

MINISTRY OF NATURAL RESOURCES
THE MINING ACT
OIL AND GAS LEASE

Lease Number: «DocRefNum»-OGL

LESSOR: Minister of Natural Resources (the "Lessor")
LESSEE: «TitleHolder» (the "Lessee")
LEASE NUMBER: «DocRefNum»-«DocTypeCode»
EFFECTIVE DATE: «DocStatusDate»
EXPIRY DATE: «ExpiryDate»
TERM: «Term»
ANNUAL RENT: «AnnualRent»

THIS LEASE, made in duplicate, «DocDate».

BETWEEN:

Her Majesty the Queen in right of Ontario as represented by the
Minister of Natural Resources

hereinafter called "the Lessor"

and

«TitleHolder»

hereinafter called the "Lessee"

Pursuant to the Mining Act (the "Act") and the regulations thereunder (the "Regulations"), and subject to the provisions thereof (the "Provisions") as they may be amended or substituted from time to time, and in consideration of the rents, royalties, covenants and agreements hereinafter expressed and contained, the Lessor hereby leases unto the Lessee, insofar as the Crown in the right of Ontario has the right to issue the same, the exclusive right to produce oil and gas within and under the lands, described in the attached Schedule (the "Premises") for the term of «TermYear» years and «TermMonth» months, commencing «DocStatusDate» renewable upon application for successive terms of up to ten years each. The anniversary date shall be January 1st in each subsequent year following the commencement year.

Renewals are granted upon the conditions of the Regulations and subject to the regulations in force at the time such renewals are granted, provided the Lessee furnishes evidence satisfactory to the Lessor to show that during the term of the lease the Lessee has complied fully with the conditions of such lease and with the provisions of the regulations whether made before or during the term of the lease.

PROVIDED that:

- (a) If the Premises is located on Crown land, the Lessee has the right to enter upon, use or occupy any part or parts of the surface rights of the Premises as may be reasonably necessary for the production of oil and gas;
- (b) If the Premises is located on private property, the Lessee does not have the right to enter upon, use or occupy any part or parts of the surface rights and the subsurface mineral rights of the Premises as may be reasonably necessary for the production of oil and gas without a separate lease from the landowner to whom the Premises belongs.

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The Lessee agrees to pay the following to the Lessor:

- (a) the rental of «FirstYearRent» for the year «EffeYear» on or before the lease issue date;
- (b) the annual rent of «AnnualRent» on or before January 1st in each of the remaining years; and
- (c) a royalty of twelve and one-half percent (12.5 %) of the fair market value of the oil and gas that is produced from the Premises.

It is understood and agreed that the fair market value of the oil and gas shall be deemed to be the full sale price of the oil and gas that the Lessee receives at the point at which the Lessee transfers custody of the oil and gas, without any deduction whatsoever being made for any of the Lessee's or purchaser's costs including but not limited to the cost for handling, processing or transporting the oil and gas.

The Lessee agrees to transport and market all oil and gas produced, excluding gas used for fuel, from the Premises at the Lessee's expense.

Where, in the opinion of the Lessor, the Lessee does not sell the oil or gas at its fair market value, the Lessor shall determine and set the fair market value of the oil or gas for the purposes of royalty payments and the Lessee shall pay royalty based on this value.

Rents and royalties payable shall be calculated free and clear of and from all rates, taxes and assessments and from all manner of deduction whatsoever.

No royalty is payable in respect of gas reasonably required by the Lessee as fuel for the production of oil or gas from the Premises. The royalty payment for all oil or gas produced in a month from the Premises shall be forwarded to the Lessor on or before the last day of the month following the month in which the oil or gas is produced, unless otherwise directed by the Lessor, together with a report which includes:

- a) the volumes of oil and gas produced during each month;
- b) the price received for each volume unit of the same; and
- c) any volumes of gas used by the Lessee.

If the rent or royalty set out in the Regulations is changed during the term of this lease, the payments made by the Lessee following the change shall be on the basis of the new rent or royalty.

The Lessee's duties and obligations under this lease may be amended or varied in accordance with amendments to the Act and Regulations thereunder.

The Lessee and Lessor hereby covenant and agree as follows:

Saving, Excepting and Reserving Unto the Lessor

1. Such use of the Premises hereby demised for such works as may be necessary for the development of electrical power and the transmission and distributing of electrical power and the transmission of oil and gas, including the construction, maintenance and operation of any transmission lines,

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pipelines, powerhouse and other works and structures without any liability.

The right to remove, and to allow the removal of sand and gravel or minerals, excepting oil and gas, from the Premises, and to grant or use such parts of the said Premises for such other purposes as may be deemed necessary.

