

# SURFACE LEASE

This Lease made in duplicate this 4th day of August 1988

Between: VERNON MAURER  
of Weyburn, in the Province of Saskatchewan  
(Occupation)  
(hereinafter called the "Lessor").

- AND -

CAPRICE RESOURCES LTD.  
of Weyburn, in the Province of Saskatchewan,

(hereinafter called the "Lessee")

WHEREAS the Lessor is the registered owner (or is entitled to become registered as owner under an agreement for sale or unregistered transfer or otherwise), of an estate in fee simple, subject however to such mortgages and encumbrances contained in the existing Certificate of Title, of and in that certain parcel of land situated, lying and being in the Province of Saskatchewan and described as follows:

The South East Quarter of Section 32  
in Township 6 Range 14  
West of the Second Meridian in the Province of Saskatchewan, as more particularly described and set forth in  
Certificate(s) of Title No.(s) 80R20809 and 84R63617  
of Record in the Land Titles Office for the Regina  
Land Registration District (hereinafter referred to as "the said lands"); and

WHEREAS the Lessor has agreed to lease certain portions of the said lands to the Lessee for the purposes and upon the terms and conditions hereinafter set forth:

NOW THEREFORE this lease witnesses that:

## DEMISED PREMISES

1. The Lessor, for the purposes, and for the consideration hereinafter set forth does hereby lease unto the Lessee, all and singular, those parts of the said lands shown upon a sketch or plan hereto annexed and marked "A", hereinafter called "the demised premises" to be held by the Lessee as tenant for the term of twenty-one years from the date hereof;

FOR:

A.) The purpose of a well site for the drilling of a well for petroleum, natural gas and related hydrocarbons (except coal and valuable stone) and all other gases and substances (whether liquid or solid and whether hydrocarbons or not) produced in association with the petroleum natural gas and related hydrocarbons contained in an oil or gas reservoir.

AND FOR:

B.) The operation thereof and the taking of production therefrom with the right, liberty and privilege in, upon, under or across the demised premises, to lay down, construct, maintain, inspect, remove, replace, reconstruct and repair pipes, pipe lines and all structures and equipment necessary or incidental thereto for use in connection with the operations of the Lessee for which this lease is granted.

AND ALSO FOR:

C.) The purpose of a roadway;  
the said consideration to be as follows:

Payment in the first year by lessee

(a) for the first year only, the sum of - - SIX THOUSAND, FIVE HUNDRED (\$6,500.00) Dollars  
(the receipt of which sum is hereby acknowledged) and which sum includes compensation in full for acquisition of surface rights acquired by the Lessee applied as follows:

(i) annual rent - - TWO THOUSAND, FIVE HUNDRED (\$2,500.00) - - - dollars  
(ii) compensation for capital damage - - FOUR THOUSAND (\$4,000.00) - - - dollars

Payment in subsequent years by lessee

(b) for each subsequent year the sum of - - TWO THOUSAND, FIVE HUNDRED (\$2,500.00) - - - dollars  
payable annually in advance on the anniversary of the date hereof in each year during the currency hereof:

*Jm*  
*Vm*  
Provided that the Lessee may, from time to time and at any time, surrender any portion of the demised premises by giving one month's written notice to the Lessor to that effect and by delivering or mailing to the Lessor a sketch or plan of the portion or portions thereof surrendered.  
Provided that the Lessee may, from time to time and at any time, surrender any portion of the demised premises constituting a Roadway by giving one month's written notice to the Lessor to that effect and by delivering or mailing to the Lessor a sketch or plan of the portion or portions

2. The Lessor hereby covenants and agrees with the Lessee as follows:

**Taxes, etc., payable by lessor**

(a) The Lessor shall pay promptly and satisfy all taxes, rates and assessment that may be assessed or levied against the said lands during the continuance of this lease.

**Quiet Enjoyment by lessee**

(b) The Lessee shall have quiet enjoyment of the demised premises and the rights and privileges hereby granted during the term of this lease and any extension thereof.

**Right to renew by lessee**

(c) If the Lessee is not in default in respect of any of the covenants and conditions contained in this lease at the date of expiration of the term of twenty-one years hereinbefore mentioned, then this lease shall be renewable for a further period of twenty-one years from the said date at an annual rent calculated as hereinbefore provided for that portion of the term subsequent to the first year thereof. Such extended term shall be subject to all the provisions, including this provision for renewal.

