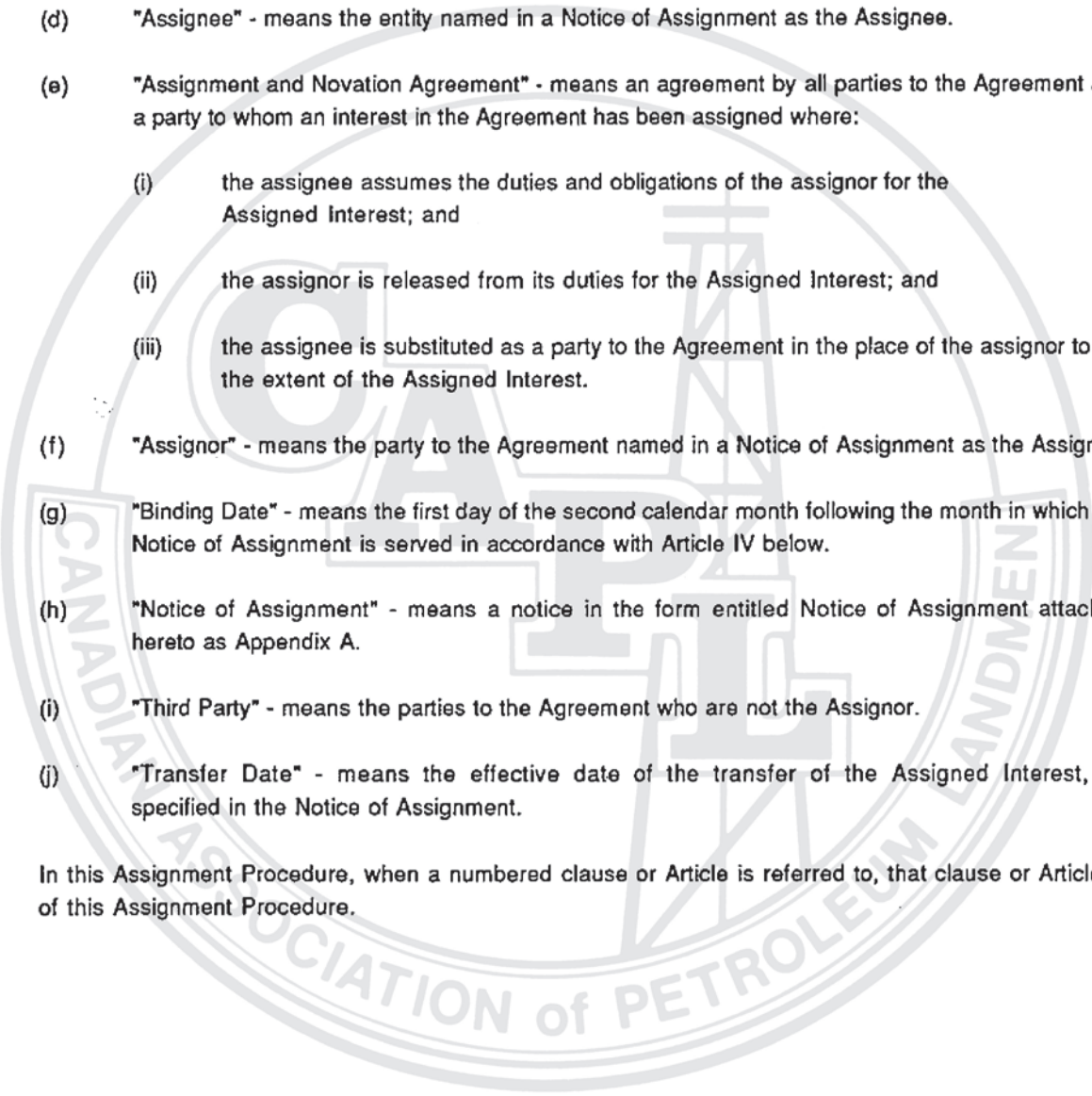
(h) The Notice of Assignment (Notice) must be used in its exact form not only because it is a requirement of the AP but also because it fosters a consistent industry procedure. It also is the main contractual link between (i) Third Party and Assignor and (ii) Assignee, since it is through the Notice of Assignment (and the Transfer Agreement) that the Assignee agrees to be subject to and bound by the Master Agreement.

The Notice is intended to be used for one transfer per Master Agreement. A separate Notice must be used for each Master Agreement when more than one is included in a transfer.

(i) No comment.

(j) Transfer Date may include the effective time of the transfer, i.e., 8:00 A.M., if such precision is necessary. For example, multiple transfers involving the Assigned Interest may occur in a single day, which means Assignors and Assignees will have to plan ahead carefully to comply with the terms and provisions of the Assignment Procedure.

