

SIGNIFICANT DISCOVERY LICENCE - SDL 017

THIS LICENCE is effective as of the 18th day of August, 1987,

ISSUED BY

HER MAJESTY THE QUEEN in
right of Canada,
(hereinafter called
"Canada"), represented by
the Minister of Indian
Affairs and Northern
Development (hereinafter
called the "Minister")

TO THE INTEREST OWNER,

Shell Canada Limited

JUL 19 10 57 AM '88

COCLA/L'APGTC
REGISTRAR/DIRECTEUR
RECEIVED/RECU

COCLA/L'APGTC
INTEREST / TITRE

REGISTRATION NO. /
No. D'ENREGISTREMENT: 880065

DATE: July 19, 1988

TIME / HEURE: 11.05 am


REGISTRAR / DIRECTEUR

WHEREAS the Minister is empowered pursuant to the Act to issue a Significant Discovery Licence (hereinafter called the "Licence") relating to the Lands;

AND WHEREAS a Declaration of Significant Discovery has been made in respect of the Lands;

AND WHEREAS the interest owner of Exploration Licence No. 222 has made application on August 18th, 1987 for a Significant Discovery Licence pursuant to the Act;

NOW THEREFORE this Licence is issued upon the following terms and conditions:

1. INTERPRETATION

- (1) In this Licence, including all Schedules annexed hereto, unless the context requires otherwise:
 - (a) "Act" means the Canada Petroleum Resources Act;
 - (b) "Conservation Act" means the Oil and Gas Production and Conservation Act;
 - (c) "Crown" means Her Majesty in right of Canada;
 - (d) "Lands" means the frontier lands described in Schedule I or such portion thereof that remains subject to this Licence from time to time;
 - (e) "Regulations" means any and all regulations now made or that may be made at any time under the authority of the Act or the Conservation Act, and any Acts passed in substitution therefor.
- (2) All words and phrases used in this Licence have the meaning given by the Act, the Conservation Act or the Regulations.
- (3) This Licence is issued under and subject to the Act, the Conservation Act, any Act passed in substitution therefor, the Regulations and the provisions of any other Act of Canada and regulations made thereunder that relate to or affect this Licence and the Act. The Regulations and such other Act and other regulations shall be deemed to be incorporated into this Licence as though specifically enumerated herein.

- (4) The following Schedules are attached and made part of this Licence:

Schedule I - Lands

Schedule II - Ownership

Schedule III - Representative(s) and Addresses for Service.

2. RIGHTS

- (1) Subject to the Act and the Conservation Act, this Licence confers, with respect to the frontier lands to which this Licence applies,
- (a) the right to explore for, and the exclusive right to drill and test for, petroleum;
 - (b) the exclusive right to develop those frontier lands in order to produce petroleum; and
 - (c) the exclusive right, subject to compliance with the other provisions of the Act, to obtain a production licence.
- (2) This Licence shall be held by the interest holders as to the Lands, in the shares as set forth and described in Schedule II, or as amended from time to time.

3. EFFECTIVE DATE

The term of this Licence commences as of the effective date.

4. INDEMNITY

- (1) It is a condition of this Licence that the interest holders shall, in respect of that portion of the Lands to which each such interest holder's share relates, at all times, jointly and severally, indemnify and save harmless Canada from and against all claims, demands, loss, costs, damages, actions, suits or other proceedings by whomsoever made, sustained, brought or prosecuted, in any manner based upon, occasioned by, or attributable to, anything done or omitted to be done by, through, or under, or with the consent of the interest owner, or an interest holder, notwithstanding any agreement or arrangement entered into by an interest owner or interest holder which does or may result in the transfer, assignment or other disposition of the interest or share therein, in the fulfilment of the terms and conditions made herein or in the exercise of the rights or obligations contained herein.

- (2) For greater certainty, interest holders in this Licence who do not hold shares with respect to that portion of the Lands in relation to which a claim, demand, loss, cost, damage, action, suit or other proceeding arises are not liable to indemnify Canada under subparagraph (1).
- (3) For the purposes of subparagraphs (1) and (2), "Canada" shall not include a Crown corporation.

5. LIABILITY

An interest holder shall be liable under the provisions of this Licence, the Act, the Conservation Act and the Regulations for all claims, demands, loss, costs, damages, actions, suits or other proceedings in respect of any work or activity conducted, or caused to be conducted, by, through, or under, or with the consent of such interest holder. Any transfer, assignment, or other disposition of the interest, or of a share therein, shall not have the effect of discontinuing such liability in respect of such work or activity, related to the interest, or share therein, so disposed, that was conducted before that transfer, assignment, or other disposition was registered pursuant to the Act and Regulations. For greater certainty, liability, as aforesaid, does not relate to any work or activity conducted after such party ceases to be an interest holder in this Licence.

6. SUCCESSORS AND ASSIGNS

Subject to paragraph 5, this Licence enures to the benefit of and is binding on the Minister and the interest owner and their respective heirs, administrators, successors and assigns.

7. NOTICE

Any notice, communication or statement required under the Act or the conservation Act shall be served on the designated person, on behalf of the Minister or on the interest owner, as the case may be, by personal delivery, telex or telecopy at that address specified in Schedule III hereof, or such other addresses as may be designated from time to time by the Minister or the interest owner, as the case may be.

8. REPRESENTATIVE

Unless otherwise designated in the prescribed manner, for the purpose of this Licence the representative or representatives, as the case may be, of the interest owner shall be as specified in Schedule III.

9. AGREEMENT

The issuance of this Licence by the Minister and acceptance thereof by the interest owner constitutes agreement between the interest owner and the Minister as to the terms and conditions contained herein.

ISSUED at Ottawa, this 15th day of July, 1988.

Jean Guy Deschamps

WITNESS

Bis McKeniff

MINISTER OF INDIAN AFFAIRS AND
NORTHERN DEVELOPMENT
(on behalf of HER MAJESTY
THE QUEEN)

SCHEDULE I

SDL 017 - KUGPIK 0-13/SHELL

LATITUDE-LONGITUDE

PORTION

69°00' X 135°15'

Secs. 3, 4, 13, 14, 23, 24.

AREA: 1 866 HECTARES

SCHEDULE II

SDL 017 - KUGPIK O-13/SHELL

<u>LAT./LONG.</u>	<u>PORTION</u>	<u>INTEREST HOLDER</u>	<u>% SHARE</u>
69°00' X 135°15'	Secs. 3, 4, 13, 14, 23, 24	Shell Canada	100

Schedule III

Representative(s) and Addresses for Service

Shell Canada Limited
P.O. Box 100, Station "M"
Calgary, Alberta
T2P 2H5

Canada Oil and Gas Lands Administration
355 River Road
Ottawa, Ontario
K1A 0E4

Attention: The Administrator

Telex: 053-4366