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COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

PROCEEDINGS IN THE MATTER OF THE NOTICE OF INTENTION TO  
MAKE A PROPOSAL OF MANITOK ENERGY INC.

IN THE MATTER OF THE NOTICE OF INTENTION TO  
MAKE A PROPOSAL OF RAIMOUNT ENERGY CORP.

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE  
A PROPOSAL OF CORINTHIAN OIL CORP.

DOCUMENT **SEVENTH REPORT OF THE RECEIVER**

**February 15, 2019**

ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF  
PARTY FILING THIS  
DOCUMENT

**RECEIVER**  
ALVAREZ & MARSAL CANADA INC.  
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Calgary, Alberta T2P 3H7  
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**SPECIAL COUNSEL TO RECEIVER ON EMBER  
RESOURCES INC. MATTERS**

McCarthy Tétrault LLP  
421-7<sup>th</sup> Ave SW, Suite 4000  
Calgary Alberta T2P 4K9  
Attention: Sean Collins  
Phone: (403) 260-3531  
Email: [scollins@mccarthy.ca](mailto:scollins@mccarthy.ca)

**TABLE OF CONTENTS OF THE SEVENTH REPORT OF THE RECEIVER**

**INTRODUCTION** .....3  
**TERMS OF REFERENCE** .....3  
**UPDATE ON EMBER** .....3

**LISTING OF APPENDICES OF THE SEVENTH REPORT OF THE RECEIVER**

APPENDIX A	Manitok Gas Handling Agreement
APPENDIX B	Pre and Post Ember Account Summary

## **INTRODUCTION**

1. The purpose of this seventh report of the Receiver (the “**Seventh Report**” or “**this Report**”) is to provide the Court with information pursuant to an Order granted by this Court on January 18, 2019 in respect of the following:
  - a) update on the disputed Ember Resources Ltd. (“**Ember**”) assets and application of Ember filed on January 14, 2019 (the “**Ember Application**”); and
  - b) the Receiver’s assessment of the accounting dispute between Manitek and Ember with the Ember Application.
2. Capitalized words or terms not defined or ascribed a meaning in this Report are as defined or ascribed a meaning in the Receivership Order or the six previous reports of the Receiver.
3. All references to dollars are in Canadian currency.

## **TERMS OF REFERENCE**

4. In preparing this Report, the Receiver has relied upon information obtained prior to the Receivership Proceedings by Alvarez & Marsal Canada ULC in its role as financial advisor (as discussed in prior reports), the representations of certain former management and employees of the Company, and financial and other information contained in the Company’s books and records. The Receiver has not performed an audit, review or other verification of such information.

## **UPDATE ON EMBER**

### **Ownership Dispute**

5. Ember is a natural gas producer with operations in the Carseland area of Alberta, in the same general vicinity as Manitek’s Carseland operations. Ember purchased its Carseland properties from Encana Corporation (“**Encana**”) on or around January 15, 2015. Manitek acquired its interest in Bruce Farms in March 2017,

which included a number of pipeline segments that have been sold to the Purchaser under and pursuant to the Manitok PSA (the “**Pipeline Segments**”). The Receiver provided a high-level overview of the nature of the dispute at paragraphs 21-24 of its Sixth Report. Additional context with respect to the Disputed Ember Assets is found in correspondence from the Alberta Energy Regulator (the “**AER**”), Ember, Manitok and Encana, which are attached as an appendix to the affidavit of Mr. Gregory Vavra sworn January 17, 2019.

### **Accounting Dispute**

6. Ember contract operates the Manitok Bruce Farms gas wells and processes the Manitok gas production from Bruce Farms pursuant to three agreements originally entered into between Ember and Encana when Ember purchased its Caresland properties in January 2015, as attached to the Affidavit of Tom Zurro filed January 14, 2019 (the “**Ember Agreements**”). Manitok is the successor in interest to Encana.
7. On or about June 7, 2017, Manitok signed and delivered a gas handling agreement entitled Gas Handling Manitok Caresland Gas Gathering System (the “**Manitok GHA**”), attached as Appendix “**A**”, to Ember the purpose of which was to set out the bases upon which Manitok would provide and charge Ember for transporting Ember’s gas utilizing the Pipeline Segments. The initial charge under the Manitok GHA was \$50,000.00 per month from March 1, 2017 to August 31, 2017, with an increase to \$75,000.00 per month in September 2017. Subsequently, Manitok reissued the Manitok GHA to confirm the monthly charge of \$75,000.00 beginning in March 2017.
8. The Receiver was advised by Manitok’s former management that on or about June 13, 2017, Ember advised Manitok that it disputed the fee calculation methodology in the Manitok GHA. The Receiver has also been advised by Manitok’s former management that the extent of Ember’s dispute did not then include an allegation by Ember that no fees were chargeable. To the best of the Receiver’s knowledge, Ember refused to sign the Manitok GHA. The Receiver asserts that Manitok is

entitled to a fee for Ember utilizing the Pipeline Segments. In a show of good faith, prior to and following the Receivership Proceedings, ManitoK and the Receiver have permitted Ember to continue to flow significant quantities of gas through the Pipeline Segments even though Ember refuses to pay for the use of those facilities.

9. The Receiver billed Ember \$75,000.00 a month since March 1, 2017 and up to and including November 30, 2018. Ember has not paid the monthly charges under the ManitoK GHA. A breakdown the amounts billed that remain outstanding are as follows and are also summarized as Appendix “B” to this Report:

a) Prior to the Receivership Date, ManitoK’s outstanding invoices billed to Ember totals \$908,697.80, which includes charges under the ManitoK GHA. Ember has disputed \$876,452.86 of the outstanding invoices; and

b) Since the Receivership Date, the Receiver has billed Ember \$760,177.57, which includes the ManitoK GHA fees and other amounts. Ember has disputed \$699,107.14 of the billed amount. The difference of \$61,070.42 has been accepted by Ember as owing, but this amount has not been paid.

10. Subsequent to the ManitoK GHA being delivered by ManitoK to Ember, Ember provided ManitoK draft amendments to the Ember Agreements which purported to significantly increase the fees charged to ManitoK as follows:

a) Compression Fees. Effective September 1, 2017, Ember purported to increase the compression fees by \$37.00/E3M3 to \$52.00/E3M3 (247% increase). Previous charges were \$15.00/E3M3 per the agreement. ManitoK disputed the increase in charges as they were not reasonable and did not reflect market rates;

b) Processing Fees. On or about September 1, 2017, Ember purported to increase the processing fees by \$20.00/E3M3 to \$35.00/E3M3 (133% increase). Previous charges were \$15.00/E3M3 per the agreement.

Manitok disputed the increase in charges as they were not reasonable and did not reflect market rates;

- c) Contract Operator and Administration Fees. On or about October 1, 2017, Ember purported to increase its Contract Operator fees by \$300/well/month and Administration fees by \$150/well/month for total Contract Operator fees of \$450/well/month and Administration fees of \$250/well/month. Manitok disputed the increase in charges as they were not reasonable and did not reflect market rates.

11. Neither Manitok nor the Receiver agreed to the amendments to the Ember Agreements and both have continuously disputed the increased charges including for the reason that doubling the fees approximately two years after the Ember Agreements is not a reasonable and justifiable increase based on the current pricing environment and it is not permissible under the Ember Agreements. Coincidentally, the increase in fees by Ember appear to match the amount of the charges to Ember under the Manitok GHA.
12. Since the Receivership Date, Ember has billed Manitok \$806,998.97 and Manitok has disputed \$495,540.50, resulting in accepted invoices of approximately \$310,000.00. The balance of the amounts claimed by Ember from Manitok and the Receiver are in dispute. Moreover, the ability of Manitok, the Receiver and Ember to assert set-off in these circumstances needs to be determined.
13. Based on Manitok's books and records (pre and post receivership up to and including November 30, 2018), it would appear that Ember owes Manitok approximately \$1.3 million. However, if the Manitok disputed Ember billings were included, the net amount owing to Manitok is approximately \$496,000, which is subject to a determination on the various set off claims.

All of which is respectfully submitted this 15<sup>th</sup> day of February 2019.

