

### **Addendum III: Sample Sale (Typical Modest Value Producing Property)**

#### **Purchase & Sale Scenarios**

This is a simple case study and sample agreement that provides a context for potential simplification of the Transaction by using the Property Transfer Procedure as a Schedule. It is included for illustrative purposes only, and is not to be construed as an endorsement by the CAPL of this form of agreement.

1. Vendor: Dougall Canada Resources Ltd.
2. Purchaser: JOB Resource Management Ltd.
3. Scenario A: Sale of a non-operated property to the Operator. No interest mechanism for the period between the Effective Date and Closing. No extra representations and conditions.

Scenario B: Sale of an operated property in circumstances in which the Purchaser does not have an existing interest. Use of an interest mechanism for the period between the Effective Date and Closing. Inclusion of extra representations and conditions.

4. Sale Price: \$10MM, with the typical 80-20 allocation between P&NG Rights and Tangibles. No Deposit under Scenario A and a \$1MM Deposit under Scenario B.

Note: There is a major qualification about this sample Agreement of which readers must be aware. This sample use of the Property Transfer Procedure could oversimplify a more complex Transaction.

In the Property Transfer Procedure, the definition of Licence Rating, the Vendor's representation in Paragraph 6.02(q) and the Purchaser's representation in Paragraph 6.04(d) have been structured so that they can apply across multiple jurisdictions. (See also the related annotations and the additional annotations on Clause 3.04.)

This sample agreement is presented on the assumption that the ability of the Parties to effect any required transfer of well or tangibles licences under the Regulations is not an issue.

If the ability to effect a transfer of any licence for any of the Assets is in question (as is the case in Alberta in December, 2017), the onus is on the Parties to add custom content in their Head Agreement to address their particular needs. This might be done, for example, by including additional definitions, a Clause that relates to the specific handling required for their circumstances, the inclusion of additional conditions to Closing and, possibly, a Closing in escrow mechanism.

The situation in which there were recognized problems in effecting the required licence transfers is one that the Parties are required to address in the context of their particular circumstances.

This approach was taken for two reasons. The first was the belief that the PTP should not attempt to predict or prescribe the handling of an important emerging issue that should be assessed and handled by the Parties and their applicable business and legal advisors on a case-by-case basis. The second was that the fluidity of the Regulations on this area over time and across jurisdictions was such that any prescriptive handling of the issue in the PTP based on the Regulations as we currently know them could potentially create unintended consequences for the Parties over time. Simplifying the review of the other procedural aspects of the overall Transaction through use of the PTP facilitates a more focused examination of this important issue by the Parties' representatives relative to what would be the case without the PTP.

**Purchase & Sale Agreement  
Legacy Area, Alberta**

This Agreement made August 1, 2017.

BETWEEN:

DOUGALL CANADA RESOURCES LTD., a body corporate, registered to carry on business in the Province of Alberta and having an office in Calgary, Alberta (hereinafter called the "Vendor")

- and -

JOB RESOURCE MANAGEMENT LTD., a body corporate, registered to carry on business in the Province of Alberta and having an office in Calgary, Alberta (hereinafter called the "Purchaser")

Whereas the Vendor wishes to sell and the Purchaser wishes to purchase the Assets, the Parties agree as follows in consideration of the premises hereto and the covenants and agreements hereinafter set forth, the receipt and sufficiency of which are hereby acknowledged:

**1. Definitions**

Each capitalized term used in this Head Agreement will have the meaning given to it in the Property Transfer Procedure. In addition:

- (a) **"Effective Date"** means 8:00 a.m. on August 1, 2017.
- (b) **"Scheduled Closing Date"** means September 30, 2017.

**2. Schedules**

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

- (a) Schedule "A", which is a list of elections and amendments to the Property Transfer Procedure;
- (b) Schedule "B", which identifies the Lands and the Leases;
- (c) Schedule "C", which is.....(and so on);
- (...) Schedule "??", which is a copy of the General Conveyance; and
- (...) Schedule "??", which is the form of the Representations and Warranties Certificate.

Subject to the elections and amendments identified in Schedule "A", the Property Transfer Procedure is incorporated by reference into this Agreement.

