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2014 Model Unconventional Resource Operating Agreement

Part I

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2014 MODEL UNCONVENTIONAL RESOURCE

OPERATING AGREEMENT

_____ (1)

_____ (2)

_____ (3)

_____ (4)

COVERING:

DISCLAIMER

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OPTIONAL PROVISION, CHOOSE, IF DESIRED. IF NOT CHOSEN CHECK CROSS-REFERENCES.

Exhibit F - Form of Certificate of Anti-Bribery Compliance

THE FOLLOWING MODELS, SOME OF WHICH ARE REFERENCED IN THIS MODEL UROA, ARE AVAILABLE FROM AIPN:

Accounting Procedure (2004)	Joint Operating Agreement (JOA) - 2012
Confidentiality Agreement (2007)	Joint Operating Agreement 2002 - Australian version (Guidance Notes) (2008)
Consultant Agreement for Business Development in a Host Country (2008)	Lifting Agreement (2001)
Data Exchange Agreement	LNG Master Sales Agreement (SPA) - 2009
Farmout Agreement (2004)	Secondment Agreement (2002)
Gas Sales Agreement (2006)	Service Contracts (2002)
Gas Transportation Agreement (2009)	Study and Bid Group Agreement (2006)
International Dispute Resolution Agreement (2004)	Unitization and Unit Operating Agreement (2006)

GUIDANCE NOTES ON USE OF MODEL UROA.

CONCESSION OR LICENSE

THE FOLLOWING LIST SETS OUT BASIC INSTRUCTIONS FOR MODIFYING THE MODEL UROA FOR USE WITH CONCESSIONS OR LICENSES INSTEAD OF PRODUCTION SHARING CONTRACTS. GIVEN THE WIDE VARIETY OF TYPES OF CONTRACTS EXISTING, THE FOLLOWING LIST MAY NOT NECESSARILY BE AN EXHAUSTIVE ONE OF MODIFICATIONS NEEDED TO ADAPT THIS MODEL UROA FOR A CONCESSION OR LICENSE. TERMS AND CONDITIONS OF THE ACTUAL CONTRACT SHOULD BE THOROUGHLY EVALUATED IN THIS REGARD AND THE MODEL UROA RECONCILED WITH THE CONTRACT.

1. FIRST RECITAL, SECOND PARAGRAPH, PAGE 1 = MODIFY AS APPROPRIATE TO REFLECT THE UNDERLYING GOVERNMENT CONCESSION, LICENSE, LEASE OR INSTRUMENT AND RETAIN THE DEFINED TERM "CONTRACT", FOR EXAMPLE:

ALTERNATIVE PROVISION, CHOOSE ONE

ALTERNATIVE # 1

WHEREAS, THE PARTIES HAVE ENTERED INTO _____ (IDENTIFY BY NAME AND DATE) _____, (THE "CONTRACT")

ALTERNATIVE # 2

WHEREAS, THE PARTIES HOLD LICENSES GRANTED BY _____ (IDENTIFY BY NAME AND DATE) _____, (THE "CONTRACT") COVERING CERTAIN AREAS LOCATED IN THE _____, REFERRED TO AS THE "CONTRACT AREA", AND MORE PARTICULARLY DESCRIBED IN EXHIBIT B TO THIS AGREEMENT; AND

- 2. ARTICLE 1 "COST HYDROCARBONS" DEFINITION - DELETE.*
- 3. ARTICLE 1 "PROFIT HYDROCARBONS" DEFINITION - DELETE.*
- 4. ARTICLE 7.5.D - DELETE THE TWO FIRST SENTENCES OF THIS ARTICLE.*
- 5. ARTICLE 9.2 (ALTERNATIVE #3) - "COST HYDROCARBONS AND PROFIT HYDROCARBONS" - CHANGE TO "THE PRODUCTION".*
- 6. ARTICLE 9.3.A (ALTERNATIVE #1) - DELETE PARAGRAPH 8.*
- 7. ARTICLE 9.3(B) (ALTERNATIVE #1) - DELETE PARAGRAPH 10.*
- 8. ARTICLE 13.2.B (ALTERNATIVE #1) - "COST HYDROCARBONS AND PROFIT HYDROCARBONS" - CHANGE TO "THE PRODUCTION".*
- 9. ARTICLE 15.2.A.8 - "WITH ARTICLE 20.3" - CHANGE TO "WITH ARTICLE 19.3".*
- 10. ARTICLE 19 - ALLOCATION OF COST / PROFIT HYDROCARBONS - DELETE ENTIRE ARTICLE AND REMOVE FROM TABLE OF CONTENTS.*
- 11. ARTICLE 20 - RE-NUMBER AS ARTICLE 19 (AND ALSO IN THE TABLE OF CONTENTS).*