**ALVAREZ & MARSAL CANADA INC.,  
in its capacity as Receiver of Manitok and Raimount and not in  
its personal or corporate capacity**



Orest Konowalchuk, CPA, CA, CIRP, LIT  
Senior Vice President

**APPENDIX A**  
Manitok Gas Handling Agreement





Suite 700, 444 – 7<sup>th</sup> Avenue SW  
Calgary, Alberta T2P 0X8  
Phone 403-984-1750  
Fax 403-984-1749

September 13, 2017

Ember Resources Inc.  
800, 400 – 3<sup>rd</sup> Avenue S.W.  
Calgary, Alberta  
T2P 4H2

Attention: Jodi Oliverio  
Joint Venture Representative

Re: **Gas Handling Agreement**  
**Manitok Carseland Gas Gathering System**

Dear Ms. Oliverio;

Further to our prior correspondence on this matter, attached for your review and signature is a Gas Handling Agreement to cover Ember's use of Manitok's gas gathering system in the Carseland AB. area. Manitok is concerned about the fact that Ember is not and has not paid transportation fees for the use of these pipelines since construction and, in particular, since Manitok acquired these pipelines effective March 1, 2017.

Attached for processing is Invoice No. in the amount of \$525,000 representing a monthly fee of \$75,000 from March 1, 2017 through September 30, 2017. Note that our calculation for fees referenced the Jumping Pound (JP05) formula and represents a cumulative total for Ember's monthly volume of +/- 5,000 mcf/d in the Carseland area.

If the attached is in order, please sign and return one copy of the attached Agreement for our records. If you have any questions or concerns with the foregoing, please do not hesitate to give me a call at your convenience.

Yours truly,  
Manitok Energy Inc.

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Mike O'Connor  
Joint Interest Consultant

Attachment: Carseland Gas Handling Agreement



Suite 700, 444 – 7<sup>th</sup> Avenue SW  
Calgary, Alberta T2P 0X8  
Phone 403-984-1750  
Fax 403-984-1749

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June 5, 2017

Ember Resources Inc.  
800, 400 – 3<sup>rd</sup> Avenue S.W.  
Calgary, Alberta  
T2P 4H2

Attention: Doug Dafoe  
President and Chief Executive Officer

Re: **Gas Handling Agreement**  
**Manitok Carseland Gas Gathering System**

Dear Doug:

Further to our recent discussions regarding use of the Manitok Carseland Gas Gathering System by Ember Resources Inc. attached for your review and signature is a gas handling agreement that is intended to cover Ember's use of this gas gathering system.

Manitok utilized the Jumping Pound (JP05) fee calculation methodology to calculate fees on an MCF basis for each segment of the pipeline that is currently utilized by Ember to gather gas and deliver same to Ember's Norfolk and Strathmore gas plants. However, to simplify the fee process and to reduce the administration required to manage this agreement Manitok has come up with an 'all-in' monthly fee for use of the gathering system.

Manitok is proposing to charge Ember a monthly fee of \$40,000 to enable the gathering of all of Ember's estimated +/- 5,000 mcf/d of gas in the area. Please note that this fee is at the very low end of the fee ranges that were generated via the JP05 calculation methodology. Manitok is proposing to charge this fee, starting on June 1, 2017, with the intention that it will be in place until the end of the negotiation by our two companies which will hopefully end with an agreement to exchange assets in the Carseland area.

Should this negotiation not end with an agreement to exchange assets Manitok wishes to inform Ember that the monthly fee will most likely be increased to better reflect the recovery of our capital and operational expenses related to the Carseland gas gathering system. For reference, JP05 has determined that a more reflective monthly fee would be in the \$75,000 per month range.

Manitok has included a contract Term of thirty (30) days. However, should an agreement not be reached between our two companies to exchange assets, by year end, Manitok will be increasing the monthly fee to better reflect our capital and operational expenses.

In closing, this agreement and fee proposal are intended to be 'without prejudice' and ManitoK is seeking an amicable resolution to our negotiations and/or the attached gas handling agreement.

Sincerely,  
**ManitoK Energy Inc.**

Massimo Geremia  
President & Chief Executive Officer

Attachment: Carseland Gas Handling Agreement



Suite 700, 444 – 7<sup>th</sup> Avenue SW  
Calgary, Alberta T2P 0X8  
Phone 403-984-1750  
Fax 403-984-1749

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June 7, 2017

Ember Resources Inc.  
800, 400 – 3<sup>rd</sup> Avenue S.W.  
Calgary, Alberta  
T2P 4H2

Attention: Jodi Oliverio  
Joint Venture Representative

Re: **Gas Handling Agreement**  
**Manitok Carseland Gas Gathering System**

Dear Ms. Oliverio:

Enclosed for your review and signature please find one copy of the subject agreement for gas transportation services provided through Manitok's gas gathering system in the Carseland area. Please execute both enclosed copies of the signatory page and return to the attention of the undersigned; a fully executed copy will be returned for your records.

Our calculation, which includes reference to the Jumping Pound (JP05) formula, generates a range of reasonable fees between \$50,000/month and \$75,000/month on an "all-in" basis for Ember's volume of +/- 7,000 mcf/d. In an effort to facilitate a negotiated solution to the unique circumstance that has developed at Carseland, Manitok is proposing to charge Ember an "all-in" transportation fee of \$50,000/month for the ninety days commencing June 1, 2017 and ending August 31, 2017. Manitok reserves the right to review and to adjust the Carseland transportation fee after September 1, 2017.

If you have any questions or concerns with the foregoing, please do not hesitate to give me a call at your convenience. I can be reached at 403-984-1765 or moconnor@manitok.com.

Yours truly,  
**Manitok Energy Inc.**

A handwritten signature in blue ink that reads "Mike O'Connor". The signature is written over a pink diagonal line that has been drawn across the page.

\_\_\_\_\_  
Mike O'Connor  
Joint Interest Consultant

CC: Chris Charron - Ember  
Attachment: Carseland Gas Handling Agreement

**MANITOK CARSELAND GAS GATHERING SYSTEM**

**GAS HANDLING AGREEMENT**

**BETWEEN**

**MANITOK ENERGY INC.**

**AND**

**EMBER RESOURCES INC.**

**EFFECTIVE THE 1<sup>ST</sup> DAY OF JUNE, 2017**

**Contract No. SA00105**

**AGREEMENT NAME**

**GAS HANDLING AGREEMENT**

**TABLE OF CONTENTS**

**ARTICLE I - DEFINITIONS .....1**

**ARTICLE II - EXHIBITS .....3**

**ARTICLE III - ACCEPTANCE AND DELIVERY .....4**

**ARTICLE IV - CHARGES.....6**

**ARTICLE V - MEASUREMENT .....6**

**ARTICLE VI - OWNERSHIP AND DISPOSITION OF OUTLET SUBSTANCES .....8**

**ARTICLE VII - BILLINGS AND PAYMENT .....10**

**ARTICLE VIII - FORCE MAJEURE .....13**

**ARTICLE IX - LIABILITY AND INDEMNIFICATION .....14**

**ARTICLE X - TERM .....15**

**ARTICLE XI - DISPUTE RESOLUTION .....15**

**ARTICLE XII - MISCELLANEOUS PROVISIONS.....15**

**EXHIBIT "A" – DESCRIPTION OF FACILITIES, SOURCES AND PRIORITIES**

**EXHIBIT "B" – SPECIFICATIONS FOR PRODUCER INLET SUBSTANCES**

**EXHIBIT "C" – HANDLING CHARGES FOR PRODUCER INLET SUBSTANCES**

**EXHIBIT "D" – ADDRESSES FOR SERVICE**

**EXHIBIT "E" – MODIFICATIONS TO THE 2008 PJVA MODEL GAS HANDLING AGREEMENT**

**MANITOK CARSELAND GAS GATHERING SYSTEM  
GAS HANDLING AGREEMENT**

MEMORANDUM OF AGREEMENT made this 1<sup>st</sup> day of June, 2017

**BETWEEN**

**MANITOK ENERGY INC.**, a body corporate, having an office in the City of Calgary, in the Province of Alberta, for and on behalf of the Facility owners (“Operator”)

AND

**EMBER RESOURCES INC.**, a body corporate, having an office in the City of Calgary, in the Province of Alberta, for and on behalf of the Source owners (“Producer”)

(the “Agreement”)

The purpose of this Agreement is to provide the terms and conditions for the handling of Producer Inlet Substances in the Facility(ies) operated by the Operator.

