

Addendum IV: Sample Asset Exchange (Producing Property)

Asset Exchange Scenario

This is a simple case study and sample agreement that provides a context for the 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. Parties: MacIntyre Resource Management Ltd. and Mellon Canada Ltd.
2. Asset Exchange: Each is swapping a non-operated property that the other operates. No special representations or conditions.
3. Consideration: MacIntyre's assets are valued at \$4.5MM and Mellon's at \$5MM, such that MacIntyre must top up with \$500K in cash. The Parties are using the typical 80-20 allocation between P&NG Rights and Tangibles.

Note: The principal purpose of this example is to illustrate the potential structure of an Asset Exchange Agreement. The fact situation in which each is swapping a non-operated interest for an interest in an operated property simplifies the remainder of the Transaction more than would often be the case.

*Potential modifications to Property Transfer Procedure: Additional modifications to the defaults included in the PTP and on the 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.

**Asset Exchange Agreement
Bronson and Fraser Areas, Alberta**

This Agreement made September 1, 2017.

BETWEEN:

MACINTYRE 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 "MacIntyre")

- and -

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

Whereas MacIntyre and Mellon wish to exchange MacIntyre's interest in the MacIntyre Assets to Mellon for Mellon's interest in the Mellon 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 September 1st, 2017.
- (b) **"MacIntyre Assets"** means the Petroleum and Natural Gas Rights more particularly described in Schedule "B" and the Tangibles and Miscellaneous Interests pertaining thereto.
- (c) **"MacIntyre Lands"** means the lands set forth and described in Schedule "B", insofar as rights thereto are granted by the MacIntyre Leases.
- (d) **"MacIntyre Leases"** means the Leases for which MacIntyre is the Transferor hereunder.
- (e) **"Mellon Assets"** means the Petroleum and Natural Gas Rights more particularly described in Schedule "M" and the Tangibles and Miscellaneous Interests pertaining thereto.
- (f) **"Mellon Lands"** means the lands set forth and described in Schedule "M", insofar as rights thereto are granted by the Mellon Leases.
- (g) **"Mellon Leases"** means the Leases for which Mellon is the Transferor hereunder.
- (h) **"Scheduled Closing Date"** means October 24, 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 MacIntyre Lands and the MacIntyre Leases;

- (c) Schedule "C", which is.....(and so on with respect to Schedules for the MacIntyre Assets);
- (m) Schedule "M", which identifies the Mellon Lands and the Mellon Leases;
- (n) Schedule "N", which is.....(and so on with respect to Schedules for the Mellon Assets);
- (..) Schedule "??", which is a copy of the form 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. Exchange And Value Of Assets

- A. Mellon agrees to dispose of the Mellon Assets to MacIntyre and MacIntyre agrees to dispose of the MacIntyre Assets to Mellon. These dispositions are on the terms and conditions in this Agreement and for the consideration of the transfer of the Assets being so disposed by the other Party, together with a payment of \$500,000 made by MacIntyre to Mellon at Closing.
- B. This Subclause replaces Clause 2.02 of the Property Transfer Procedure. Subject to the adjustments and modifications that may be made under the Property Transfer Procedure, the Parties agree that the value of the respective Assets for the purposes of the Base Purchase Price contemplated in the Property Transfer Procedure and the applicable allocations among the Assets are:

	<u>MacIntyre Assets</u>	<u>Mellon Assets</u>
(a) To Petroleum and Natural Gas Rights	<u>\$3,600,000.00</u>	<u>\$4,000,000.00</u>
(b) To Tangibles (exclusive of GST)	<u>\$ 899,990.00</u>	<u>\$ 999,990.00</u>
(c) To Miscellaneous Interests	<u>\$ 10.00</u>	<u>\$ 10.00</u>
Value (Base Purchase Price)	<u>\$4,500,000.00</u>	<u>\$5,000,000.00</u>

The Parties will report the Transaction for all federal, provincial and local tax purposes in a manner consistent with the allocation referred to in this Clause.

In witness whereof the Parties have duly executed this Agreement.

MacIntyre Resource Management Ltd.

Mellon Canada Ltd.

Per: _____
Thomas D. MacIntyre, President

Per: _____
Hugh P. Mellon, President

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 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):** Replaced by Subclause 3B of the Head Agreement.
4. **Receipt And Handling Of Deposit (Clause 2.03):** Optional Clause will / will not ✓ apply.
5. **GST/HST And Other Sales Taxes (Subclause 2.05A):** (i) GST/HST Election: Alternate 1 will apply.
(ii) GST/HST Registration Numbers: R345678901 for MacIntyre and R456789012 for Mellon.
6. **Interest Accrual (Clause 2.06):** Alternate / Neither Alternate 1 or 2 ✓ will apply.
7. **Place Of Closing (Clause 3.01):** Replace "the Vendor" with "Mellon".
8. **Distribution Of Specific Conveyances (Clause 3.05):** Alternate 1 will apply.
9. **Pipeline Records And Associated Licence Transfers (Subclause 3.07B):** Alternate will apply. **N/A**
10. **Per Diem Rental Adjustment (Paragraph 4.01(d)):** Optional Paragraph will ✓ / will not apply.
11. **Adjustment For Income Tax-Interim Period Income (Clause 4.03):** Adjustment: XY%.
12. **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.)