3. The Lessee hereby covenants and agrees with the Lessor as follows:

**Payment of rent by lessee**

(a) The Lessee shall pay the consideration for the first year as hereinbefore agreed and shall pay yearly in advance the rent herein set forth for each subsequent year of the term of this lease.

**Cancellation in case of default**

(b) If the Lessee defaults in the payment of any sum payable hereunder or in the performance of any covenant, promise or undertaking herein contained on the part of the Lessee, this agreement shall be terminated at the expiration of forty-five days after a written notice to that effect has been given to the Lessee by registered mail addressed to the Lessee's address herein provided, unless the Lessee has in the meantime remedied such default or breach of covenant, promise or undertaking but remedying such default shall not prejudice any other right or remedy to which the Lessor is otherwise entitled under this lease.

**Digging of pits for mud and sludge and destruction of weeds**

(c) The Lessee shall dig pits or have adequate metal reservoirs and shall deposit therein the mud and sludge resulting from drilling operations and shall not permit the same to escape onto the Lessor's land adjoining the demised premises and the Lessee shall take all necessary precautions to keep down and destroy all noxious weeds on the well site and roadway. At the termination of the use and occupation of the demised premises as hereinafter provided or upon the discontinuance of the use of any portion thereof for the purpose hereunder the Lessee shall deliver up the demised premises or portion thereof, as the case may be, in the same condition as far as may be reasonably practicable to do so as that existing immediately prior to entry thereon for the use thereof by the Lessee.

**Abandonment and restoration**

(d) Upon abandonment of the well the Lessee shall cause such well to be plugged and all excavations in connection therewith to be filled in compliance with the laws and regulations of Saskatchewan in that regard.

**Construction of ditches and approaches where required**

(e) The Lessee shall construct the roadway with shallow ditches where required and, if necessary, with reasonable number of approaches for the Lessor in order that the Lessor may cross the roadway with farm machinery in moving from one field in the said lands to another field that lies across the roadway.

**Fencing of well site, roadway and excavations where required**

(f) The Lessee shall, during the continuance of this lease, erect upon the boundaries of the well site and roadway proper fences if so required by the Lessor and the Lessee shall, if required by the Lessor, enclose and keep enclosed all openings or excavations made in connection with or for the purpose of drilling operations with proper fences to prevent livestock from falling thereinto.

**Replacement and repair of fences, guards, gates**

(g) In the use of the rights and privileges hereby granted the Lessee shall replace all fences that he has removed for his purposes and repair all fences he has damaged and, if so required by the Lessor, provide proper livestock guards or gates at any point of entrance on the demised premises used by him and, if gates are installed, shall cause the same to be closed upon his use thereof.

**Taxes, etc., payable by lessee**

(h) The Lessee shall pay all taxes, rates and assessments that may be assessed or levied in respect of machinery, equipment, structures or works placed by the Lessee in, on or under the demised premises.

**Compensation for damage**

(i) The Lessee shall pay compensation for damage done by the Lessee to growing crops, fences and buildings or other improvements of the Lessor upon the said lands.

**Indemnity against actions, claims, etc.**

(j) The Lessee shall indemnify and save harmless the Lessor of, from and against all actions, suits, claims and demands by any person in respect of any loss, injury, damage or obligation arising out of or connected with the operations carried on by the Lessee, his servants or agents in, under or upon the said demised premises.

**Review of rent every three years upon request of either party**

(a) Notwithstanding anything contained in this lease, upon the request of either party to this lease, the amount of rent payable in respect of the demised premises shall be subject to review at the end of three years from the date hereof and at the end of each succeeding three year period. Such request shall be in writing and given to the other party within 90 days before or 90 days after the commencement of the period in respect of which the review of rent is sought. In case of any disagreement as to the amount of rent to be payable or any other matter in connection therewith the arbitration provisions of the Surface Rights Acquisition and Compensation Act, 1968, at the time in force shall apply.

**Right of surrender and removal of equipment by lessee**

(b) The Lessee shall have the right at any time, upon forty-five days' notice to that effect to the Lessor, to cease the use and occupation of the demised premises and in the event of the Lessee so doing, this lease shall terminate at the next succeeding anniversary date and the Lessee shall have the right, within the balance of the rent year to remove or cause to be removed from the demised premises all structures, material and equipment of whatsoever nature or kind that the Lessee may have placed on or in the demised premises.