In consideration of the mutual covenants and conditions in this Agreement, the Parties agree as follows:

**ARTICLE I - DEFINITIONS**

101. Definitions

In this Agreement, including the recitals, definitions and Exhibits:

- (a) **“Affiliate”** means, with respect to a Party, any other Person which is affiliated with such Party, and for the purposes hereof:
  - (i) two (2) Persons will be considered to be affiliated with one another if one (1) of them controls the other, or if both of them are controlled by a common third Person, and
  - (ii) one (1) Person will be considered to control another Person if it has the power to direct or cause the direction of the management and policies of the other Person, whether directly or indirectly, through one (1) or more intermediaries or otherwise, and whether by virtue of the ownership of shares or other equity interests, the holding of voting rights or contractual rights, or otherwise;
  
- (b) **“Allocation Procedure”** means the procedure used at the Facility to allocate Outlet Substances to all Inlet Substances being handled at the Facility, as may be amended from time to time by the Facility owners;



- (c) "**Day**" means a period of time commencing at 08:00 local time on any calendar day and ending at 08:00 on the next calendar day or at such other time as may be agreed upon by the Parties;
- (d) "**Effective Date**" means the date first above written or, in the case of an Exhibit, the date on which the Exhibit becomes effective;
- (e) "**Facility**" means all real and personal property of every kind, nature and description which constitutes all facilities owned or controlled by the Operator as further described in Exhibit "A";
- (f) "**Facility Inlet**" means the point or points set forth in Exhibit "A" where Producer Inlet Substances first enter the Facility;
- (g) "**Facility Outlet**" means the point or points of delivery set forth in Exhibit "A", or as determined by the Operator in its sole discretion, where Outlet Substances exit the Facility;
- (h) "**Force Majeure**" means an occurrence beyond the reasonable control of a Party claiming suspension of an obligation, which has not been caused by such Party's negligence and which such Party was unable to prevent or provide against by the exercise of reasonable diligence at a reasonable cost and includes, without limiting the generality of the foregoing, an act of God, war, revolution, insurrection, blockade, riot, strike, a lockout or other industrial disturbance, fire, lightning, unusually severe weather, storms, floods, explosion, accident, shortage of labour or materials, or government restraint, action, delay or inaction;
- (i) "**Gas**" means all natural gas, solution gas and any other gas, together with associated substances delivered to the Facility, and which may include but is not limited to sulphur and all fluid hydrocarbons not defined as crude oil under the provisions of the *Oil and Gas Conservation Act* and regulations and amendments or substitutions to the Act;
- (j) "**Inlet Substances**" means Gas and all associated substances delivered to the Facility for handling;
- (k) "**Interest Rate**" means the prime rate of interest as quoted in respect of commercial demand loans on the applicable day by the principal chartered bank in Canada used by Operator plus two percent (2%) per annum;
- (l) "**Losses and Liabilities**" means all claims, liabilities, actions, proceedings, demands, losses, costs, penalties, fines, death, injury or damages, whether contractual or tortious, and expenses, including reasonable legal fees and disbursements on a solicitor and its own client basis;
- (m) "**Month**" means a period of time commencing at the beginning of the first Day of a calendar month and ending at the beginning of the first Day of the next calendar month;



- (n) **“Outlet Substances”** means all substances which are recovered from Inlet Substances and are available for delivery at the Facility Outlet, but excluding such substances as are lost or consumed pursuant to Clause 604;
- (o) **“Owner Inlet Substances”** means Inlet Substances owned by a Facility owner;
- (p) **“Party”** means a Person who is bound by this Agreement;
- (q) **“Person”** means an individual, firm, body corporate or other legal entity, or partnership, as the case may be;
- (r) **“Producer Inlet Substances”** means Inlet Substances owned or controlled by Producer and produced from the Sources but excludes Owner Inlet Substances from those Sources;
- (s) **“Producer Outlet Substances”** means Outlet Substances that are for the account of Producer in accordance with the Allocation Procedure;
- (t) **“Related Persons”** means a Party’s Affiliates and the directors, officers, agents, contract staff, and employees of that Party or that Party’s Affiliates;
- (u) **“Sources”** means the wells, facilities or lands described in Exhibit “A”; and
- (v) **“Year”** means a period commencing at the beginning of the first Day of January of each calendar year and ending at the beginning of the first Day of the next calendar year.

## **ARTICLE II - EXHIBITS**

### 201. Exhibits

The following Exhibits are attached to and incorporated in this Agreement:

- (a) Exhibit “A” sets forth the Sources from which Producer Inlet Substances will be handled in the Facility under the terms of this Agreement, the Facility, the Facility Inlet, the Facility Outlet, handling priorities, any restrictions on maximum volumes of Producer Inlet Substances, the Party responsible for operating the metering facilities, and a map illustrating the Facility and Sources;
- (b) Exhibit “B” sets forth the specifications for Producer Inlet Substances;
- (c) Exhibit “C” sets forth the charges for handling Producer Inlet Substances; and
- (d) Exhibit “D” sets forth the addresses for service of the Parties.
- (e) Exhibit “E” sets forth the modifications to the body of the 2008 PJVA Model Gas Handling Agreement.

202. Revision of Exhibits

Operator and Producer may review Exhibit "A" from time to time and any revisions shall be mutually agreed upon. Operator may revise Exhibits "B" and "C" upon thirty (30) Days' written notice to Producer. Exhibit "D" may be revised in accordance with the provisions of Clause 1209. Exhibits that are revised shall show the Effective Date of the revision and shall be numbered consecutively. Operator shall, upon revision of any Exhibit, supply Producer with a copy of the revised Exhibit. If Operator becomes aware of a mistake or mechanical error in any Exhibit, Operator shall prepare a corrected Exhibit and supply Producer with a copy of the corrected Exhibit.

203. Conflicts

If a provision of Exhibits "A" to "D" inclusive conflicts with a provision in the body of this Agreement, the latter shall prevail. If a provision of Exhibit "E" conflicts with a provision in the body of this Agreement, Exhibit "E" shall prevail.

**ARTICLE III - ACCEPTANCE AND DELIVERY**

301. Acceptance and Delivery of Producer Inlet Substances

- (a) Subject to all other terms and conditions of this Agreement, Producer shall, at its sole cost, risk and expense, deliver, or cause to be delivered, Producer Inlet Substances to Operator at the Facility Inlet, and the Operator shall accept and handle Producer Inlet Substances and deliver Producer Outlet Substances to the Facility Outlet.
- (b) Any costs borne by Operator for tie-in of Producer Inlet Substances, including, without limitation, performing supervisory or administrative functions or supplying labour or materials for tie-in of Producer Inlet Substances, plus fifteen percent (15%) of such costs, shall be reimbursed by Producer to Operator in accordance with Article VII following receipt by Producer of a statement of account outlining in reasonable detail the nature of such costs. Producer shall indemnify Operator for the cost of any fluids lost during tie-in.
- (c) Subject to Clause 706, Operator shall not acquire title to Producer Inlet Substances but shall only have possession of Producer Inlet Substances for the purposes mentioned in this Agreement.
- (d) Producer warrants that it has the authority to deliver Producer Inlet Substances to the Facility for handling as provided in this Agreement, and Producer covenants and agrees to indemnify and hold Operator and its Related Persons harmless from and against any and all Losses and Liabilities arising from any Person claiming an interest in the Producer Inlet Substances or the Producer Outlet Substances.
- (e) Operator warrants that it has the authority to accept Producer Inlet Substances at the Facility for handling as provided in this Agreement, and Operator covenants and agrees to indemnify and hold Producer and its Related Persons harmless from and against any and all Losses and Liabilities arising from any Person having an interest in the Facility claiming that the Operator is not duly authorized to perform its duties under this Agreement.

