

To Whom It May Concern

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LAND USE AGREEMENT

BETWEEN:

, in the Province of Alberta

- and -

, in the Province of Alberta

- and -

WHEREAS the Owner is the legal and beneficial Owner of the Lands;

AND WHEREAS the Company wishes from time to time to negotiate various agreements with the Owner to conduct exploration and production operations on the Lands;

AND WHEREAS the parties have agreed on certain procedures to be followed by the Company in respect of any operations that may be conducted by it on the Lands;

NOW THEREFORE, in consideration of these premises and of the covenants and agreements hereinafter set forth and of other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE I - INTERPRETATION

1.1 Definitions

In this Agreement, including the recitals hereto, unless the context otherwise requires:

"Agreement" means this Land Use Agreement and any schedules attached hereto;

"Lands" means the lands set forth and described and shown on the map attached hereto as Schedule A to this Agreement;

"Owner" means *enter name of owner and/or ranch*;

"Company" means Compton Petroleum Corporation;

"Seismic Permit" means the form of Permit to Conduct Geophysical Operations attached hereto as Schedule B to this Agreement;

"Surface Lease Agreement" means the Alberta Surface Lease Agreement attached hereto as Schedule C to this Agreement;

"Right-of-Way Agreement" means the Alberta Right-of-Way Agreement attached hereto as Schedule D to this Agreement;

"Operations" means the Operations set forth and described in the Clause 3.1(a) hereof that are conducted pursuant to an Operations Agreement;

"Operations Agreement" means any one or more of a Seismic Permit, Surface Lease Agreement, Right-of-Way Agreement or similar agreement related to the use of a portion of the Lands by the Company;

"Regulations" means all statutes, laws, rules, orders and regulations in effect from time to time and made by governments or governmental boards or agencies having jurisdiction over the lands and over the Operations to be conducted herein;

"Site Assessment and Mitigation Program" shall have the meaning set forth in Clause 3.1(d) hereof.

1.2 **Schedules**

The following is a list of the schedules and reference names of each of the schedules attached to and forming part of this Agreement:

<u>Schedule</u>	<u>Reference Name</u>
Schedule A	Lands
Schedule B	Permit to Conduct Geophysical Operations
Schedule C	Alberta Surface Lease Agreement
Schedule D	Alberta Right-Of-Way Agreement

The parties agree that the schedules appended hereto are hereby incorporated into this Agreement by reference and shall form part hereof. In the event of a conflict between a schedule or schedules and this Agreement, this Agreement shall take precedence over such schedule or schedules.

1.3 **Extended Meanings**

Words importing the singular number include the plural and vice versa and words importing the masculine gender include the feminine and neuter genders.

1.4 Sections and Headings

The division of this Agreement into sections and the insertion of headings are for convenience of reference only and do not affect the construction or interpretation of this Agreement.

1.5 Currency

All references in this Agreement or any Schedule to currency are references to currency of Canada.

1.6 Entire Agreement

The provisions contained in any and all documents and agreements collateral hereto shall at all times be read subject to the provisions of this Agreement and, in the event of conflict, the provisions of this Agreement shall prevail. No amendments shall be made to this Agreement unless in writing, executed by the parties. This Agreement supersedes all other agreements, documents, writings and verbal understandings among the parties relating to the subject matter hereof, and expresses the entire agreement of the parties with respect to the subject matter hereof.

1.7 Time of Essence

Time shall, in all respects, be of the essence in each and every one of the terms, covenants, obligations and conditions in this Agreement.

1.8 Governing Law

This Agreement shall, in all respects, be subject to, interpreted, construed and enforced in accordance with and under the laws of the Province of Alberta and the applicable laws of Canada, and shall, in all respects, be treated as a contract made in the Province of Alberta. The parties irrevocably attorn and submit to the exclusive jurisdiction of the courts of the Province of Alberta and courts of appeal therefrom in respect of all matters arising out of or in connection with this Agreement.

1.9 Operations Agreements

This Agreement shall be appended to and form part of any Operations Agreement entered into by Owner and Company in respect of Operations on the Lands.