**Discharge of encumbrances by lessee and reimbursement**

(c) The Lessee shall have the option to pay or discharge any balance owing under any agreement of sale, any tax, charge, lien or encumbrance of any kind or nature whatsoever that may now or hereafter exist on or against or in any way affect the demised premises and in that event the Lessee shall be subrogated to the rights of the holder or holders of such encumbrance and shall have, in addition thereto, the option to be reimbursed by applying to the amount so paid the rent or other sums accruing to the Lessor under the terms of this lease.

**Right to assign by lessee**

(d) The Lessee may delegate, assign or convey to other persons or corporations all or any of the powers, rights and interests obtained by or conferred upon the Lessee hereunder and may enter into all agreements, contracts and writings and do all necessary acts and things to give effect to the provisions of this clause.

**Notification of change of ownership**

(e) In the event of the Lessor disposing of the said lands or the Lessee disposing of its interests in the said lands as provided for in this lease, the party disposing of its interest shall give the other party notice of such change and the name and address of the new Lessor or Lessee, as the case may be.

*VM*  
*JPL*

If the demised premises covered by this Surface Lease are not entered upon, except for survey purposes, within 120 days of the date of this lease, the Lessee shall pay to the Lessor the sum of \$ ~~\_\_\_\_\_~~ <sup>50</sup> for the right to survey and all other inconveniences and the said Lease shall terminate. However, should Lessee enter the demised premises to drill or should The Lessee make payment of the full initial consideration in the amount of \$ \_\_\_\_\_ as previously set out, within the 120 day period, then the Lessee shall have full rights on the demised premises pursuant to the terms of the said Surface Lease.

**Notices by lessor and lessee**

(f) Any notice required to be given to the parties hereto shall be deemed to have been given fifteen clear days after such notice is mailed by prepaid registered post properly addressed to such party and for the purpose of this clause, the proper address of the respective parties until notice of change of address shall be:

LESSOR P.O. Box 1283, Weyburn, Sask. S4H 2L5

LESSEE: P.O. Box 848, Weyburn, Sask. S4H 2L1

**Time of the essence**

6. Time shall be in every respect of the essence of this lease.

**Saskatchewan law to apply**

7. This lease shall for all purposes be construed according to the laws of Saskatchewan.

**Meaning of "Lessor" and "Lessee"**

8. The terms "Lessor" and "Lessee" and reference thereto herein shall include the executors, administrators, (successors in the case of a corporation) and assigns of the Lessor and Lessee respectively and the terms and references thereto in the singular number and masculine gender shall also include the plural number and feminine (and neuter in the case of corporation) gender, when the context so requires, and all covenants shall be construed as being joint and several. The above mentioned Lessee does hereby accept this lease of the demised premises as provided for in this lease to be held by the Lessee as tenant and subject to the conditions, restrictions and covenants above set forth.

I, \_\_\_\_\_, wife of the above

(or within) named \_\_\_\_\_ do hereby declare that I have executed this lease for the purpose of relinquishing all my rights in said homestead in favour of \_\_\_\_\_ in so far as may be necessary to give effect to this lease.

In witness whereof the Lessor has hereunto set his hand and seal and the Lessee has hereunto set his hand and seal (or has caused its corporate seal to be hereunto affixed attested by the hands of its proper officers duly authorized in that behalf) the day and year first above written.

(Note: Strike out the part that does not apply.)

Signed, sealed and delivered by the above named Lessor in the presence of  
*[Signature]*

*Vernon Maurer*  
Vernon Maurer

Signed, sealed and delivered by the above named Lessee in the presence of

CAPRICE RESOURCES LTD.

Per: *[Signature]*  
Proper Officer



**CERTIFICATE**

I, \_\_\_\_\_, Judge of the District Court for \_\_\_\_\_ (or as the case may be), do hereby certify that I have examined

\_\_\_\_\_ wife of \_\_\_\_\_ the owner in the within (or annexed) lease, separate and apart from her said husband, and she acknowledges to me that she signed the same of her own free will and consent and without any compulsion on the part of her husband and for the purpose of relinquishing her rights in

the homestead in favour of \_\_\_\_\_ in so far as may be necessary to give effect to the within (or annexed) lease, and further that she was aware of what her rights in said homestead were.