1.02 No comment.

- 
- (b) "Agreement" - means the agreement to which this Assignment Procedure is attached and made a part.
 - (c) "Assigned Interest" - means the interest in the Agreement which is the subject of an assignment and which is specified in a Notice of Assignment, but shall not include rights of the Assignor as operator.
 - (d) "Assignee" - means the entity named in a Notice of Assignment as the Assignee.
 - (e) "Assignment and Novation Agreement" - means an agreement by all parties to the Agreement and a party to whom an interest in the Agreement has been assigned where:
 - (i) the assignee assumes the duties and obligations of the assignor for the Assigned Interest; and
 - (ii) the assignor is released from its duties for the Assigned Interest; and
 - (iii) the assignee is substituted as a party to the Agreement in the place of the assignor to the extent of the Assigned Interest.
 - (f) "Assignor" - means the party to the Agreement named in a Notice of Assignment as the Assignor.
 - (g) "Binding Date" - means the first day of the second calendar month following the month in which the Notice of Assignment is served in accordance with Article IV below.
 - (h) "Notice of Assignment" - means a notice in the form entitled Notice of Assignment attached hereto as Appendix A.
 - (i) "Third Party" - means the parties to the Agreement who are not the Assignor.
 - (j) "Transfer Date" - means the effective date of the transfer of the Assigned Interest, as specified in the Notice of Assignment.

1.02 In this Assignment Procedure, when a numbered clause or Article is referred to, that clause or Article is of this Assignment Procedure.

II Application, Conditions and Form of Notice

2.01

- (a) This clause clarifies that the Assignment Procedure should be used in the same situation where an assignment and novation (A&N) is or may be required. Typically, an A&N is not intended to apply to transfers or assignments made by way of security for Assignor's indebtedness unless the security is enforced by sale or foreclosure.
- (b) Notice must be in the form indicated in Appendix A and executed by Assignor and Assignee.

2.02 No comment.

2.03 Since one of the advantages of the new process is that it establishes a certainty with respect to the completion of the sale/conveyance process, i.e., first day of second calendar month following the month in which the Notice is served, we did not want the process to be delayed unduly because of a consent provision with no reply period. What's a reasonable period of time within which to consent if there is no provision for response time? The goal is to streamline the assignment process without unreasonably interfering with the contractual intent of the parties. The 20-day deeming period is consistent with the 1990 CAPL Operating Procedure, Article 2401(A).

Note: We did not include in this clause a ROFR for which there is no response time largely because they are so rare compared to consents with no response time. Consents can be used only to halt or hinder a transaction whereas a ROFR can be used to acquire an interest in property. We believe ROFR's are generally accepted in industry as more valuable than consents and that most companies would not accept the imposition of a ROFR deeming period in the Assignment Procedure.

2.04

- (a) This clause is inserted in recognition that third parties in current A&N's probably have the right to refuse to execute an A&N where there is a reasonable basis to do so, i.e., Assignee is or shortly will be bankrupt. Such right might also be used to refuse to discharge an Assignor from one or more obligations under an agreement.

What this clause does is to insert a consent requirement into an agreement (Master Agreement) if it does not already contain a consent requirement or a ROFR. The rationale or justification is that a consent or ROFR in a Master Agreement provides Third Parties with an equivalent right to "pass judgment" on the proposed transfer or Assignee either in the form of refusing to allow the transaction to be completed (withholding consent) or in the form of exercising a ROFR. Therefore, if a Master Agreement does not contain a consent requirement or a ROFR, a consent requirement is inserted to insure Third Parties have a right comparable to what they have with the current A&N process. If there is a consent requirement or a ROFR in a Master Agreement, we believe such a provision ensures third parties will have a reasonable opportunity to accept/reject an Assignee equivalent to any right they may have to reject/accept an Assignee under current A&N procedures. Please note what we are trying to achieve is a close approximation between the A&N process and the Notice process. It is impossible to design a new process that is exactly the same as the old process.

Even though it is not required in the Assignment Procedure, a non-consenting Third Party should copy the other Third Parties. Such communication may also assist the other Third Parties in their decision on whether to consent.

To summarize, Assignor will have to get written consent not to be unreasonably withheld from all Third Parties if there is not a consent or ROFR provision in the Master Agreement. In addition, such consent will be deemed within 20 days of receipt if a Third Party fails to respond.

ARTICLE II

APPLICATION, CONDITIONS AND FORM OF NOTICE

- 2.01 (a) A Notice of Assignment issued in accordance with this Assignment Procedure shall be used in place of an Assignment and Novation Agreement for assignments where the Agreement:
- (i) requires parties to use; or
 - (ii) entitles parties to request; or
 - (iii) is silent as to the right of any party to request;
- an Assignment and Novation Agreement.
- (b) The Notice of Assignment shall be in the form indicated in Appendix A and shall be executed by the Assignor and the Assignee.
- 2.02 If there is a conflict between the Assignment Procedure and the provisions of the Agreement, the Assignment Procedure shall prevail.
- 2.03 If the Agreement requires each Third Party's consent to an assignment but does not specify a time within which each Third Party shall respond or shall be deemed to have responded, then consent of each Third Party to an assignment shall be deemed if it fails to reply within 20 days of receipt of a written request for consent.
- 2.04 (a) If the Agreement is silent regarding rights of first refusal or consent from Third Party which relates to an Assigned Interest, then Assignor shall, by notice pursuant to Article IV:
- (i) advise Third Party of:
 - its intention to make the disposition;
 - a description of the Assigned Interest; and
 - the identity of the proposed Assignee, and
 - (ii) request Third Party's written consent to such disposition, which consent shall not be unreasonably withheld.

Consent of each Third Party shall be deemed if it fails to reply to Assignor within 20 days of receipt of the written request for consent.

- (b) The consent notice described under 2.04 (a) is not required under 2.04 (b) (i) and (ii) because, typically, it is not industry practice to require consent in such situations. In addition, under 2.04 (b) (iii) it is not necessary to give Third Party the right to "pass judgment" on the proposed transfer or Assignee since the parties to the Master Agreement, in "requiring" an assignment should have considered or addressed the issue of whether consent is needed.