- (f) Operator shall be entitled to commingle Producer Inlet Substances with any other Inlet Substances.

302. Commencement of Handling

The handling of Producer Inlet Substances shall commence when:

- (a) Producer and Operator have installed, or have caused to be installed, all equipment necessary to effect the acceptance of Producer Inlet Substances at the Facility Inlet;
- (b) Producer and Operator have obtained, or have caused to be obtained, all necessary permits and approvals to produce, accept and handle Producer Inlet Substances and deliver Producer Outlet Substances;
- (c) Operator has advised Producer that it will accept deliveries of Producer Inlet Substances;
- (d) Producer has confirmed to Operator that all arrangements for the reporting and disposition of Producer Outlet Substances beyond the Facility Outlet have been made; and
- (e) Producer has complied with Operator's data requirements for all Sources.

303. Priority of Handling

Producer Inlet Substances will be handled to the extent that capacity is available in the Facility. If the Facility is unable to handle all Inlet Substances available for handling at the Facility on any one Day, acceptance of Inlet Substances by Operator at the Facility will be cut back using the priority system set out in Exhibit "A".

304. Specifications of Producer Inlet Substances

Producer Inlet Substances accepted at the Facility shall meet the specifications as set forth in Exhibit "B". If any Producer Inlet Substances delivered for acceptance at the Facility do not meet the specifications set forth in Exhibit "B", Operator may, at its sole discretion, acting reasonably, discontinue taking all or part of Producer Inlet Substances until such time that Producer Inlet Substances to be delivered for acceptance meet the specifications as set forth in Exhibit "B".

305. Temporary Capacity Limitations

Notwithstanding the provisions of this Article III, Operator, at its sole discretion, acting reasonably and without incurring any liability to Producer, reserves the right to refuse or limit acceptance of Producer Inlet Substances at the Facility Inlet when the Facility is shut down for maintenance or when Facility capacity is reduced by temporary operational difficulties or operating limitations, until such time as capacity is no longer restricted.

306. Notification of Cutbacks

Operator shall notify Producer as soon as reasonably possible if Producer Inlet Substances have been curtailed pursuant to Clauses 303, 304 or 305.

## **ARTICLE IV - CHARGES**

### 401. Handling Charges

The handling charges applicable to the total volume of Producer Inlet Substances shall be determined in accordance with Exhibit "C" and billed in accordance with Clause 701.

## **ARTICLE V - MEASUREMENT**

### 501. Metering Facilities

Producer shall, at its sole cost, risk and expense, install, or cause to be installed, metering facilities for the purpose of measuring volumes of Producer Inlet Substances accepted at the Facility Inlet. Such metering facilities shall meet Operator's specifications, shall be installed in a manner and at the location approved by Operator which will allow proper measurement and allocation of Producer Inlet Substances under the Allocation Procedure, and shall be maintained by and at the sole cost, risk and expense of Producer. Such metering facilities shall be physically operated by the Party designated in Exhibit "A".

### 502. Accuracy

- (a) The accuracy of metering facilities shall be verified by the Party operating the metering facilities at the frequency specified in provincial regulations, or as reasonably required by the Operator for the Allocation Procedure, whichever is more frequent. The cost of such verification shall be borne by the Parties for their respective metering facilities. Metering facilities shall be open for witnessing of calibration or inspection by the other Party at all reasonable times. The Party performing the calibration or inspection will provide the other Party with at least forty-eight (48) hours' prior notice.
- (b) In case any question arises as to the accuracy of measurement, any metering facilities shall be tested upon demand of either Party and, if found to be correct or to be in error of not more than two percent (2%) with respect to Gas measurement, one and one-half percent (1 1/2%) with respect to equilibrium liquid measurement, or one-half of one per cent (1/2%) with respect to liquid measurement (referred to as the "Relevant Percentage"), the expense of such testing shall be borne by the Party requesting the test. If the accuracy of measurement is found to be incorrect by more than the Relevant Percentage, the expense of such testing shall be borne by the owner of those metering facilities.
- (c) If, upon any test, metering facilities are found to be in error of not more than the Relevant Percentage, previous readings of such metering facilities shall be considered correct in computing the volumes being metered, but such metering facilities shall be adjusted properly as soon as practicable to record accurately. If, upon any test, any metering facilities are found to be in error by any amount exceeding the Relevant Percentage, then any previous readings of such metering facilities shall be corrected to zero error for any previous period which is known definitely or is agreed upon, but in case the period is not known

definitely or not agreed upon, such correction shall be for a period covering the last half of the time lapsed since the date of the last test.

- (d) In the event metering facilities are out of service or require repair, such that the volume being measured is not correctly indicated by the reading of the metering facilities, the volumes attributable to the period shall be estimated and agreed upon on the basis of the best data available, using the most appropriate of the following methods:
- (i) by using the registration of any check metering facilities, if installed and accurately registering; or
  - (ii) by correcting the error if the percentage of error is ascertainable by calibrations, tests or mathematical calculations; or
  - (iii) by estimating on the basis of actual volumes measured during the preceding periods under similar conditions when the metering facilities were registering accurately.

503. Units of Volume and Weight

The standards of measurements shall be governed by the following:

- (a) the unit of volume of gas for purposes of measurement shall be one thousand cubic metres ( $10^3\text{m}^3$ ) at a temperature of fifteen degrees Celsius ( $15^\circ\text{C}$ ) and an absolute pressure of one hundred one point three two five kilopascals (101.325 kPa);
- (b) the unit of volume of liquids for purposes of measurement shall be one cubic metre ( $1\text{m}^3$ ) as defined in the *Weights and Measures Act*, R.S.C. 1985 c. W-6, as amended; and
- (c) the unit of weight of solids for purposes of measurement shall be one tonne (1t) being one thousand kilograms (1000 kg).

504. Determination of Volumes

Volumes shall be determined in accordance with prevailing regulatory requirements relating to the measurement of upstream petroleum industry fluids.

505. Assumed Atmospheric Pressure

For the purposes of measurement and meter calibration, the atmospheric pressure at the point of measurement shall be assumed to be constant considering the actual elevation or location of any of the metering facilities above sea level and irrespective of variations in the atmospheric pressure from time to time.

506. Analysis of Producer Inlet Substances

- (a) Producer shall provide, or cause to be provided, to Operator samples of Producer Inlet Substances at the Facility Inlet or other points at startup or as soon thereafter as possible and at such intervals as Operator may reasonably require, depending upon the magnitude of the compositional variances. Gas and



liquid samples shall be analyzed by gas-liquid chromatography or any other method consistent with normal industry practice. The samples so taken shall be analyzed as reasonably required by Operator for use in the Allocation Procedure.

- (b) If it cannot be determined to the satisfaction of Producer and Operator that the Producer Inlet Substances can be sampled in a single phase, the liquid and gaseous portions shall be separated before sampling. Analysis of each sample shall be made and the analysis recombined in proportion to the liquid and gas flow rates to give a recombined analysis. The recombined analysis shall indicate the molecular percentage of the stream in a manner consistent with the Allocation Procedure. Volumes of gaseous and liquid production shall be measured as per the provisions of this Article V.
- (c) Operator shall have the right to have a representative present at the time that samples of Producer Inlet Substances are taken. Producer shall provide Operator with forty-eight (48) hours' prior notice of the sampling. Should Operator not have a representative present, the results of the sampling shall nevertheless be considered accurate until the next test.
- (d) If an error in analysis becomes evident, either as a result of sampling or analysis technique or for any other reason, so that the components being measured are not correctly reported, the previously used analysis shall be again used until such time as a consistent trend is evident.
- (e) The cost of sampling and analysis shall be paid by Producer.