I further certify that I have not, nor has my employer, partner or clerk, prepared the within (or annexed) lease, and that I am not, nor is my employer, partner or clerk otherwise interested in the transaction involved.

(Note: This form may be executed by a Judge of the District Court, Local Registrar of the Court of Queen's Bench, Registrar of Land Titles, or their respective Deputies, or a Solicitor, a Justice of the Peace or a Notary Public.)

AFFIDAVIT OF EXECUTION

CANADA  
PROVINCE OF SASKATCHEWAN  
To Wit:

1. STAFFORD E. NIMEGEERS of the City  
of Weyburn in the Province of Saskatchewan  
Solicitor make oath and say as follows:  
(Occupation)

- 1. That I was personally present and did see VERNON MAURER named in the within (or annexed) lease, who is personally known to me to be the person named therein, duly sign and execute the same for the purposes named therein.
- 2. That the same was executed at the City of Weyburn in the Province of Saskatchewan and that I am the subscribing witness thereto.
- 3. That I know the said VERNON MAURER and in my belief he is of the full age of eighteen years.

Sworn before me at the City of Weyburn in the Province of Saskatchewan this 4th day of August 1988

*Shylla Dairie*  
A Commissioner for Oaths in and for the Province of Saskatchewan.  
My Appointment Expires May 31st, 1993

*Stafford E. Nimegeers*

AFFIDAVIT

CANADA  
PROVINCE OF SASKATCHEWAN  
To Wit:

1. VERNON MAURER of the City  
of Weyburn in the Province of Saskatchewan  
(Occupation) make oath and say as follows:

- 1. I am the Lessor named in the within lease, and I say that no part of the said land is my homestead, or has been my homestead at any time.

~~I am the Lessor named in the within lease and I say that I have no wife.~~

~~I am the Lessor named in the within lease, and I say that my wife does not reside in Saskatchewan and has not resided therein at any time since the marriage.~~

Sworn before me at the City of Weyburn, Saskatchewan this 4th day of August 1988

*Stafford E. Nimegeers*  
A Commissioner for Oaths in and for the Province of Saskatchewan.  
My Appointment Expires May 31st, 1993  
*Shylla Dairie*