2.05

- (a) Subject to Clause 2.06, an assignment of an Assigned Interest is effective against Third Party on the Binding Date if the requirements of 2.05 are satisfied, and, following which, a Notice is properly served.

Assignor must comply with 2.05 (a) before issuing a Notice in order for it to be effective against Third Party.

The limitations or conditions referred to in 2.05 (a) are intended to be a representative, not a complete, list.

Clauses 2.05 (a) and 2.04 (a) are similar in that 2.05 (a) deals with limitations or conditions which exist in the Master Agreement, whereas 2.04 (a) deals with two special kinds of limitations or conditions (a consent requirement and a ROFR) which may or may not exist in the Master Agreement.

- (b) The AP does not specify who is responsible for serving the Notice. In most cases, the A&N Committee anticipates the Assignor will be serving the Notice.

2.06 This clause is inserted to answer the following questions:

1. What recourse does a Third Party have if an Assignor does not comply with 2.05?
2. Assuming non compliance with 2.05, what happens when Third Party objects or does not object?
3. Assuming non compliance with 2.05 and depending on what Third Party may or may not do, is the Notice still effective for purposes of Article III?

Some companies may attempt to issue a Notice and concurrently attempt to satisfy the limitations or conditions in 2.05 (a) and 2.04 (a). This is not in compliance with 2.05 and the Notice is invalid. If the Notice is invalid, then what happens? What if Third Party doesn't discover the non-compliance with 2.05 until two years later? What are the consequences to Assignor, Assignee and Third Party? Again, Clause 2.06 is included to answer these questions.

- (a) If Third Party believes the Assignor has not complied with 2.05, then Third Party may prior to the Binding Date serve a notice of objection (in accordance with Article IV) to Assignor and the other Third Parties. We anticipate most Third Parties will not invoke 2.06 (a) unless they are seriously concerned about Assignor's failure to comply with 2.05 (a). For example, Assignor failed to get Third Party's waiver of a ROFR.
- (b) What is the effect of Third Party taking the action described in 2.06 (a)? The Notice is of no effect, and Assignor will have to re-serve a Notice after complying with the terms and conditions of 2.05 (a).
- (c) What happens if Third Party does not want to object, e.g., Third Party does not care Assignor failed to get consent to assign, or doesn't discover the breach until after the Binding Date? The Notice is effective for all purposes of Article III, and Third Party will retain all other rights and remedies arising as a consequence of the failure of the Assignor to comply with Clause 2.05.

The earlier the Third Party pursues any rights or remedies it may have as a result of the breach the more likely the passage of time will not be an issue.

The intent of 2.06 is to give Third Party a reasonable period of time to determine and act upon any breach. The effect of 2.06 is to shift the risk of non-compliance with 2.05 to the Assignor, which we believe is justified since the Assignor has not fulfilled its contractual obligations.

Please also note in Clause 9 of the Notice that the Assignor represents and certifies that the Notice and its service are in compliance with the terms of the Master Agreement.

Clause 9 of the Notice and Clause 2.06 of the Assignment Procedure are two good reasons the Assignor should be careful to comply fully with the terms of the Master Agreement relative to transferring its Assigned Interest.

Please consider that there is a difference between a limitation or condition to an assignment (which must be satisfied before an assignment can be made) and a limitation or condition in an Agreement, which is not a condition precedent to an assignment. For example, in Article 208 of the 1990 C.A.P.L. Operating Procedure, the audit requirement upon change of operatorship is not a limitation or condition for purposes of Clause 2.05 (a) but is a contractual requirement of the agreement which must be satisfied after the appointment of a new operator.

(b) Clause 2.04 (a) shall not apply in the following instances, namely:

- (i) an assignment made by way of security for present or future indebtedness, or liabilities (whether contingent, direct or indirect and whether financial or otherwise), the issuance of the bonds or debentures of a corporation, or the performance of the obligations of a guarantor under a guarantee, provided that in the event the security is enforced by a sale or foreclosure, Clause 2.04 (a) shall apply; or
- (ii) an assignment to an Affiliate, or in consequence of a merger or amalgamation with another corporation or pursuant to an assignment made by a party of its entire interest in the Agreement to a corporation in return for shares in that corporation or to a registered partnership in return for an interest in that partnership; or
- (iii) an assignment is required within the terms of the Agreement (such as, but not limited to, abandonment, forfeiture or surrender).

2.05 An assignment of an Assigned Interest shall (subject to Clause 2.06) be effective against Third Party on the Binding Date if:

- (a) all prohibitions, limitations or conditions (such as, but not limited to, a right of first refusal or a requirement for prior consent from Third Party) applying to the Assigned Interest have been complied with and satisfied pursuant to the Agreement, or waived by Third Party, including, if applicable, compliance with Clauses 2.03 and 2.04; and
- (b) following compliance with Clause 2.05(a), a Notice of Assignment is served on Third Party in accordance with Article IV.

2.06 (a) A Third Party who objects to the Notice of Assignment on the basis of a failure to comply with Clause 2.05 may, prior to the Binding Date, notify (pursuant to Article IV) Assignor and Third Party of its objections.

(b) If a notice of objection is served pursuant to Clause 2.06(a), the Notice of Assignment to which the notice of objection relates will be of no effect.