**3. Purchase And Sale**

The Purchaser agrees to purchase the Assets from the Vendor and the Vendor agrees to sell the Assets to the Purchaser on the terms and conditions set forth in this Agreement. The Base Purchase Price and the allocations for tax purposes are as provided in Clause 2.02 of the Property Transfer Procedure **(Scenario B only)**, and the Deposit is as provided in Clause 2.03 of the Property Transfer Procedure.

**4. Additional Representation And Warranty (Scenario “B” only)**

The Vendor makes the following additional representation and warranty under Paragraph 6.02(bb) of the Property Transfer Procedure:

- (a) Inactive Assets: Except as identified in a Schedule, to the Vendor’s knowledge with respect to Assets operated by it, the Assets do not include any inactive well or inactive facility as described in the Regulations issued under the *Oil And Gas Conservation Act* (Alberta).\*

**5. Additional Conditions (Scenario “B” only)**

A. The following additional conditions precedent are included for the benefit of the Purchaser under Paragraph 10.02(d) of the Property Transfer Procedure:

- (a) Environmental Review: The Purchaser will have completed a review of the environmental condition of the Assets prior to August 26, 2017, through which the Purchaser is satisfied, acting reasonably, with the environmental condition of the Assets;
- (b) Review of Production and Financial Records: The Purchaser will have completed a review of the Vendor’s production and financial records relating to the Assets prior to August 26, 2017, through which the Purchaser is satisfied, acting reasonably, that the information previously provided by the Vendor to the Purchaser with respect to the operating and financial performance of the Assets was not materially inaccurate; and
- (c) Financing: The Purchaser will have completed bank financing for its acquisition of the Assets prior to September 8, 2017.

B. The following additional condition precedent is included for the benefit of the Vendor under Paragraph 10.03(c):

- (a) Board of Directors Approval: The Vendor will have obtained approval of its Board of Directors to this transaction prior to September 1, 2017.

In witness whereof the Parties have duly executed this Agreement.

Dougall Canada Resources Ltd.

JOB Resource Management Ltd.

Per: \_\_\_\_\_  
Tom M. Dougall, President

Per: \_\_\_\_\_  
James E. O’Byrne, President

**\*The Parties would need to structure any representation of this type in the context of the regulatory regime that is in place at the relevant time, and should not presume that this representation reflects the Regulations then in effect.**

**Schedule "A"-Property Transfer Procedure Elections And Amendments**  
**Note: The elections and this election sheet are for illustrative purposes only.**

1. **Definition of Title Defect (Clause 1.01):** Alternate 1 (Scenario A)/2 (Scenario B) will apply.
2. **Definition of Wells (Clause 1.01):** (Specify) Alternate 1 only       ; a combination of Alternates 1 and 2       ; a combination of Alternates 1 and 3: √; or Alternate 2 only        will apply.
3. **Base Purchase Price And Tax Allocations (Clause 2.02):** Base Purchase Price: \$10,000,000.
4. **Receipt And Handling Of Deposit (Clause 2.03):** Optional Clause will √(Scen B)/ will not √(ScenA) apply.
5. **GST/HST And Other Sales Taxes (Subclause 2.05A):** (i) GST/HST Election: Alternate 1 will apply.  
(ii) GST/HST Registration Numbers: R12345678 for the Vendor and R23456789 for the Purchaser.
6. **Interest Accrual (Clause 2.06):** Alternate 1(ScenB)/Neither Alternate 1 or 2 √(ScenA) will apply.
7. **Distribution Of Specific Conveyances (Clause 3.05):** Alternate 1 will apply.
8. **Pipeline Records And Associated Licence Transfers (Subclause 3.07B):** Alternate 1(ScenB) will apply.
9. **Per Diem Rental Adjustment (Paragraph 4.01(d)):** Optional Paragraph will √ / will not        apply.
10. **Adjustment For Income Tax-Interim Period Income (Clause 4.03):** Adjustment: XY%.
11. **Vendor's Representations And Warranties (Clause 6.02):** The representations and warranties that apply are indicated by a Yes below. (Those indicated by a No, N/A or strikethrough do not apply.)  
*Note: Those with a reference to B would apply only to Scenario B.*

