

Earning Letter 3 - Test and Option 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 the following Earning Wells:

TEST 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 A of the Farmout Lands in accordance with Clause _____ of the Agreement [./subject to Clause 3.04 of the 1997 CAPL Farmout & Royalty Procedure (the "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 A: Twp. ___ Rge. ___ W_M: Sec. ___ as to all Petroleum Substances from surface down to base of the ___ formation.

PARTY	PRE-EARNING WI	POST EARNING Spacing Unit		Balance of Block A: WI
		BPO	APO	
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%

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 B of the Farmout Lands in accordance with Clause _____ of the Agreement [./subject to Clause 3.04 of the Procedure.] 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 B: Twp. __ Rge. __ W __ M: Sec. _____ as to all Petroleum Substances from surface down to base of the ____ formation.

PARTY	PRE-EARNING	Spacing Unit		POST EARNING
	WI	BPO	APO	Balance of Block B: WI
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%

*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
day of _____ A.D. 199

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)