(c) If a Third Party does not object pursuant to Clause 2.06(a), the Notice of Assignment will be effective for purposes of Article III, but each Third Party will retain all other rights or remedies arising as a consequence of the failure of Assignor to comply with Clause 2.05, including (without limitation), rights to seek damages for breach of the Agreement and rights to seek specific performance of a right of first refusal.

III Assignment, Assumption and Discharge by Notice

3.01 If a Notice has become effective according to Clauses 2.05 or 2.06, then Assignor, Assignee and Third Party agree:

- (a) Assignor has transferred the Assigned Interest to Assignee as of the Transfer Date (effective date) subject to Assignor acting as Assignee's agent prior to the Binding Date.
- (b) Assignee replaces Assignor as a party with respect to the Assigned Interest as of the Transfer Date subject to 3.01 (d).
- (c) This clause exists for the benefit of the Third Party, since Third Party does not have access (nor should it) to the Transfer Agreement. As a result, Third Party, Assignor and Assignee must agree who the Third Party will look to regarding compliance with the terms and obligations of the Agreement. Regardless of the actual terms in the Transfer Agreement, subject to Assignor acting as Assignee's agent prior to the Binding Date, Assignee is responsible, liable and accountable for and receives all the benefits and rights accruing to the Assigned Interest on and after the Transfer Date. Also, Assignor retains all rights and benefits with respect to the Assigned Interest prior to the Transfer Date.

As a result, under 3.01(c) and 3.01(e), all parties know, insofar as the Third Party is concerned, who is entitled to the benefits and who is accountable (regarding obligations and liabilities) with respect to the Assigned Interest.

- (d) Assignor acts as trustee for Assignee prior to the Binding Date and Third Party recognizes and accepts Assignor in such capacity. Whom does a Third Party deal with after the Binding Date if the concern or issue relates to or arose between the Transfer Date and Binding Date? The proper party is the Assignor as trustee and agent for the Assignee.

ARTICLE III

ASSIGNMENT, ASSUMPTION AND DISCHARGE BY NOTICE

3.01 If a Notice of Assignment has become effective in accordance with Clauses 2.05 or 2.06, then Assignor, Assignee and Third Party shall have agreed that:

- (a) Subject to Clause 3.01(d), Assignor and Assignee shall have acknowledged and represented that the Assignor has transferred, assigned and conveyed the Assigned Interest to Assignee as of the Transfer Date.
- (b) Subject to Clause 3.01(d), Assignee shall replace Assignor as a party to the Agreement with respect to the Assigned Interest on and after the Transfer Date.
- (c) Only insofar as Third Party is concerned, notwithstanding the terms and provisions in the "Transfer Agreement" referenced in the Notice of Assignment:
 - (i) Subject to Clause 3.01(d), Assignee shall assume and be bound by, observe and perform all terms, obligations and provisions in the Agreement with regard to the Assigned Interest at all times on or after the Transfer Date; and
 - (ii) Assignor shall retain and be entitled to all rights, benefits and privileges under the Agreement with respect to the Assigned Interest at all times prior to the Transfer Date; and
 - (iii) Subject to Clause 3.01(d), Assignee shall assume and be entitled to all rights, benefits and privileges under the Agreement with respect to the Assigned Interest at all times on and after the Transfer Date.
- (d) In all matters relating to the Assigned Interest subsequent to the Transfer Date and prior to the Binding Date, Assignor acts as trustee for and duly authorized agent of Assignee, and Assignee, for the benefit of Third Party, ratifies, adopts and confirms all acts or omissions of the Assignor in such capacity as trustee and agent. Third Party agrees to recognize and accept Assignor as trustee and agent for Assignee.

- (e) The Third Party agrees to release and discharge Assignor with respect to the Assigned Interest as of the Transfer Date. This provision is in the Assignment Procedure since Third Party is not a party to the Notice.
- (f) Subject to the terms of the Transfer Agreement, Assignee agrees to release and discharge the Assignor as of the Transfer Date. This is an obligation the Assignee fulfills upon executing the Notice. See Clause 6 in the Notice which is a mirror to this clause.

Why include Clause 6 in the Notice when the Assignor, Third Party and Assignee already agree to essentially the same provision in 3.01 (f)? Remember, the Assignee does not become a party to the Master Agreement until the conditions of Clause 2.05 have been satisfied - which includes Assignee's execution of the Notice. An Assignor's release and discharge is of paramount importance in a transfer or assignment, and the Committee believes it is better to be redundant (i.e., including 3.01 (f) language in Clause 6 of the Notice) than to "assume" the Assignor is discharged by virtue of Assignee's agreeing to the terms of the Assignment Procedure upon execution of the Notice.

- (g) No comment.
 - (h) This clause explains the effect of the Notice (which is to amend the Master Agreement), and that the Master Agreement is not otherwise amended.
- 3.02 This important clause answers the question: What is the impact on Third Party if the Notice is wrong? The problem (error, inaccuracy or misdescription) and the consequences will have no effect on Third Party or the interests of Third Party - even if Third Party has knowledge. The issue of Third Party's knowledge had to be addressed because otherwise Assignors and Assignees might argue that Third Party either had actual or constructive knowledge of the error, etc. We believe this places an unfair burden on Third Party to "know" or "learn" the terms of the Transfer Agreement or suffer the consequences, i.e., to defend itself against the allegation that it had actual or constructive knowledge of the terms and is liable because it failed to correct its records, to take action, etc.