<u>Yes</u> (a) Residency For Tax Purposes	<u>Yes (B)</u> (o) Condition Of Tangibles
<u>Yes</u> (b) Lawsuits And Claims	<u>Yes</u> (p) Provision Of Documents
<u>Yes</u> (c) No Default Notices	<u>Yes (B)</u> (q) Well And Tangibles Transfers
<u>Yes</u> (d) Compliance With Title And Op Docs	<u>Yes (B)</u> (r) Records Relating To Op Tang.
<u>Yes</u> (e) Payment Of Royalties And Taxes	<u>Yes (B)</u> (s) Reg. Production Penalties
<u>Yes</u> (f) Encumbrances & ROFRs	<u>Yes (B)</u> (t) Reg. Production Allowables
<u>Yes</u> (g) No Reduction	<u>Yes</u> (u) Area Of Mutual Interest/Exc.
<u>Yes</u> (h) Authorized Expenditures	<u>Yes (B)</u> (v) No Notice Of Offset Obligations
<u>Yes</u> (i) Sale Agreements	<u>Yes</u> (w) No Commitment To Deliver
<u>Yes</u> (j) Production Handling Agreements	<u>Yes</u> (x) Not A Disposition Of Sub. All
<u>Yes (B)</u> (k) Environmental Matters	<u>Yes (B)</u> (y) Leased Vehicles & Equipment
<u>Yes (B)</u> (l) Operations And Compliance	<u>Yes (B)</u> (z) No Removal Of Assets
<u>Yes (B)</u> (m) Condition Of Wells	<u>Yes</u> (aa) Quiet Enjoyment
<u>Yes (B)</u> (n) Abandonment Of Wells	<u>Yes (B)</u> (bb) Additional Representations
12. **Right Of First Refusal Values (Subclause 7.01B):** Optional sentence will √ / will not        apply.
13. **Rights Of First Refusal And Consents (Subclause 7.01E):** Optional Subclause will        / will not √ apply.
14. **Purchaser's Review (Article 8.00):** Optional Article will √ / will not        apply.
15. **Election Respecting Title Defects (Subclause 8.02B):** Alternate 2 will apply.
16. **Addresses For Service (Clause 15.02):**

Vendor  
Dougall Canada Resources Inc.  
Attention: Land Manager  
#AAA, BBB-C Ave. S.W.  
Calgary, AB T2P 0L7  
Fax: (403) 555-5853

Purchaser  
JOB Resource Management Ltd.  
Attention: Land Manager  
#WWW, YYY-Z Ave S.W.  
Calgary, AB T2S 2T4  
Fax: (403) 555-9962

\*Additional modifications to the defaults included in the PTP and on this sample election sheet might be considered if: (i) the Transaction were an Asset Exchange, rather than a Sale (e.g., GST/HST Registration Numbers on this election sheet; Clause 3.01 place of Closing; and possible differences in the Clause 6.02 Vendor reps); or (ii) the Parties wanted to override time periods or thresholds prescribed in the 2017 PTP that had been elections or Head Agreement content in the 2000 PTP. Examples of these are: Clause 2.02 tax allocations; Clause 2.03 optional 10% Deposit; Subclause 3.04B access to files period; Paragraph 4.02A(b) final statement of adjustments within six months; Clause 6.05 and 13.01 survival period on reps; optional Subclause 7.01E 50% or more ROFR exercise threshold; Subclause 8.02A seven Business Day period for notice of Title Defects; Subclause 8.02B Alternate 2 Title Defects thresholds of 10% and 25%; including a different value in Subclause 13.03A; and the \$25,000 minimum claim threshold in Subclause 13.03B.

Some other provisions that might be reviewed for a Transaction are: the 31-day thresholds for marketing and J.V. agreements used in Paragraphs (c) and (g) of the definition of Title and Operating Documents and the corresponding reps in Paragraphs 6.02(i) and (j); the handling of freehold mineral tax in Clause 4.01; the \$10,000 threshold in Subclause 4.02B; the estimated \$50,000 authorized expenditure threshold in Clause 5.01, Subclause 5.03A and Paragraph 6.02(h); the estimated \$100,000 threshold for addressing regulatory requirements under Paragraph 6.02(l); the 60-day maximum period prescribed for replacing signs under Clause 11.02; and any modifications to the handling of surplus equipment contemplated in Clause 11.03.