The right to issue a well license under the Oil, Gas and Salt Resources Act for a deviated or horizontal well to a person other than the Lessee which allows access across the Premises to lands held by that person.

The right to allow persons other than the Lessee to enter the Premises for the purposes of conducting seismic and other geophysical or geochemical surveys.

Enurement

2. The Lease shall be binding upon and enure to the benefit of the heirs, executors, administrators, successors, permitted assigns and other legal representatives of the Lessee.

Gender and Number

3. This lease is to be read with all changes in gender or number as required by context.

Compliance with Statutes

4. The Lessee shall at all times during the term of the lease, perform, observe and comply with the provisions of the Mining Act, the Oil, Gas and Salt Resources Act, the Ontario Energy Board Act and all regulations established under those Acts or their successors, and all other applicable laws and regulations.

The provisions of the aforementioned Acts and regulations shall be deemed to be incorporated in this lease and, in the event of conflict between a provision of this lease and a provision of the aforementioned Acts and regulations, the latter provision shall prevail.

Taxes Payable by Lessee

5. The Lessee shall pay all taxes, rates, duties and assessments that may be charged or be payable during the term, or any renewal of this Lease, in respect of the Premises and the operations under this Lease.

Survey

6. The Lessor may direct that the Lessee make and file a cadastral survey at the Lessee's expense that is satisfactory to the Lessor and acceptable for registration in the Land Registry Office with respect to the position of any boundary that is uncertain or becomes the subject of a dispute.

Operations

7. The Lessee shall conduct all operations under this Lease in a diligent, careful and workmanlike manner and shall take all reasonable and necessary steps to prevent injury and damage to life and property.

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The Lessee shall not unduly interfere with other oil and natural gas production, storage operations or other mining operations in the leased area, or in any manner cause undue public or private damage, inconvenience or nuisance.

Measurement

8. The Lessee shall accurately measure all oil and gas produced from the Premises, before such production is comingled with production from other lands, unless the Lessee can demonstrate to the satisfaction of the Lessor that it can accurately estimate the volume of oil and gas produced from the Premises.

Gas volumes shall be calculated at standard conditions of 101.324 kilopascals absolute and 15 degrees Celsius.

Records

9. The Lessee shall at all times keep accurate and detailed records, books and accounts of its operations on the Premises and the quantity of oil and gas produced, saved, marketed and otherwise disposed of from the Premises, and whenever requested shall make such records available for examination by the Lessor or any person authorized by the Lessor.

Pooling and Unitization

10. The Lessee, subject to the approval of the Lessor, is hereby given the right to pool the Premises, or any portion thereof, or any zone or formation underlying the Premises or any portion thereof, with any other lands or any zone or formation underlying the same, but all of the lands so pooled shall not exceed one spacing unit as established by the Minister under the Oil, Gas, and Salt Resources Act. In the event of such pooling, the Lessor shall, in lieu of the royalties elsewhere herein specified, receive on production of oil or gas from the said spacing unit only such portion of the royalties stipulated herein as the surface area of the Premises placed in the spacing unit bears to the total surface area of all lands in such spacing unit.

The Lessee, subject to the approval of the Lessor, may include the Premises, or any part or parts thereof, with other lands in a unitization agreement. The plan of unit operations, the manner of allocating production to each tract in the unit area, and the contents of any such unitization agreement shall also be subject to the approval of the Lessor and when so approved shall be binding upon the Lessor. Upon any such unitization agreement, the royalties elsewhere herein specified shall be paid on the basis of the production allocated to the Premises under the unitization agreement and not upon the basis of actual production from any well(s).

All operations on or production of oil or gas from a spacing unit under a pooling agreement, or a unit area under a unitization agreement, shall be deemed to be operations on or production from that portion of the Premises within the spacing unit or unit area, as the case may be, in respect of the Lessee's obligations, expressed or implied under this lease.

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Liability

11. The Lessee acknowledges that it has satisfied itself that the description of the Premises as set out in the Schedule comprises only lands that are the property of the Lessor. The Lessor assumes no liability whatsoever for errors in the description.

The Lessee shall assume all liability for all damages of any nature whatsoever, caused by the Lessee or the Lessee's servants, workmen, agents, contractors or operators, or in any way due to any drilling, work, construction, reconstruction or operation conducted in connection with the Premises, whether or not the same have been negligently drilled, worked, constructed, reconstructed, or operated.

