

# Earning Letter 1 - Capped or Completed Well

(On ABC Letterhead)

April 29, 1997

DEF Resources Ltd.  
Attention: B. Black  
#AAA, XXX - Y Ave. S.E.  
Calgary, AB  
T2P XXX

GHI Oil & Gas Ltd.  
Attention: B. Blue  
WWW - Z Ave. S.W.  
Calgary, AB  
T2P XXX

JKL Canada Ltd.  
Attention: R. Red  
#BB, CCC - W Ave. S.W.  
Calgary, AB  
T2P XXX

## Re: Cat In The Hat Farmout/Confirmation of Earning Letter

Further to a farmout agreement dated November 13, 1996 (the "Agreement") originally between ABC Canada Resources ("ABC") and DEF Resources Ltd. ("DEF") as Farmor and GHI Oil & Gas Ltd. ("GHI") and JKL Canada Ltd. ("JKL") as Farmee, the Farmee drilled and [capped/ completed] the following [Earning Well/Test Well/Option Well]:

Well Name/UWI:  
Spudded:  
Total Depth:  
Rig Release:  
Status:  
[Capped/Completed] Zone:  
Zone at Total Depth:

As a result, effective as of the rig release date of that well, GHI and JKL have [conditionally] earned an interest in Block \_\_\_\_\_ of the Farmout Lands in accordance with Clause \_\_\_\_\_ of the Agreement [./subject to Clause 3.04 of the Farmout & Royalty Procedure attached as part of the Agreement.] Therefore, the current interests in those Farmout Lands are as follows:

Spacing Unit: Twp. \_\_ Rge. \_\_ W\_M, [All/Lsd \_\_/SW/SE/NW/NE] \_\_ as to all Petroleum Substances from surface down to base of the \_\_\_\_ formation.

Balance of Block \_\_ : Twp. \_\_ Rge. \_\_ W\_M: Sec. \_\_\_\_\_ as to all Petroleum Substances from surface down to base of the \_\_\_\_ formation.

	PRE-EARNING		POST EARNING		
			Spacing Unit:		Balance of Block __:
	<u>PARTY</u>	<u>WI</u>	<u>BPO</u>	<u>APO</u>	<u>WI</u>
Farmor:	ABC	50%	ORR*	20%	20%
	DEF	50%	ORR*	20%	20%
Farmee:	GHI (Operator)	0%	70%	42%	42%
	JKL	0%	30%	18%	18%
		100%	100%	100%	100%

\*Overriding Royalty ("ORR") of 1/23.8365 (5%-15%) oil; (i) 10% or (ii) 15% gas; based on 100% of production; convertible at payout or abandonment; payable to: ABC - 50%/DEF - 50%; payable by: GHI - 70%/JKL - 30%.

If your records concur with the foregoing, please sign and return one copy of this letter to the writer at your earliest convenience. In due course, (transfer/trust) documentation for the earned Farmout Lands will be issued.

Yours very truly,

G. Green

Concurred to this \_\_\_\_\_ day of \_\_\_\_\_ A.D. 199  
Concurred to this \_\_\_\_\_ day of \_\_\_\_\_ A.D. 199

DEF Resources Ltd. (Farmor)

GHI Oil & Gas Ltd. (Farmee)

JKL Canada Ltd. (Farmee)