<table border="0"><tr><td style="text-align: right;"><u>Yes</u></td><td style="text-align: left;">(a) Residency For Tax Purposes</td></tr><tr><td style="text-align: right;"><u>Yes</u></td><td style="text-align: left;">(b) Lawsuits And Claims</td></tr><tr><td style="text-align: right;"><u>Yes</u></td><td style="text-align: left;">(c) No Default Notices</td></tr><tr><td style="text-align: right;"><u>Yes</u></td><td style="text-align: left;">(d) Compliance With Title And Op Docs</td></tr><tr><td style="text-align: right;"><u>Yes</u></td><td style="text-align: left;">(e) Payment Of Royalties And Taxes</td></tr><tr><td style="text-align: right;"><u>Yes</u></td><td style="text-align: left;">(f) Encumbrances & ROFRs</td></tr><tr><td style="text-align: right;"><u>Yes</u></td><td style="text-align: left;">(g) No Reduction</td></tr><tr><td style="text-align: right;"><u>Yes</u></td><td style="text-align: left;">(h) Authorized Expenditures</td></tr><tr><td style="text-align: right;"><u>Yes</u></td><td style="text-align: left;">(i) Sale Agreements</td></tr><tr><td style="text-align: right;"><u>Yes</u></td><td style="text-align: left;">(j) Production Handling Agreements</td></tr><tr><td style="text-align: right;"><u>No</u></td><td style="text-align: left;">(k) Environmental Matters</td></tr><tr><td style="text-align: right;"><u>No</u></td><td style="text-align: left;">(l) Operations And Compliance</td></tr><tr><td style="text-align: right;"><u>No</u></td><td style="text-align: left;">(m) Condition Of Wells</td></tr><tr><td style="text-align: right;"><u>No</u></td><td style="text-align: left;">(n) Abandonment Of Wells</td></tr></table>	<u>Yes</u>	(a) Residency For Tax Purposes	<u>Yes</u>	(b) Lawsuits And Claims	<u>Yes</u>	(c) No Default Notices	<u>Yes</u>	(d) Compliance With Title And Op Docs	<u>Yes</u>	(e) Payment Of Royalties And Taxes	<u>Yes</u>	(f) Encumbrances & ROFRs	<u>Yes</u>	(g) No Reduction	<u>Yes</u>	(h) Authorized Expenditures	<u>Yes</u>	(i) Sale Agreements	<u>Yes</u>	(j) Production Handling Agreements	<u>No</u>	(k) Environmental Matters	<u>No</u>	(l) Operations And Compliance	<u>No</u>	(m) Condition Of Wells	<u>No</u>	(n) Abandonment Of Wells	<table border="0"><tr><td style="text-align: right;"><u>No</u></td><td style="text-align: left;">(o) Condition Of Tangibles</td></tr><tr><td style="text-align: right;"><u>Yes</u></td><td style="text-align: left;">(p) Provision Of Documents</td></tr><tr><td style="text-align: right;"><u>No</u></td><td style="text-align: left;">(q) Well And Tangibles Transfers</td></tr><tr><td style="text-align: right;"><u>No</u></td><td style="text-align: left;">(r) Records Relating To Op Tang.</td></tr><tr><td style="text-align: right;"><u>No</u></td><td style="text-align: left;">(s) Reg. Production Penalties</td></tr><tr><td style="text-align: right;"><u>No</u></td><td style="text-align: left;">(t) Reg. Production Allowables</td></tr><tr><td style="text-align: right;"><u>Yes</u></td><td style="text-align: left;">(u) Area Of Mutual Interest/Exc.</td></tr><tr><td style="text-align: right;"><u>No</u></td><td style="text-align: left;">(v) No Notice Of Offset Obligations</td></tr><tr><td style="text-align: right;"><u>Yes</u></td><td style="text-align: left;">(w) No Commitment To Deliver</td></tr><tr><td style="text-align: right;"><u>Yes</u></td><td style="text-align: left;">(x) Not A Disposition Of Sub. All</td></tr><tr><td style="text-align: right;"><u>No</u></td><td style="text-align: left;">(y) Leased Vehicles, Equipment...</td></tr><tr><td style="text-align: right;"><u>No</u></td><td style="text-align: left;">(z) No Removal Of Assets</td></tr><tr><td style="text-align: right;"><u>Yes</u></td><td style="text-align: left;">(aa) Quiet Enjoyment</td></tr><tr><td style="text-align: right;"><u>No</u></td><td style="text-align: left;">(bb) Additional Representations</td></tr></table>	<u>No</u>	(o) Condition Of Tangibles	<u>Yes</u>	(p) Provision Of Documents	<u>No</u>	(q) Well And Tangibles Transfers	<u>No</u>	(r) Records Relating To Op Tang.	<u>No</u>	(s) Reg. Production Penalties	<u>No</u>	(t) Reg. Production Allowables	<u>Yes</u>	(u) Area Of Mutual Interest/Exc.	<u>No</u>	(v) No Notice Of Offset Obligations	<u>Yes</u>	(w) No Commitment To Deliver	<u>Yes</u>	(x) Not A Disposition Of Sub. All	<u>No</u>	(y) Leased Vehicles, Equipment...	<u>No</u>	(z) No Removal Of Assets	<u>Yes</u>	(aa) Quiet Enjoyment	<u>No</u>	(bb) Additional Representations
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13. **Right Of First Refusal Values (Subclause 7.01B):** Optional sentence will / will not ✓ apply.
14. **Rights Of First Refusal And Consents (Subclause 7.01E):** Optional Subclause will / will not ✓ apply.
15. **Purchaser's Review (Article 8.00):** Optional Article will ✓ / will not apply.
16. **Election Respecting Title Defects (Subclause 8.02B):** Alternate 1 will apply.
17. **Addresses For Service (Clause 15.02):**

<u>MacIntyre</u> MacIntyre Resource Management Ltd. Attention: Land Manager #AAA, BBB – Grove Ave. S.W. Calgary, Alberta T2P 5C5 Fax: (403) 555-3333	<u>Mellon</u> Mellon Canada Ltd. Attention: Land Manager WWW – Moncton Ave. S.W. Calgary, Alberta T2P 2M3 Fax: (403) 555-4444
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