## **ARTICLE VI - OWNERSHIP AND DISPOSITION OF OUTLET SUBSTANCES**

### 601. Producer's Share of Outlet Substances

- (a) The volumes of Outlet Substances allocated to Producer shall be determined each Month in a manner consistent with the Allocation Procedure.
- (b) Producer shall own and at its sole cost, risk and expense shall take in kind or separately dispose of the Producer Outlet Substances.
- (c) Producer shall provide, or cause to be provided, to Operator, by the tenth (10th) Day of each Month, or as may be required by governing regulations, a statement of the total volume of Producer Inlet Substances accepted at the Facility Inlet for the preceding Month and details of any changes in ownership of Producer Inlet Substances or Sources. Further, Producer acknowledges its obligation to provide or cause to be provided to Operator, on a timely basis, all production data and information as may be required for the preparation of statements pursuant to Subclause 601(e).
- (d) (i) If Producer fails to provide, or cause to be provided, Operator with sufficient information to perform allocations of Outlet Substances as specified under the Allocation Procedure, then Operator will use its reasonable judgment regarding the allocations. Producer shall be liable

for, and indemnify Operator against, any penalties, costs or damages levied against the Operator as a result of allocation.

- (ii) Any costs incurred by Operator resulting from Producer's failure to provide production data and information under this Agreement, including but not limited to administrative costs for revising allocations, shall be paid by the Producer.
- (e) Operator shall, on or before the twenty-fifth (25th) Day of each Month, provide Producer with a statement showing the total volume of Producer Inlet Substances accepted at the Facility Inlet for the preceding Month and volume and heat content or composition of Producer Outlet Substances derived from Producer Inlet Substances.
- (f) Producer and Operator shall preserve all original test data, charts, the Allocation Procedure and other similar records related to this Agreement for a period of at least seven (7) Years after the Year to which the data relate. Notwithstanding the foregoing, Operator and Producer shall retain any original test data, charts, the Allocation Procedure and other similar records related to this Agreement to which a query under Clauses 704 or 705 relates until all such queries are resolved.
- (g) Producer shall, within twenty-six (26) Months following the end of the Year to which the records relate, have the right to examine at all reasonable times the records of Operator relating to Clause 601.
- (h) Operator shall be entitled to deal only with Producer on all matters arising under this Agreement, including, without limitation, all reporting of deliveries and directions regarding the handling of Producer Outlet Substances.

602. Delivery of Producer Outlet Substances

Operator shall deliver Producer Outlet Substances to Producer or to such Person as Producer designates at the Facility Outlet.

603. Failure to Take in Kind

- (a) If Producer fails to take or otherwise adequately dispose of Producer Outlet Substances, Operator may, at its sole option, so long as such failure continues, for the account and at the expense of Producer, sell on the open market or, if a purchaser is not available, store Producer Outlet Substances or cease to accept Producer Inlet Substances.
- (b) In the event of a failure to take in kind and a subsequent sale by Operator of Producer Outlet Substances, Operator shall remit to Producer within a reasonable period of time the proceeds of such sale less all direct costs of the sale and less a charge as specified in Exhibit "C".
- (c) The authority of Operator to enter into contracts for the sale of Producer Outlet Substances shall be restricted to contracts that are for such reasonable periods of time as are consistent with the minimum needs of the industry under the circumstances, but not in excess of a one Month period. Subject to such

contracts, Producer may commence or resume taking Producer Outlet Substances in kind at any time if it has given notice to Operator of at least thirty (30) Days prior to the expiration of the current sales contract that it intends to take its share in kind.

604. Volume Losses

- (a) Operator shall have the right at any time, in its sole discretion and acting reasonably in accordance with industry practice, to flare, use or consume Producer Inlet Substances free of charge. Producer Inlet Substances flared as a discrete stream at the Facility Inlet shall be conclusively deemed not accepted at the Facility.
- (b) Producer shall bear its share of any losses suffered during a Month due to evaporation, flaring, fuel gas consumption or Force Majeure in accordance with the Allocation Procedure.
- (c) If and when it cannot be determined to whom a loss should be allocated, any such loss shall be borne by Producer in the proportion that the volume of Producer Inlet Substances handled through the Facility during the previous Day bears to the total volume of Inlet Substances handled through the Facility during the previous Day.

605. Specifications of Outlet Substances

Operator shall use reasonable efforts to ensure that Outlet Substances meet the specifications which are acceptable to the purchasers or carriers of Outlet Substances as of the Effective Date, or such other specifications as may be subsequently agreed upon by Operator and the purchasers or carriers.

606. Measurement or Allocation Adjustments

In the event of an adjustment in measurement or allocation to Producer Outlet Substances, adjustments shall be made using;

- (a) for gas, the arithmetic average price for the Month for which the adjustment is required as listed in the table "Daily Spot Gas Price at AECO C & NOVA Inventory Transfer" in the Canadian Gas Price Reporter less the NOVA tolls (3 year toll) at the NOVA meter station and less NOVA fuel; and
- (b) for liquids, the average of the Edmonton Posted Prices for the Month for which the adjustment is required, adjusted for transportation and fractionation based on the pipeline tariff for transportation and the Ethane Plus Systems Trading Agreement, April 1, 1985 ("EPSTA") fractionation rate in effect during that Month.

**ARTICLE VII - BILLINGS AND PAYMENT**

701. Billings

Operator shall bill Producer on or before the thirtieth (30th) Day of each Month for the charges payable by Producer attributable to the handling of Producer Inlet Substances for the preceding Month, determined in accordance with Exhibit "C". Producer shall pay all bills which become payable pursuant to this Agreement within thirty (30) Days after receiving them. If



Producer fails to pay a bill within the said thirty (30) Day period, the unpaid amount shall, at Operator's option, bear interest following such thirty (30) Day period at the Interest Rate regardless of whether or not Operator has notified Producer in advance of its intention to charge interest with respect to that unpaid amount. The obligation to pay interest with respect to a default is to apply until such default is rectified and shall not merge into a judgment for principal and interest, or either of them. In addition, Operator shall have the right at any time thereafter, such default continuing, to enforce the remedies provided for in this Agreement.

702. Commingling of Funds

Subject to Clauses 603 and 706, funds received by Operator for the account of Producer which are in excess of the amounts payable under this Agreement are trust funds and are not to be used by Operator for its own purposes. Operator may commingle funds received by it under this Agreement with its own funds but such right to commingle is granted to Operator as an administrative aid in its duties under this Agreement and does not alter the characterization of such funds received by Operator as trust funds.

703. Books and Records

Operator will keep within Alberta true and correct books, accounts and records of the operations conducted at the Facility.

704. Correctness of Billings

Producer may protest or question the correctness of a bill, notwithstanding the payment of it, if such protest or question is made in writing to Operator, accompanied by reasonable supporting detail, within twenty-six (26) Months following the end of the Year in which the bill was presented; otherwise the bill shall be deemed conclusively to be correct except where the item is under dispute pursuant to Clause 705. Operator shall have ninety (90) Days following receipt of a query in which to provide documentation necessary to satisfy Producer of the correctness of the billing in question.

705. Audits

- (a) Subject to Subclause 705(b), Producer, upon reasonable notice in writing to Operator, shall have the right to audit the books, accounts and records of Operator to the extent necessary to verify the accuracy of any statement, charge or computation or demand made under or pursuant to any of the provisions of this Agreement for any Year within the twenty-four (24) Month period next following the end of such Year. Any claims of discrepancies shall be made in writing to Operator within two (2) Months of the completion of such audit. Operator shall respond to any claims of discrepancies within six (6) Months of receipt of such claims unless Operator requests and Producer agrees to an extension. Operator and Producer agree to act in good faith to resolve such claims. Each audit shall be conducted so as to cause a minimum of inconvenience to Operator.
- (b) Producer shall make every reasonable effort to conduct its audit at the same time as an audit conducted by the Facility owners. Furthermore, where two or more producers wish to conduct an audit, Producer shall make every reasonable effort to conduct its audit jointly with the other producers.