Indemnification

12. The Lessee covenants to indemnify and forever save and keep harmless the Lessor, its officers, servants and agents from and against any and all claims, demands, suits, actions, damages, losses, costs or expenses arising out of any injury to persons, including death, or loss or damage to property which may be or be alleged to be caused by or suffered as a result of or in any manner associated with the exercise of any right or privilege granted to the Lessee by this Lease.

Transfer and Assignment

13. This lease shall not be transferred or assigned in whole or in part, without the written consent of the Lessor. Any transfer or assignment shall be conducted according to the terms specified in the Regulations. Provided further that before the Lessee assigns or transfers any title and interest under this lease to another person, the Lessee and such person shall provide the Lessor with written assurances in a form satisfactory to the Lessor that the assignee shall assume all obligations of the Lessee on approval of assignment.

TERMINATION

Surrender

14. The Lessee may at any time, subject to the approval of the Lessor, surrender by written notice at least thirty (30) days before the surrender is to take effect, all or any part or parts of the Premises, provided the Lessee shall be liable for and observe in full all of the terms, provisos, conditions, and restrictions as herein provided, for the year during which the surrender is made by the Lessee and those terms, provisos, conditions and restrictions that would otherwise apply after the expiration of the term of this lease.

Notwithstanding anything contained herein, a surrender shall not entitle the Lessee to a refund of any payment made under this lease.

Provided further that, at the time of submitting a notice of surrender, the Lessee shall provide the Lessor with a description and plan, subject to the Lessor's approval, of the Premises in respect of which rights are to be surrendered and shall at the Lessee's own expense register

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such plan against the Premises in the Land Registry Office in which the Premises are situated. The Lessor and Lessee shall execute a surrender document, suitable for registration, of the Premises being surrendered.

The surrender takes effect when the Lessor consents to the surrender.

Termination Upon Default of Lessee

15. If default is made by the Lessee in the observance of any or all of the terms, provisos, conditions, and restrictions as provided herein and the default is not remedied to the satisfaction of the Lessor within thirty (30) days after the notice of default, setting forth the default and calling upon the Lessee to remedy it, is received by the Lessee, or such further time as the Lessor may specify, this lease may be terminated by the Lessor without any liability by the Lessor to the Lessee. A notice of default sent by mail shall, unless otherwise specified in the notice, be deemed to have been received by the Lessee on the fifth day after the mailing date.

Where this lease is terminated as provided for herein, the rights and interests of the Lessee in the Premises are forfeited to, and vest in the Lessor without compensation therefore to the Lessee.

Termination after Renewal

16. If, after renewal of this lease, the Lessor considers that all or part of the Premises under this lease are no longer capable of producing commercial quantities of oil or gas, the Lessor shall notify the Lessee in writing that such lands shall forfeit to the Lessor six months after the date of notice, unless the Lessee can demonstrate to the Lessor's satisfaction that such lands are still capable of producing commercial quantities of oil or gas.

OTHER MATTERS

Waiver

17. No waiver by the Lessor of a breach by the Lessee of any covenant, obligation, condition, restriction, or stipulation contained in this Lease, in the Act, or in the Regulations, shall take effect or be binding upon the Lessor unless such waiver is expressed in writing by the Lessor, and any waiver so expressed shall apply only to the particular breach so waived and shall not limit or affect the Lessor's rights with respect to any other or future breach.

Notice

18. Any notice or other undertaking hereunder shall be well and sufficiently given if delivered on a business day within normal business hours or sent by prepaid registered mail, to the Lessor at:

Ministry of Natural Resources
Crown Lands Administrator
Petroleum Resources Centre
659 Exeter Road
London, Ontario
N6E 1L3

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and to the Lessee at:

«TitleHolder»

«Addr1»

«Addr2»

«Addr3»

«City» «Prov» «PostCode»

«Country»

Any notice delivered as aforesaid shall be deemed to have been given on the delivery date and any notice mailed in the absence of proof of later delivery shall be deemed to have been given on the fifth day after the date of mailing of such notice. Either party may give to the other party from time to time notice of change of address for the purpose of notice hereunder and such address shall be the address for notice as herein set out.

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In witness whereof the Lessor and the Lessee have hereunto set their hands and seals:

Vishnu Prasad
Co-ordinator, Crown Land Registry
Land Management Section
for and on behalf of the
Minister of Natural Resources

«TitleHolder»

BY:

AND:

Oil and Gas Lease No. «DocRefNum»-OGL

Main Office File No. 187392

Land Registrar
Ministry of Consumer and Business Services
will mail duplicate to:

Ministry of Natural Resources
Crown Lands Administrator
Petroleum Resources Centre
659 Exeter Road
London, Ontario
N6E 1L3