*Vern Maurer*

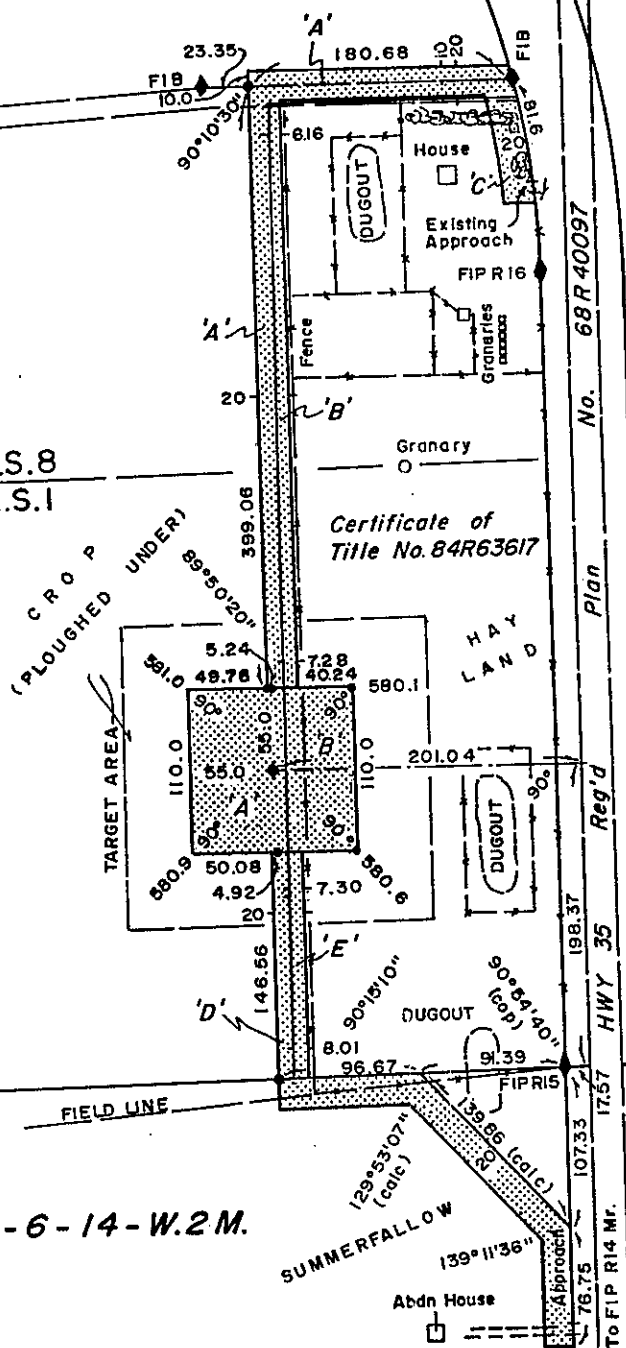
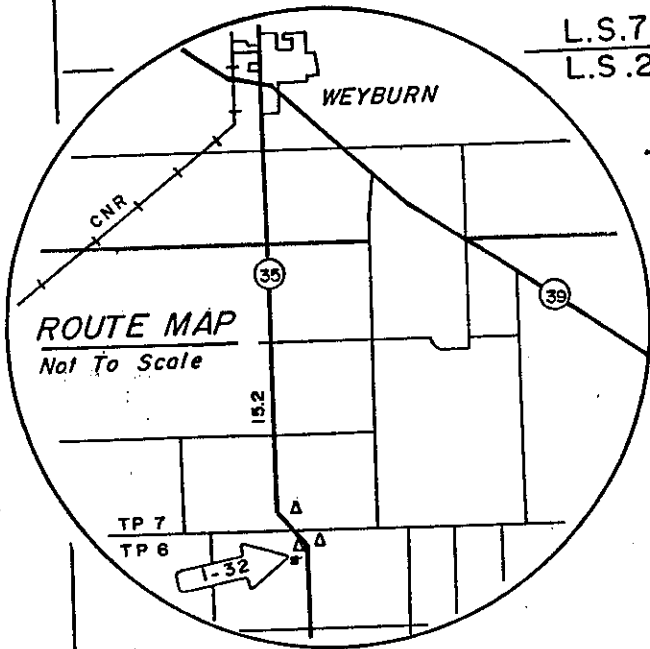
# CAPRICE WEYBURN 1-32-6-14

Well Site and Access Road  
L.S. 1, Sec. 32, Tp. 6, Rg. 14, W.2 M.

Scale: 1:5000

32

*Vern Mauer*



N.E.1/4 Sec. 29-6-14-W.2 M.

I certify that the survey represented by this plan is correct and true to the best of my knowledge and was completed on the 4th day of August, A.D. 1988.

*David Quirk*  
Saskatchewan Land Surveyor



*J. Halligan*  
Witness

E 8397 MIDWEST SURVEYS (SASK.) LIMITED

Operator:  
CAPRICE RESOURCES LTD.

*Jerry Klain*

ELEVATION: 580.6 Ground

CO-ORDINATES: 201.56 N. of S. Bdry. } Sec. 32  
201.04 W. of E. Bdry. }

CARTESIAN CO-ORDINATES: 198.37 North  
and 201.04m West of S.E. Cor. 32

AREAS: Well Site 'A': 0.52 ha (1.29 ac.)  
Well Site 'B': 0.69 ha (1.70 ac.)  
Access Road 'A': 0.88 ha (2.17 ac.)  
Access Road 'B': 0.26 ha (0.65 ac.)  
S.E.1/4- 32 Access Road 'C': 0.14 ha (0.35 ac.)  
Access Road 'D': 0.18 ha (0.45 ac.)  
Access Road 'E': 0.16 ha (0.40 ac.)  
Total = 2.83 ha (7.01 ac.)  
N.E.1/4-29 Access Road : 0.59 ha (1.47 ac.)  
TOTAL = 3.42 ha (8.48 ac.)

There are no surface or underground improvements within 75m of Well location except as shown.  
Portion referred to shown thus . . . . .  
Survey monuments found shown thus . . . . .  
Iron pins 1.5 cm x 38.1 cm planted shown thus . . . . .  
Fir posts 5.0cm x 5.0cm x 38.1cm planted shown thus . . . . .