In the Notice process, Third Party is not a party to the Notice and typically will not see a copy of the Transfer Agreement to know what has been assigned, etc. Therefore, fairness dictates Assignor and Assignee bear the responsibility for any errors or inaccuracies in the Notice insofar as affecting Third Party or Third Party's interests.

What happens if there is an error, inaccuracy or misdescription? First, the Assignment Procedure says that Third Party or the interests of Third Party are not affected. What does that mean? It means that the consequences of or problems caused by the error, etc. remain with the Assignor and possibly the Assignee. Second, if there is an error, etc., is the Notice valid? The answer depends on the materiality or significance of the error, etc. Material errors, etc. (which are impossible to define) probably would invalidate the Notice (it is of no effect). An obvious example is referring to the wrong Master Agreement in the Notice. Insignificant or immaterial errors, etc., probably would have no effect on the Notice, e.g., incorrect postal code in the Assignee's address. Third, the Assignor and Assignee either by discovering the error, etc., or by learning of it through the Third Party, must decide whether to do nothing and thereby assume any associated risk (i.e., insignificant error), or whether to re-serve a corrected Notice (i.e., significant error). To summarize, the problem was caused by the Assignor and the responsibility for its solution, if any, rests with the Assignor and possibly the Assignee.

- 3.03 One of the major disadvantages with the present A&N process is that Third Parties (especially operators) upon final execution and delivery of the fully executed A&N, (which typically is many months, if not years, after the effective date of the transfer), must re-adjust revenues and costs between Assignor and Assignee as of the effective date.

This clause addresses the problem by having the Assignor and Assignee settle as between themselves prior to the Binding Date. Further, in conjunction with 3.01 (d), Assignor, Assignee and Third Party all agree when Third Party "officially recognizes" Assignee with respect to the Assigned Interest, i.e., the Binding Date. Note: Even after the Binding Date, the Assignor as trustee and agent will always represent Assignee between the Transfer Date and Binding Date.

Third Party now should have sufficient time from receipt of the Notice to get ready to adjust its records as of the Binding Date. Retroactive adjustments should no longer be necessary.

- (e) On and after the Transfer Date, Third Party:
- (i) releases and discharges Assignor from the observance and performance of all terms and covenants of the Agreement and all obligations and liabilities which arise or occur on or after the Transfer Date under the Agreement with respect to the Assigned Interest; and
 - (ii) does not release and discharge Assignor from any obligation or liability which had arisen or accrued prior to the Transfer Date or which does not relate to the Assigned Interest.
- (f) Subject to the terms and provisions of the "Transfer Agreement" referenced in the Notice of Assignment, Assignee on and after the Transfer Date:
- (i) releases and discharges Assignor from the observance and performance of all terms and covenants of the Agreement and all obligations and liabilities which arise or occur on or after the Transfer Date under the Agreement with respect to the Assigned Interest; and
 - (ii) does not release and discharge Assignor from any obligation or liability which had arisen or accrued prior to the Transfer Date or which does not relate to the Assigned Interest.
- (g) The address of Assignee for the purposes of the Agreement and the serving of notices under it shall be the address stated for Assignee in the Notice of Assignment.
- (h) The Agreement shall continue in full force and effect from and after the Transfer Date with Assignee made a party thereto to the extent of the Assigned Interest, subject to Clause 3.01(d). The Agreement is amended as necessary to give effect to the Notice of Assignment and, as so amended, is ratified and confirmed by each party.
- 3.02 In no event shall errors, inaccuracies or misdescriptions in a Notice of Assignment have any effect on the Third Party or the interests of Third Party in the Agreement, even if Third Party has knowledge of an error, inaccuracy or misdescription.
- 3.03 Assignor and Assignee shall be solely responsible for any adjustment between themselves with respect to the Assigned Interest as to revenues, benefits, costs, obligations or indemnities which accrue prior to Binding Date.