GUIDANCE NOTE ON UNCONVENTIONAL RESOURCES

THIS MODEL UROA IS ONLY INTENDED FOR USE WITH HYDROCARBON OPERATIONS TO EXPLORE FOR AND PRODUCE HYDROCARBONS THROUGH A WELLBORE. AS SUCH THIS MODEL UROA COULD BE USED FOR EITHER OPERATIONS INVOLVING ONLY UNCONVENTIONAL RESOURCES (E.G. SHALE OIL, SHALE GAS, TIGHT OIL AND GAS, COAL SEAM GAS AND INSITU OIL SANDS DEVELOPMENT), OR IF APPLICABLE TO THE CONTRACT AREA, FOR OPERATIONS INVOLVING BOTH CONVENTIONAL RESOURCES (ACCUMULATION) AND UNCONVENTIONAL RESOURCES. THE DRAFTER SHOULD CONSIDER IN LIGHT OF THE RESOURCE BASE IN THE CONTRACT AREA AND THE INTENTIONS OF THE PARTIES WHETHER TO RESTRICT THIS MODEL UROA TO ONLY THE UNCONVENTIONAL RESOURCES IN THE CONTRACT AREA OR TO APPLY TO ALL RESOURCES IN THE CONTRACT AREA. THIS MODEL UROA IS NOT DESIGNED TO ACCOMMODATE INDUSTRY PRACTICES WITH RESPECT TO NON-WELLBORE OPERATIONS FOR EXTRACTION OF OTHER HYDROCARBON SUBSTANCES SUCH AS TAR SANDS MINING OR UNDERGROUND COAL GASIFICATION FOR SYNGAS OPERATIONS. THE DRAFTER MAY WISH TO CONSIDER REFERRING TO THE ANNOTATIONS AT THE END OF THE CANADIAN ASSOCIATION OF PETROLEUM LANDMEN (CAPL) 2007 MODEL FORM WHICH DISCUSS A RANGE OF ISSUES TO CONSIDER, AS WELL AS SEVERAL ARTICLES IN THE CAPL NEGOTIATOR MAGAZINE. IN ADDITION THE DRAFTER SHOULD CONSIDER:

- MODIFYING THE REQUIREMENT THAT DEVELOPMENT WELLS MUST BE PART OF AN APPROVED DEVELOPMENT PLAN;*
- MODIFYING THE REQUIREMENT THAT EXCLUSIVE OPERATIONS MAY NOT BE CONDUCTED DURING DEVELOPMENT AND PRODUCTION;*
- ALLOWING CONTINGENT DRILLING;*
- SPECIFYING CRITERIA FOR USE OF TECHNOLOGY FOR HORIZONTAL DRILLING;*
- SETTING OUT CONSEQUENCES OF VARYING DEPTH AND HORIZONTAL LENGTH OF WELL, AND ALLOWING USE OF INFRASTRUCTURE;*
- EXPANDING THE EXCEPTIONS FROM CONFIDENTIALITY TO ALLOW PARTIES TO EXCHANGE OF DATA AND INFORMATION NOT ONLY WITH PROSPECTIVE BUYERS BUT ALSO WITH ADJACENT CO-VENTURERS; AND*
- REVISING THE DEFINITION OF UNCONVENTIONAL RESOURCE TO BE CONSISTENT WITH THE CRITERIA FOR THE COMMERCIAL AND FISCAL REGIME FOR UNCONVENTIONAL RESOURCE THAT IS SPECIFIED BY THE HOST COUNTRY.*

IN CONNECTION WITH AN UNCONVENTIONAL RESOURCE PROJECT IT MAY BE NECESSARY TO MODIFY THE UNDERLYING GRANTING INSTRUMENT IN ORDER TO DEAL WITH DISTINCTIONS BETWEEN A CONVENTIONAL RESOURCE AND AN UNCONVENTIONAL RESOURCE PROJECT. THE FOLLOWING IS AN OUTLINE OF SOME OF THE SUBJECTS TO BE CONSIDERED IN MODIFYING A GRANTING INSTRUMENT FOR AN UNCONVENTIONAL RESOURCE PROJECT:

TERM / EXPLORATION AND APPRAISAL / EXPLOITATION:

- GENERALLY NEED LONGER TERMS FOR BOTH EXPLORATION AND EXPLOITATION PERIODS*
- IN UNCONVENTIONAL RESOURCE DEVELOPMENT, PARTIES NEED TO BE ABLE TO*
 - DELINEATE THE EXTENT OF THE RESOURCE PLAY*

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First appeared as part of the conference materials for the
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"Joint Operating Agreements for Unconventional Oil and Gas Plays"