706. Remedies

Producer, in order to secure any indebtedness to Operator under this Agreement, hereby gives and grants to Operator a first lien and charge on Producer Inlet Substances and Producer Outlet Substances, to secure payment of any handling charge or other amount payable to Operator by Producer. In the event Producer defaults in payment of its bills and such default shall continue for five (5) Days after receipt of written demand from Operator, Operator may, without limiting Operator's other rights in this Agreement or otherwise held at law or in equity:

- (a) enforce such lien in any manner provided by the laws governing this Agreement;
- (b) discontinue handling of Producer Inlet Substances until such time as the indebtedness is paid;
- (c) set-off against the amount unpaid by Producer any sums due or accruing to Producer from Operator pursuant to this Agreement and from any other agreement between Operator and Producer, whether executed before or after the Effective Date;
- (d) maintain an action or actions for such unpaid amounts and interest thereon on a continuing basis as such amounts are payable but not paid by Producer, as if the obligation to pay such amounts and the interest thereon were liquidated demands due and payable on the relevant date such amounts were due to be paid, without any right or resort of such Producer to set-off or counter-claim;
- (e) treat the default as an immediate and automatic assignment to Operator of proceeds of the sale of such Producer Outlet Substances. Service of a copy of this Agreement upon a purchaser of such Producer Outlet Substances, together with written notice from Operator, shall constitute a written irrevocable direction by Producer to any such purchaser to pay to Operator the entire proceeds from any such sale and such purchaser is authorized by Producer to rely upon the statement of Operator as to the amount so owed to it by Producer. Operator shall apply all sums so collected against the unpaid amount (including any interest accrued thereon and any fee provided for in Clause 603(b) payable to Operator), and all sums so applied shall be considered as received from Producer, and any excess of such proceeds shall be paid by the Operator to the Producer within a reasonable period of time of receipt of proceeds; and
- (f) sell on the open market such quantity or quantities of Producer Outlet Substances as shall be sufficient to pay such indebtedness; provided, however, that such sale of Producer Outlet Substances shall first be made under the terms of any existing contracts for the sale of Producer Outlet Substances previously executed by Producer and in all cases subject to the charge pursuant to Subclause Clause 603(b).

Should default occur, Producer shall be liable to the Operator for all reasonable expenses incurred by Operator to remedy such default, including legal costs on a solicitor and his own client basis, and other expenses in connection with obtaining satisfaction of the obligations of Producer. Such expenses shall bear interest calculated and payable in accordance with Clause 701 of this Agreement.

Books and records kept by Operator shall constitute proof of the existence and amount of such default, including the associated direct costs and charges pursuant to Clause 603.

707. Royalty Indemnification

Producer shall pay, or be responsible for the payment of, and shall indemnify Operator against liability for any and all royalties, overriding royalties, product payments, and any and all other payments chargeable against Producer Inlet Substances or Producer Outlet Substances.

708. Taxes

- (a) Producer shall pay all taxes, levies, assessments and like charges which may be imposed in respect of Producer Inlet Substances.
- (b) When Operator is required to charge Goods and Services Tax (GST), or similar value added tax, Operator's invoice shall include information prescribed by the Input Tax Credit Information Regulations under the *Excise Tax Act*, or any information prescribed for a similar value added tax.

709. Insolvency

If Producer:

- (a) becomes bankrupt or insolvent, or commits or suffers any act of bankruptcy or insolvency;
- (b) is placed in receivership or a receiver/manager or person filling that role is appointed with respect to its property;
- (c) makes a compromise with or an assignment for the benefit of creditors;
- (d) seeks debtor relief protection under applicable legislation including without restricting the generality of the foregoing, the *Bankruptcy and Insolvency Act of Canada* and the *Companies' Creditors Arrangement Act of Canada*; or
- (e) is otherwise unable or unwilling to pay its debts as they fall due in the usual course of business,

Operator may, in its sole option, elect to terminate this Agreement upon five (5) Days' notice subject to Subclause 1001(b), or to demand immediate payment for all current invoiced amounts, plus estimated amounts that have accrued but have not yet been invoiced, and amounts that are estimated as likely to accrue in the remainder of the current Month and in the following Month. Producer shall pay these amounts within five (5) Days of receipt of Operator's written demand and shall continue to make prepayment for services as required by Operator prior to services being rendered.

## **ARTICLE VIII - FORCE MAJEURE**

801. Force Majeure

- (a) If a Party is prevented by Force Majeure from fulfilling any obligations, the obligations of that Party, insofar as its obligations are affected by the Force Majeure, shall be suspended while the Force Majeure continues to prevent the performance of such obligation and for that time thereafter as that Party may

reasonably require to commence to fulfill such obligation. A Party prevented from fulfilling any obligation by the Force Majeure shall promptly give the other Party notice of the Force Majeure and the affected obligations, including reasonably full particulars in respect of the Force Majeure.

- (b) The Party claiming suspension of an obligation as aforesaid shall promptly remedy the cause and effect of the applicable Force Majeure, insofar as it is reasonably able so to do, and such Party shall promptly give the other Party notice when the Force Majeure ceases to prevent the performance of the applicable obligation. However, the terms of settlement of any strike, lockout or other industrial disturbance shall be wholly at the discretion of such Party, and that Party shall not be required to accede to the demands of its opponents in any strike, lockout or industrial disturbance solely to remedy promptly the Force Majeure constituted by such action.
- (c) Notwithstanding anything contained in this Clause, lack of finances shall not be considered a Force Majeure nor shall any Force Majeure suspend any obligation for the payment of money.

## **ARTICLE IX - LIABILITY AND INDEMNIFICATION**

### 901. Liability and Indemnification

- (a) Operator and its Related Persons shall not be liable to Producer or its Related Persons for any Losses or Liabilities suffered or incurred by Producer resulting from or in any way attributable to or arising out of any act or omission, whether negligent or otherwise, of Operator or its Related Persons in the handling of Producer Inlet Substances except when and to the extent that such Losses and Liabilities are a direct result of, or are directly attributable to, the gross negligence or wilful misconduct of Operator or its Related Persons. Gross negligence shall not include any act or omission, insofar as it was done or not done in accordance with the written instructions or express concurrence of the Producer.
- (b) To the extent that the gross negligence or wilful misconduct condition described in Subclause 901(a) applies, Operator shall be solely liable for such Losses and Liabilities and, in addition, shall indemnify and save harmless Producer and its Related Persons from and against such Losses and Liabilities.
- (c) To the extent that the gross negligence or wilful misconduct condition described in Subclause 901(a) does not apply, Producer shall be solely liable for and indemnify and save harmless Operator and its Related Persons from and against any and all Losses and Liabilities relating to the handling of Producer Inlet Substances under this Agreement, including damage to the Facility caused by acceptance of Producer Inlet Substances which do not meet the specifications of Exhibit "B".
- (d) In no event shall the responsibility of either Party prescribed by this Clause 901 extend to losses suffered by the other Party respecting the loss or delay of production, including, without restricting the generality of the foregoing, loss of

profits or other consequential or indirect losses applicable to such loss or delay in production.

## **ARTICLE X - TERM**

### 1001. Term

- (a) This Agreement shall commence as of the Effective Date and shall continue until terminated by either Party giving thirty (30) Days' prior notice to the other Party.
- (b) Notwithstanding the termination of this Agreement, the provisions respecting liability and indemnification, the settlement of accounts and the Operator's remedies, shall remain in full force and effect to the extent of any liabilities which may have accrued prior to the termination of this Agreement.

## **ARTICLE XI - DISPUTE RESOLUTION**

### 1101. Dispute Resolution

The Parties will attempt to resolve any claim or dispute arising out of this Agreement through consultation and negotiation in good faith within the appropriate time periods as set out in this Agreement. If those attempts fail then either Party may refer the dispute for resolution through mediation, with costs of the mediation being shared equally by both Parties. If either Party refers a dispute for resolution through mediation, the other Party agrees to participate in the mediation. If the Parties cannot agree to a mediator, they shall have one appointed by the Canadian Foundation for Dispute Resolution or successor. However, either Party may terminate the mediation at any time upon giving reasonable notice to the other Party. If mediation fails or is terminated, then the Parties may agree to refer the matter to binding arbitration pursuant to the *Arbitration Act*, R.S.A. 2000 c. A-43, and any subsequent revisions to the Act, or a Party may resort to judicial proceedings to resolve the dispute.

## **ARTICLE XII - MISCELLANEOUS PROVISIONS**

### 1201. Interpretation

The captions or headings used in this Agreement are inserted solely for convenience and shall not be considered or given any effect in interpreting the Agreement or in ascertaining the intent of the Parties.

### 1202. Number and Gender

In this Agreement words importing the singular include the plural and vice versa; words importing the masculine gender include the feminine and neuter genders.