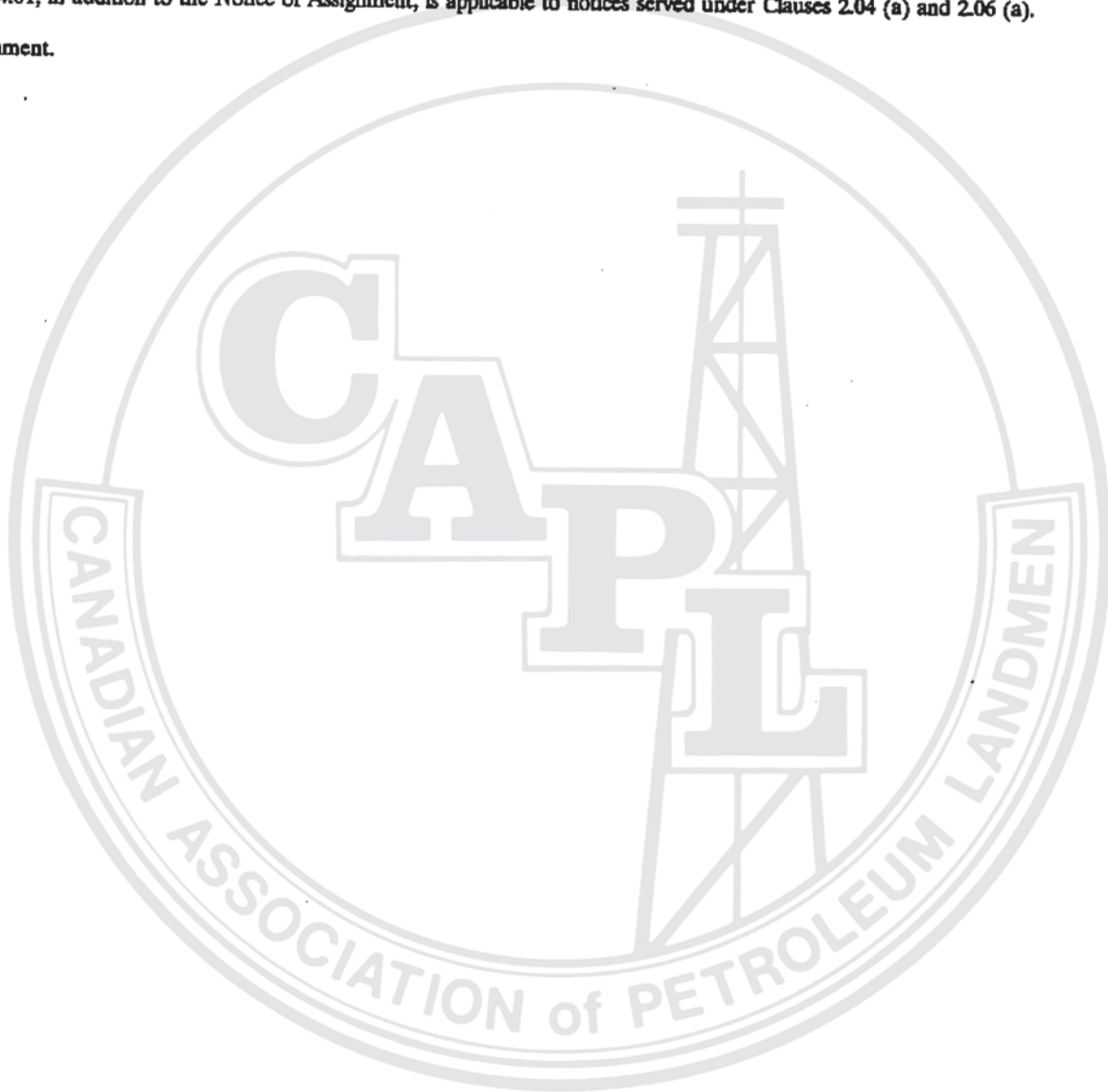
IV Service of Notice

4.01 4.01 (a), (b), and (c) are practically verbatim of Article 2201 (a), (b), and (c) of the 1990 CAPL Operating Procedure.

Even though a Notice may be served by telecopier or telex in Clause 4.01 (b), an original executed copy must be provided to all Third Parties. Most Third Parties want more than a telexed copy of a Notice for their records.

Clause 4.01, in addition to the Notice of Assignment, is applicable to notices served under Clauses 2.04 (a) and 2.06 (a).

4.02 No comment.



ARTICLE IV

SERVICE OF NOTICES

- 4.01 All notices and Notices of Assignment (herein called "notices") required or permitted by the terms of this Assignment Procedure shall be in writing, subject to the provisions of this Article. This Article applies only to notices served pursuant to this Assignment Procedure. Any notice to be given under this Assignment Procedure shall be deemed to be served properly if served in any of the following modes:
- (a) personally, by delivering the notice to the party on whom it is to be served at that party's address for service. Personally served notices shall be deemed received by the addressee when actually delivered as aforesaid, if such delivery is during normal business hours, on any day other than a Saturday, Sunday or statutory holiday. If a notice is not delivered during normal business hours, such notice shall be deemed to have been received by such party at the commencement of the day next following the date of delivery, other than a Saturday, Sunday or statutory holiday; or
 - (b) by telecopier or telex (or by any other like method by which a written and recorded message may be sent) directed to the party on whom it is to be served at that party's address for service (however, an original executed copy of a Notice of Assignment shall subsequently be provided to all addressees without delay). A notice so served shall be deemed received by the respective addressees: (i) when actually received by them, if received within the normal business hours on any day other than a Saturday, Sunday or statutory holiday; or (ii) at the commencement of the next ensuing business day following transmission thereof if such notice is not received during such normal business hours; or
 - (c) by mailing it first class (air mail if to or from a location outside of Canada) registered post, postage prepaid, directed to the party on whom it is to be served at that party's address for service. Notices so served shall be deemed to be received by the addressees at noon, local time, on the earlier of the actual date of receipt or the fourth (4th) day (excluding Saturdays, Sundays and statutory holidays) following mailing. However, if postal service is interrupted or operating with unusual or imminent delay, notice shall not be served by such means during such interruption or period of delay.
- 4.02 The addresses for service of a notice pursuant to this Assignment Procedure shall be as set out (and amended from time to time) in the Agreement.

Below the caption "Notice of Assignment" are three lines which may be used to insert a general land description of the transferred lands, e.g., section, township and range. The Notice is not deficient if the space is left blank since the Master Agreement already is identified in the second recital along with the Assigned Interest in paragraph 4. However, the A&N Committee recommends a general land description be included to assist Third Parties in identifying the Master Agreement, especially when Clause 4.A. is checked (since there is no detailed description of the lands and interests conveyed).