ARTICLE II – PURPOSE AND EFFECT

2.1 Purpose of Agreement

The purpose of this Agreement is:

- i) to address all concerns and issues of the Owner in respect of the Lands;
- ii) to provide for consultation and communication by and between both parties in respect of Operations to be conducted by the Company on the Lands; and
- iii) to conduct Operations on the Lands as required by the Owner pursuant to this Agreement and in a manner that meets or exceeds the requirements of the Regulations (including guidelines established by the Alberta Energy and Utilities Board).

2.2 Effect of Agreement

- a) It is specifically acknowledged and agreed that the execution of this Agreement by Owner does not commit the Owner or constitute an agreement by the Owner that the Company may conduct Operations on the Lands. Upon the Owner and Company negotiating and executing an Operations Agreement, the provisions of this Land Use Agreement shall thereupon apply in all respects to such Agreement and the Operations conducted thereunder;
- b) The Company and Owner will each use reasonable efforts from time to time to negotiate and execute Operations Agreements, provided that nothing herein shall preclude either party from exercising its rights to seek a regulatory determination or approval pursuant to the Regulations.

ARTICLE III - OPERATIONS

3.1 Operations - General

- a) The Operations that the Company may from time to time conduct on the Lands includes:
 - i) seismic operations;
 - ii) drilling, completion and abandonment operations; and

- iii) production operations, including well facilities and gathering lines.
- b) The Company will conduct minimal impact Operations to preserve as much as reasonably possible the undisturbed nature of the native grasslands and the parties recognize the guiding principles established by the Alberta Energy and Utilities Board IL-2002-I;
- c) No Operations will be planned without prior consultation with Owner and upon any Operations being undertaken, communication and notification will continue on a regular basis between Company and Owner, provided that:
- i) specific consultation, communication and notification shall be carried out between representatives of the Company and *Enter name of Owner*, preferably in person or, by telephone, email, facsimile or postal mail;
 - ii) consultation and communication will include ongoing consultation and discussions regarding the area development of the Lands, it being acknowledged that an area development plan can only be practically considered and implemented after completion of an initial seismic program and at least one exploration well;
 - iii) the Company shall provide to Owner and maintain an updated list of personnel who are to be the Company's contact representatives for any specific operational matters. Similarly, Owner shall provide Company with the names of any alternative representatives to *Enter name of Owner*, and
 - iv) each party shall use reasonable efforts to make themselves available to the other party to facilitate consultation, communication and notification.
- d) **No Operations will be conducted without Company (using such third party consulting experts as the Company may reasonably require) having first conducted a Site Assessment and Mitigation Program, which will take into account and include:**
- i) the optimum location for such Operations to provide for minimal environmental impact;
 - ii) the methodology of conducting such Operations to minimize environmental impact including seasonal timing of Operations;

- iii) the protection and preservation of surface and sub-surface water sources;
 - iv) the use of equipment and technology that will have the least environmental impact and the least residual environmental, visual and intrusion impact;
 - v) the use of erosion control measures, such as control fabric and hydro mulching;
 - vi) use of native revegetation techniques such as natural recovery or assisted natural recovery, with the use of non-invasive cover crops or native seed mix design;
 - vii) the use of fencing of areas to be reclaimed to ensure non-disturbance of areas being revegetated;
 - viii) the remediation, reclamation, revegetation and restoration of the surface lands involved in the Operations to the satisfaction of the Owner, acting reasonably, including the long-term methodology, monitoring and maintenance thereof;
- e) In respect of any Operations, the Company will steam clean or power wash all equipment or vehicles prior to moving on or off a lease or right-of-way to prevent the spread of invading species;
 - f) The Company will take such steps as are reasonably necessary to ensure that personnel conducting Operations are drug and alcohol free;
 - g) The Company will ensure that personnel are aware of the importance of compliance with traffic regulations in respect of Operations;
 - h) The Company will strictly comply with and meet or exceed all Regulations in respect of its Operations;
 - i) The Company will initiate and implement interim and final reclamation, revegetation and restoration programs in accordance with and at the times specified in the Site Assessment and Mitigation Program, it being acknowledged that the parties' long term objective is to use reasonable means to cause the restoration of the Lands to their condition prior to the conduct of the applicable Operations;
 - j) In conducting Operations hereunder, the Company will monitor and, where applicable, utilize advancements in technology and best practices (as mutually agreed on, both parties acting reasonably) with respect to

environmental matters to minimize the impact of such Operations on the Lands;