### 1203. Laws and Regulations

Subject to Clauses 1204 and 1214, this Agreement and the rights and obligations of the Parties are subject to all present and future laws, rules, regulations and orders of any legislative body or duly constituted authority now or hereafter having jurisdiction.



1204. Applicable Laws

This Agreement shall be construed in accordance with the laws of the Province of Alberta and each of the Parties submits to the jurisdiction of the courts of the Province of Alberta for the interpretation and enforcement hereof.

1205. Waivers

A waiver of a provision of this Agreement, whether for future or past actions, shall not be binding upon a Party unless it is in writing and signed by its duly authorized representative(s), and such a waiver shall not operate as a waiver in the future of any provision, whether of a like or different character.

1206. Suits

A Party who is sued on a cause of action allegedly arising out of operations under this Agreement shall forthwith notify the other Party.

1207. Further Assurances

Producer and Operator shall do all such further acts and execute and deliver all such further deeds and documents as may be reasonably required in order to fully perform and carry out the terms of this Agreement.

1208. No Implied Covenants

Producer and Operator have expressed their entire understanding and agreement concerning the subject matter of this Agreement and no implied covenant, condition, term or reservation shall be read into this Agreement relating to or concerning such subject matter.

1209. Notices

All notices and other communications to be given in connection with this Agreement shall be in writing and shall be sufficiently given:

- (a) if delivered by hand or by courier to a Party at its address for service, such delivery shall be deemed received by the Party when actually delivered if such delivery is during the Party's normal business hours on any Day other than a Saturday, a Sunday or a statutory holiday. If such notice or other communication is not delivered during the Party's normal business hours, such notice or other communication shall be deemed to have been received by the Party on the Day next following the date of delivery, other than a Saturday, Sunday or a statutory holiday;
- (b) except during any period of actual or impending postal disruption, if sent by first class mail or by airmail if sent from outside Canada or the United States, postage prepaid, to a Party at its address for service, such mailing shall be deemed received by the Party on the fourth Day following the date of mailing (Saturday, Sundays and statutory holidays excepted). However, if postal service is interrupted or operating with unusual or imminent delay, such notice or other communication shall not be sent by such means during such interruption or period of delay; and
- (c) to a Party which has provided a direct telecommunication number as part of its address for service, if sent by telecommunication to the Party's designated

telecommunication number such transmission shall be deemed received by the Party when actually received if such transmission is during the Party's normal business hours on any Day other than a Saturday, a Sunday or a statutory holiday. If such notice or other communication is not received during the Party's normal business hours, such notice or other communication shall be deemed to have been received by the Party on the Day next following the date of transmission, other than a Saturday, a Sunday or a statutory holiday.

For the purposes of this Clause 1209, the address for service for each Party initially shall be as set forth in Exhibit "D". A Party may change its address for service by giving written notice to the other Party.

1210. Enuring Clause

This Agreement shall enure to the benefit of and be binding upon Producer and Operator and their respective successors and permitted assigns.

1211. Supersedes Prior Agreements

As of the Effective Date, this Agreement shall govern the relationship of the Parties and supersedes all other agreements, documents, writings and verbal understandings and representations between the Parties in relation to the handling of Producer Inlet Substances in the Facility.

1212. Assignment

Neither Party shall assign this Agreement without the prior written consent of the other Party, which consent shall not be unreasonably withheld.

1213. Time of the Essence

Time is of the essence in this Agreement.

1214. Statute of Limitations

The two (2) year period for seeking a remedial order under section 3(1)(a) of the *Limitations Act*, R.S.A. 2000 c. L-12, including any amendments to or replacements of the Act, 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 (2) years after the time this Agreement permitted that audit to be performed; or
- (b) for all other claims, four (4) years.

1215. Modifications and Prevailing Provisions

The body of this Agreement is identical to the body of the 2008 PJVA Model Gas Handling Agreement and has not been modified except as specifically noted in Exhibit "E". In the event that modifications are made to the 2008 PJVA Model Gas Handling Agreement and such modifications are not appropriately noted in Exhibit "E" then the applicable provisions in the unmodified 2008 PJVA Model Gas Handling Agreement are deemed to prevail.

*[remainder of page intentionally blank]*



IN WITNESS WHEREOF the Parties have executed this Agreement each as of the Effective Date.

Operator: \_\_\_\_\_  
**MANITOK ENERGY INC.**  
\_\_\_\_\_

Producer: \_\_\_\_\_  
**EMBER RESOURCES INC.**  
\_\_\_\_\_

This is the execution page of the Agreement entitled "Manitok Carseland Gas Gathering System Gas Handling Agreement" between **MANITOK ENERGY INC.** and **EMBER RESOURCES INC.** dated as of and effective the 1<sup>st</sup> day of June, 2017.

# EXHIBIT A

THIS IS EXHIBIT "A"  
ATTACHED TO AND MADE PART OF A  
GAS HANDLING AGREEMENT BETWEEN  
MANITOK ENERGY INC. AND EMBER RESOURCES INC.  
DATED AND EFFECTIVE THE 1<sup>ST</sup> DAY OF JUNE, 2017

## DESCRIPTION OF FACILITIES, SOURCES AND PRIORITIES

### 1. Facility Description

FACILITY NAME AND DESCRIPTION		FACILITY INLET (legal location)	FACILITY OUTLET (legal location)	
Manitok Carseland GGS		Various Inlets into the Facility	Ember Carseland facilities	
Pipeline (FROM location)	Pipeline (TO location)		Facility Name	Location
01-25-022-26W4	13-13-024-27W4		Norfolk Gas Plant	13-13-024-27W4M
01-28-022-25W4	06-28-023-25W4		Strathmore Phase II Gas Plant	06-28-023-25W4M
07-25-023-26W4	06-28-023-25W4			

### 2. Operation of Metering Facilities

The metering facilities referred to in Clause 501 shall be operated by Operator.

### 3. Sources

Various sources.

### 4. Handling Priority

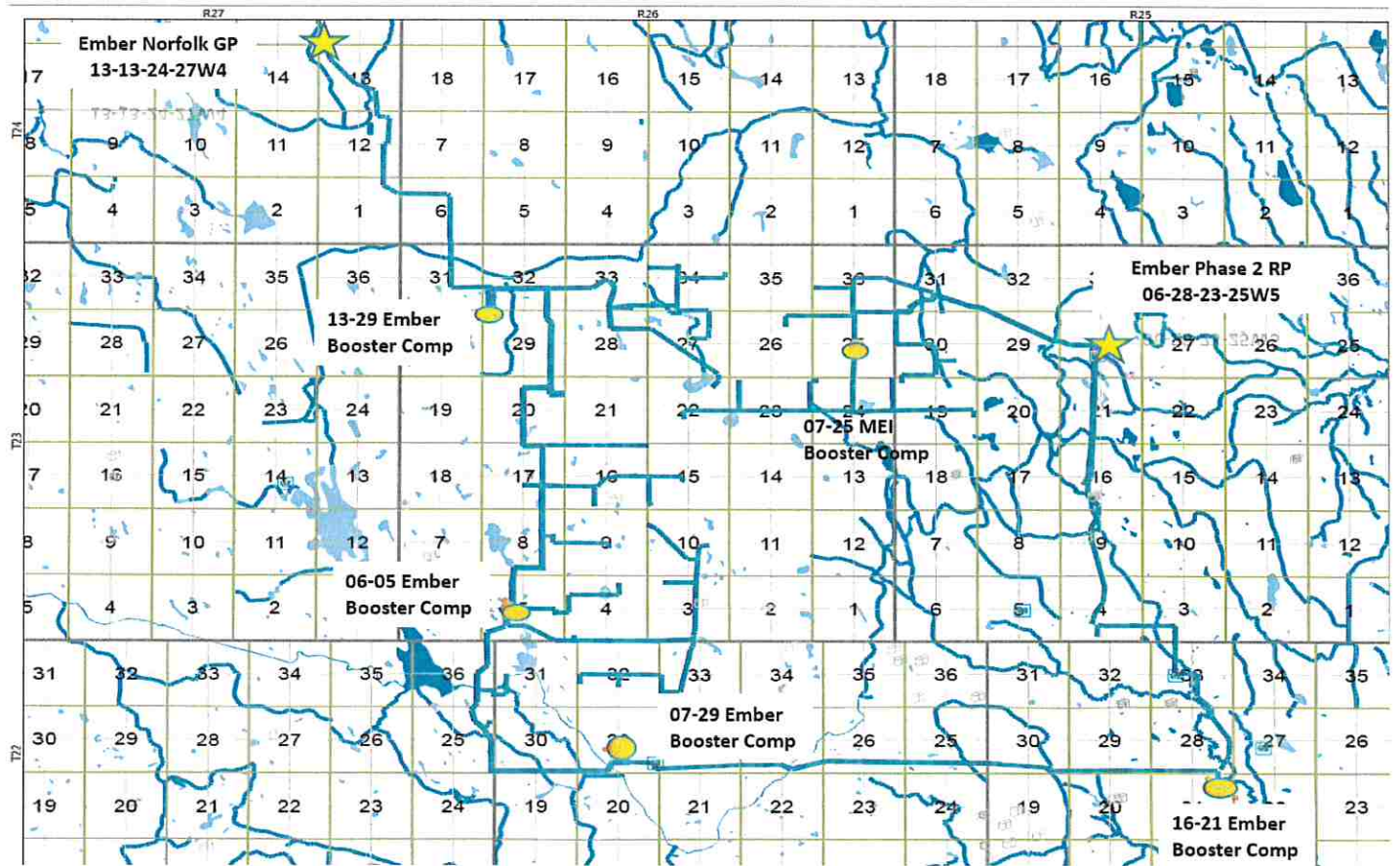
Producer Inlet Substances will be handled on a reasonable efforts basis to the extent that capacity is available in the Facility. If the Facility is unable to handle all Inlet Substances available for delivery to the Facility on any one Day, acceptance of Inlet Substances by Operator at the Facility will be cut back at Operator's discretion.