Assignor should also consider including a land description and/or area name in the cover letter accompanying the Notice when mailed to Third Parties. Again, the purpose is to eliminate confusion and to assist in identifying the Master agreement.

1st Recital

It is important that the Transfer Agreement be sufficiently identified:

- agreement date, if any
- effective date
- names of Assignors and Assignees

2nd Recital

Again, it is important to identify precisely the Master Agreement to which the Assignee is becoming a party:

- type of agreement, e.g., seismic option, farmout, etc.
- agreement date
- original parties to the agreement

Notice must be sent to all current Third Parties to the Master Agreement (see Clause 3); i.e., the parties who must receive a Notice are the same parties who would be sent an assignment and novation (A&N) agreement under the current A&N procedure. Therefore, if there is uncertainty as to whether or not the Master Agreement has been segregated into two or more agreements (e.g., see Article XIII, 1990 C.A.P.L. Operating Procedure), then the issue of who receives a Notice depends on the terms of the Master Agreement and the facts unique to the situation. These kinds of concerns are not limited to the Notice procedure and must be addressed in the same manner as A&N's.

3rd Recital

This recital explains why the Notice is being issued and that it complies with the terms and conditions of the Master Agreement (which includes the Assignment Procedure).

Numbered paragraph:

1. There may be more than one Assignor, and it is important to list the proportion being assigned by each party. There is no need to list the Assignor's address for service since it is already a party to the Master Agreement.
2. The Assignee must specify its address for service of Notice under the Master Agreement and the proportion or percentage each Assignee, if more than one, is receiving.

(Appendix A to the 1993 CAPL ASSIGNMENT PROCEDURE)

NOTICE OF ASSIGNMENT

(For reference only: general land description)

WHEREAS, by agreement ("Transfer Agreement") dated _____, (full name of Assignor[s]), as Assignor, transferred and conveyed effective _____ ("Transfer Date") an interest in property as more fully described below to (full name of Assignee[s]), as Assignee ; and

WHEREAS, Assignor and one or more parties ("Third Party") are subject to and bound by that certain _____ agreement dated _____, made between, by or among _____ as may have been amended, affecting the land or property therein described ("Master Agreement"); and

WHEREAS, in accordance with the terms and provisions of the Master Agreement, Assignor and Assignee intend to serve notice to Third Party to the Master Agreement of the transfer and conveyance as described in the Transfer Agreement.

NOW, THEREFORE, THIS NOTICE OF ASSIGNMENT WITNESSES THAT in consideration of the mutual advantages to the parties hereto, notice is hereby given, as follows:

1. Assignor (specify proportions if more than one Assignor):

2. Assignee (specify proportions if more than one Assignee and include address for service of notice pursuant to Master Agreement):

3. It is important to list the current Third Party(ies) to the Master Agreement because it:
- a) helps identify the Master Agreement, and
 - b) establishes officially, insofar as the Assignor and Assignee are concerned, the current Third Party(ies) to the Master Agreement to whom Notice must be sent.

Again, the current Third Party (ies) to the Master Agreement are the same party (ies) under the A&N procedure who are sent an A&N for execution.

4. This provision describes what is being transferred or assigned. Assignor and Assignee should put a check in front of (A) if the Assigned Interest is all or a portion of the Assignor's entire undivided interest in the Master Agreement. In such case, there is no need to type in a land and interest description. This saves time and reduces the chance of an error in retyping the lands and interests assigned. Again, remember that below the caption of the agreement (Notice of Assignment) there are three blank lines where the Assignor and Assignee may want to insert a general land description of the lands assigned to Third Party in identifying the Master Agreement, especially when 4.A. is checked.

If the Assigned Interest is anything other than all or a portion of the Assignor's entire interest in the Master Agreement, then the parties must put a check in front of (B) and then in sufficient detail type the legal description of all the lands and interests conveyed. If needed, a schedule properly referenced may be attached.

Consistent with the definition of Assigned Interest in the Assignment Procedure, the definition of Assigned Interest in the Notice excludes the rights of Assignor as operator. Therefore, rights of operatorship are not transferable by a Notice. Upon resignation as operator, the Assignor must comply with the relevant provisions of the Master Agreement.

5. In this clause Assignor and Assignee make representations and recitations consistent with the Assignor having sold/transferred and the Assignee having bought/accepted the Assigned Interest as of the Transfer Date, subject to Assignor's acting as agent and trustee for the Assignee prior to the Binding Date. Assignee also agrees to be bound by the terms of the Master Agreement on and after the Transfer Date subject to the Assignor's acting as agent and trustee prior to the Binding Date.

3. Current Third Party to Master Agreement:

4. Assigned Interest: (Check A or B below):

___ A. Transfer Agreement covers _____% of Assignor's entire undivided right, title and interest in the Master Agreement but shall not include rights of the Assignor as operator ("Assigned Interest"); OR

___ B. Transfer Agreement covers a portion of Assignor's right, title and interest in the Master Agreement but shall not include rights of the Assignor as operator ("Assigned Interest"). In the event Alternative B is checked, the following is the legal description of all lands and interests transferred and conveyed in the Transfer Agreement (attach schedule if more space is needed):

5. Subject to Clause 7 of this Notice of Assignment, Assignor and Assignee, in accordance with the terms of the Transfer Agreement, acknowledge that :

- (i) Assignor has transferred and conveyed the Assigned Interest to the Assignee as of the Transfer Date; and
- (ii) Assignee agrees to replace Assignor, on and after the Transfer Date, as a party to the Master Agreement with respect to the Assigned Interest; and
- (iii) Assignee agrees to be bound by and observe all terms, obligations and provisions in the Master Agreement with respect to the Assigned Interest on and after the Transfer Date.