- k) The Company will not permit storage of equipment on the site of any Operations;
- l) **The Company shall permit the Owner, or its duly authorized representative, access at all reasonable times (and subject to safety and health restrictions) to observe Operations being conducted on the Lands and to the records relating to current Operations being conducted thereon;**
- m) Trespass on any area outside of the agreed upon program area is strictly forbidden and each incidence shall carry an agreed upon minimum penalty of \$1,000.00. Any resulting damage is the sole responsibility of the Company.

3.2 Seismic Operations

In conducting any seismic operations hereunder:

- a) Owner and Company must have first entered into a Seismic Permit and the Company shall have obtained and provided to Owner a Site Assessment and Mitigation Program in respect of the seismic operation;
- b) The Company shall conduct minimal impact geophysical operations to preserve as much as is practical the undisturbed nature of the native grasslands on which the economic viability of the A-7 Ranche is dependent;
- c) The Company shall conduct its operations so as to protect all surface and shallow sub-surface water sources and so as to not interfere with grazing operations;
- d) The Company agrees to strictly meet or exceed the legal requirements of the Government of Alberta Exploration Regulation to protect the rights of the Owner. Specifically, the Exploration Regulation governs:
 - (i) setbacks for explosive exploration or to drill test holes;
 - (ii) proper plugging of seismic test holes;
 - (iii) procedures in the event of accidental release of water or gas from seismic test holes

All proposed seismic programs are to be reviewed by Alberta Environment to determine suitability of line location, setbacks to water sources, structures and the nature of the land.

- e) No amendment to a seismic program as set out in the Site Assessment and Mitigation Program shall be made unless such amendment is in writing and executed by both Company and Owner.
- f) The Company shall provide a detailed map and aerial photograph showing the proposed seismic program, location of test holes, proposed access routes and required setbacks.
- g) A full description of the type of geophysical operation, type of equipment to be utilized, crew size and a program schedule shall be provided in writing by the Company.
- h) The Owner may restrict operation or deny access if the Company fails to provide for minimal surface disturbance. Operational methods are to be predetermined, agreed to by both parties and set out in writing in the Site Assessment and Mitigation Program.
- i) It is the intention of the Company to conduct such seismic operations to minimize surface and subsurface impact by the use of a Vibroseis or heliportable unit, as appropriate in the circumstances.
- j) A minimum of 48 hours notice is required to conduct geophysical operations of any nature, to survey or to enter the Lands.
- k) Seismic test holes are to be fully plugged from surface to total depth with sealing bentonitic material unless otherwise directed by the Owner.
- l) No fences or trees are to be cut or removed unless permission is obtained from the Owner. Each incidence or item or damage shall carry an agreed upon minimum penalty of \$500.00.
- m) No garbage, trash, waste, wire or equipment shall be present upon completion of the geophysical operation. Each item of debris shall carry an agreed upon minimum penalty of \$100.00.
- n) Any leak or spill of fuel, oil or other compounds shall be completely cleaned up and soil contaminated with radioactive materials, heavy metals or other permanent contaminants shall be removed from the Lands at the sole cost of the Company. Any remedial measures involving the use of land farming shall be carried out at a mutually agreed location on the Lands and not offsite.