### 5. Restrictions on Producer Inlet Substances

Only as and to the extent expressly set forth in the Agreement.

6. Facility Map

Manitok Carseland Gas Gathering System



# EXHIBIT B

THIS IS EXHIBIT "B"  
ATTACHED TO AND MADE PART OF A  
GAS HANDLING AGREEMENT BETWEEN  
MANITOK ENERGY INC. AND EMBER RESOURCES INC.  
DATED AND EFFECTIVE THE 1<sup>ST</sup> DAY OF JUNE, 2017

## SPECIFICATIONS FOR PRODUCER INLET SUBSTANCES

All Producer Inlet Substances delivered to the Facility Inlet shall:

- (a) be of a kind, quality and composition and at a temperature and pressure so as to be within the design and operating parameters of the Facility.
- (b) be free from substances in such quantities that may obstruct, damage or be detrimental to the operation of the Facility. Producer Inlet Substances shall be also free of substances that may result in Outlet Substances having objectionable odors, solid matter, dust, gums and gum-forming constituents which might affect the marketability or cause injury to or interference with the proper operation on the lines, regulators, meters or other appliances through which such Outlet Substances flow.

# EXHIBIT C

THIS IS EXHIBIT "C"  
ATTACHED TO AND MADE PART OF A  
GAS HANDLING AGREEMENT BETWEEN  
MANITOK ENERGY INC. AND EMBER RESOURCES INC.  
DATED AND EFFECTIVE THE 1<sup>ST</sup> DAY OF JUNE, 2017

## HANDLING CHARGES FOR PRODUCER INLET SUBSTANCES

### 1. Transportation Charge

The charge for transportation of Producer Inlet Substances shall be **\$50,000 per Month** plus applicable federal and provincial value added taxes

### 4. Other Charges

Pursuant to Clause 603 of the Agreement, Producer shall be responsible for the following fees, as applicable, plus applicable federal and provincial value added taxes:

- (i) for Producer Outlet Substances, the greater of 3% of the market netback price or \$500.00 per Month; and/or
- (ii) for Producer Outlet Substances comprised of ethane, propane or butane, the greater of \$5.00/m<sup>3</sup> or \$500.00 per Month; and/or
- (iii) for Producer Outlet Substances comprised of condensate, 2.5% of the market netback price; and/or
- (iv) for Producer Outlet Substances comprised of sulphur, \$20.00/tonne to be subtracted from the market netback price (which market netback price may be positive or negative).

# EXHIBIT D

THIS IS EXHIBIT "D"  
ATTACHED TO AND MADE PART OF A  
GAS HANDLING AGREEMENT BETWEEN  
MANITOK ENERGY INC. AND EMBER RESOURCES INC.  
DATED AND EFFECTIVE THE 1<sup>ST</sup> DAY OF JUNE, 2017

## ADDRESSES FOR SERVICE

<b>Operator</b>	<b>Producer</b>
MANITOK ENERGY INC.	EMBER RESOURCES INC.
700, 444 – 7 Avenue SW	800, 400 – 3 Avenue SW
Calgary, AB	Calgary, AB
T2P 0X8	T2P 4H2
Attention: Joint Interest Administration	Attention: Jodi Oliverio Sr. Joint Venture Representative
Phone No.: (403) 984-1750	Phone No. (403) 270-0803
Fax No.: (403) 984-1749	Fax No.: (403) 270-2850
E-Mail: (optional)	E-Mail: <a href="mailto:joliverio@emberresources.com">joliverio@emberresources.com</a>
Field Contact: Mitch Zachow	Field Contact:
Phone No.: (780) 205-2749	Phone No.: (403)
Fax No.: (403)	Fax No.: (403)

## **APPENDIX B**

### Pre and Post Ember Accounts Summary

## APPENDIX B

Manitok Energy Inc.  
Ember AR/(AP) Account Summary Pre and Post  
As of November 30, 2018

	MEI books and records	MEI Disputes unprocessed	MEI Unprocessed Ember INV's	Total
<b>Pre ( Feb 19 2018 and Prior)</b>				
MEI Jibs issued	\$ 908,697.80	\$ -	\$ -	\$ 908,697.80
Embers Jibs Receivable	\$ 84,206.27	\$ -	\$ -	\$ 84,206.27
Ember Jibs Payable	\$ (161,582.60)	\$ (277,513.29)	\$ (10,637.45)	\$ (449,733.34)
<b>Subtotal</b>	<b>\$ 831,321.47</b>	<b>\$ (277,513.29)</b>	<b>\$ (10,637.45)</b>	<b>\$ 543,170.73</b>
<b>Post (Feb 20 2018 to Sept 30 2018)</b>				
MEI Jibs issued	\$ 594,747.62	\$ -	\$ -	\$ 594,747.62
Embers Jibs Receivable	\$ -	\$ -	\$ -	\$ -
Ember Jibs Payable	\$ (242,334.14)	\$ (390,544.90)	\$ (11,300.98)	\$ (644,180.02)
<b>Subtotal</b>	<b>\$ 352,413.48</b>	<b>\$ (390,544.90)</b>	<b>\$ (11,300.98)</b>	<b>\$ (49,432.40)</b>
<b>Total Net AR (AP) on Sept 30, 2018</b>	<b>\$ 1,183,734.95</b>	<b>\$ (668,058.19)</b>	<b>\$ (21,938.43)</b>	<b>\$ 493,738.33</b>
<b>Post (Oct 1 2018 to Nov 30 2018)</b>				
MEI Jibs issued	\$ 165,429.95	\$ -	\$ -	\$ 165,429.95
Embers Jibs Receivable	\$ -	\$ -	\$ -	\$ -
Ember Jibs Payable	\$ (56,115.60)	\$ (104,995.60)	\$ (1,707.75)	\$ (162,818.95)
<b>Subtotal</b>	<b>\$ 109,314.35</b>	<b>\$ (104,995.60)</b>	<b>\$ (1,707.75)</b>	<b>\$ 2,611.00</b>
<b>MANITOK TOTAL NET AR (AP)</b>	<b>\$ 1,293,049.30</b>	<b>\$ (773,053.79)</b>	<b>\$ (23,646.18)</b>	<b>\$ 496,349.33</b>