6. This is the clause where the Assignee discharges and releases the Assignor with respect to the Assigned Interest. However, such discharge and release must be subject to whatever the parties agreed to in the Transfer Agreement (which typically the Third Party will not see). Clause 6 does not affect the rights of the Third Party since they are determined by and described in Article III of the Assignment Procedure.

The net effect, concerning issues or problems relating to the Assigned Interest, is that the Third Party will look to:

- (A) The Assignor prior to the Transfer Date; and
 - (B) The Assignor (as trustee and agent for the Assignee) between the Transfer Date and the Binding Date; and
 - (C) The Assignee after the Binding Date. As a result, the Assignor and Assignee will have to settle between themselves if the Assignor's discharge and release (according to the Transfer Agreement) occurs any time other than the Transfer Date.
7. This clause establishes that prior to the Binding Date, the Assignor acts as the Assignee's agent and trustee. Assignee agrees to such agency and trusteeship by executing the Notice and Transfer Agreement (in most Transfer Agreements the Assignee agrees to be bound by and subject to all the terms and conditions in the Master Agreement). Third Party also accepts Assignor as agent and trustee in the Assignment Procedure. [See Clause 3.01(d)]. Typically, this period should not exceed 60 days from when the Notice is served.

The purpose here is to eliminate the confusion and uncertainty in the current A&N process concerning whom the Third Party should deal with or recognize between when it learns of the assignment or sale (which usually is upon receipt of an A&N agreement) and when the Assignee legally becomes a recognized party to the Master Agreement (when the A&N has been fully executed and delivered to all parties). In spite of the agency language in current A&N agreements, there is no consistent industry practice concerning when the Assignee is recognized. Some Third Parties recognize the Assignee from an operational standpoint upon executing the A&N, while others wait until the A&N is fully executed. We believe this uncertainty and confusion with the A&N process has been eliminated, such that the Assignor now is the only party the Third Party should recognize and deal with prior to the Binding Date.

8. This clause establishes when the Notice is binding on Third Party, and confirms that the Assignor and Assignee are solely responsible (not the Third Party) for any adjustments between themselves with respect to the Assigned Interest as to revenues, benefits, costs, etc., which accrue prior to the Binding Date. This ensures the Third Party will not have to make retroactive adjustments to the Transfer Date, which frequently occurs with the A&N process.
9. Arguably, this clause is not needed since (according to the Assignment Procedure) the Assignor can not effect a valid Notice until it has complied with and satisfied all the limitations and conditions which relate to the Assigned Interest in the Master Agreement (see Clause 2.05 of the Assignment Procedure). Nevertheless, the consensus of the A&N Committee is that the Assignor should be willing to certify that the Notice and its service are in compliance with all the terms and provisions in the Master Agreement (which includes the Assignment Procedure).

Such representation should encourage Third Party to assume (and hence not to double check) that the Notice and its service have been properly completed in accordance with the terms of the Master Agreement.

Execution:

There is no requirement that the Notice be executed under seal. What is important is that the individuals signing on behalf of the Assignor and Assignee are properly authorized to do so; e.g., power of attorney, corporate officer, etc. Of course, there is no prohibition against a party executing the Notice under seal.

Notice to be Used in Exact Form:

The Notice must be used in its exact form - with the Assignor and Assignee inserting the facts and information where indicated. A properly referenced schedule should be attached if additional space is needed for names, descriptions, etc.

6. Subject to the terms and provisions of the Transfer Agreement, Assignee on and after the Transfer Date:
- (i) discharges and releases the Assignor from the observance and performance of all terms and covenants in the Master Agreement and any obligations and liabilities which arise or occur under the Master Agreement with respect to the Assigned Interest, and
 - (ii) does not release and discharge the Assignor from any obligation or liability which had arisen or accrued prior to the Transfer Date or which does not relate to the Assigned Interest.
7. Assignee and Assignor agree that in all matters relating to the Master Agreement with respect to the Assigned Interest, subsequent to the Transfer Date and prior to the Binding Date, Assignor acts as trustee for and duly authorized agent of the Assignee and Assignee, for the benefit of the Third Party, ratifies, adopts and confirms all acts or omissions of the Assignor in such capacity as trustee and agent.
8. This Notice of Assignment shall become binding on all parties to the Master Agreement on the first day of the second calendar month following the month this notice is served on Third Party in accordance with the terms of the Master Agreement ("Binding Date"). In addition, Assignor and Assignee agree that they shall be solely responsible for any adjustment between themselves with respect to the Assigned Interest as to revenues, benefits, costs, obligations or indemnities which accrue prior to the Binding Date.
9. Assignor represents and certifies that this Notice of Assignment and its service are in compliance with all the terms and provisions of the Master Agreement.

IN WITNESS WHEREOF this Notice of Assignment has been duly executed by the Assignor and Assignee on the date indicated for each below:

Assignor

Assignee

Per: _____

Per: _____

Per: _____

Per: _____

Date: _____

Date: _____