- o) Seismic lines must be sited or offset to avoid steeply sloped areas and the potential for future erosion. Wooden stakes or plastic and not wire flags are to be utilized.
- p) Any damage caused by the geophysical operation or by any equipment or personnel related to the geophysical operation is the sole responsibility of the Company.
- q) Water wells and springs used as a water source are to be tested by the Company (including a flow test and mineral/chemical analysis) prior to conducting geophysical operations and the report provided to the Owner. Required retesting following completion of the geophysical operation is the sole responsibility of the Company.
- r) Communication between the Owner and the Company is to be directed to *Enter name of Owner* or to a designated Alternative. This is to ensure adequate notice is given so that geophysical operations do not interfere with the grazing or other operations, and communication is direct, clear and concise.
- s) Upon completion of the geophysical operation on the Lands, the Company and the Owner shall check any problems, improperly filled or leaking test holes, garbage or debris, any contaminates, improperly disposed of drill cuttings, tags that could damage livestock, any form of damage, and document in writing all occurrences.
- t) All penalties assessed are to be paid in full within thirty (30) days of completion of the geophysical program. Payment of compensation of entry and access, payment or penalties previously described shall not remove any liability of the Company for other damages.
- u) All seismic activity will be carried out during winter months only unless otherwise agreed upon.
- v) The Owner may require larger setbacks around critical water sources than those set out by Regulation. Specific agreed upon instances are to be documented in writing in the Site Assessment and Mitigation Program.

3.3 Drilling, Completion and Abandonment Operations

In conducting any drilling, completion, and abandonment operations hereunder:

- a) **Owner and Company must have first entered into a Surface Lease Agreement in respect of such operations and the Company shall have obtained and provided to Owner a Site**

Assessment and Mitigation Program in respect of the operations;

- b) Surface leases on cultivated land and access routes on existing trails will be utilized wherever practicable;
- c) Wherever practical, wells will be located on level terrain and may, if circumstances permit, utilize a composite mat system to minimize native grasslands disturbance;
- d) Directional drilling may be utilized if necessary to enable better surface locations to be determined;
- e) Multi-well pads may be utilized where suitable in development drilling operations;
- f) The Company will utilize specialized reclamation techniques and equipment for soil removal, storage and erosion control;
- g) The Company will provide Owner with information as to the ingredients in drilling muds to be utilized;
- h) **The Company will remove from the lands all fluids involved in operations, unless otherwise agreed upon;**
- i) Drilling operations will be commenced under winter or dry conditions to minimize surface disturbance;
- j) Where practical and requested by Owner, the Company will minimize the impact of heavy traffic by:
 - (i) redirecting traffic away from residences as much as possible;
 - (ii) implementing a 24 hour manned security gate to minimize traffic flow to lease sites during drilling and completion operations;
 - (iii) bussing rig staff on and off locations during rig shift changes;
 - (iv) frequently watering roads to control traffic dust;
 - (v) move drilling and servicing rigs at low traffic times;
- k) The Company will minimize noise disturbances by:

- (i) limiting construction activity hours to avoid construction noise during quiet times;
 - (ii) fit all internal combustion engines on drilling and servicing rigs with appropriate muffler systems;
 - (iii) use diesel electric top drive drilling rigs, wherever reasonably available and when in proximity to residences;
 - (iv) scheduling noise-causing activities to create the least disruption to adjacent landowners.
- l) The Company will protect bedrock and aquifer water, and minimize the use of fresh water by:
- (i) installing three (3) steel casings (conductor, surface and production) and cement behind pipe;
 - (ii) where practical, reduce the amount of water required for drilling mud systems by recycling water through a cyclone tank.
- m) The Company will ensure public and environmental safety during drilling and completion operations by:
- (i) having water trucks and/or water packs onsite at all times for fire prevention;
 - (ii) using incinerators to eliminate open flame during clean up and testing operations.
- n) The Company will include additional safety personnel on lease when required during drilling and completion procedures.

3.4 **Production Operations**

In conducting production operations hereunder:

- a) **Owner and Company must have first entered into a Right-of-Way Agreement in respect of such operations and the Company shall have obtained and provided to the Owner a Site Assessment and Mitigation Program in respect of the operations;**
- b) Pipeline routes will be determined based on identified sensitivities and will form part of the Site Assessment and Mitigation Program;

- c) The Company will utilize low impact construction techniques, carry out operations during dry and winter seasons, implement traffic control measures to minimize traffic on pipeline rights-of-way, conduct operations during daylight hours to minimize inconvenience and maintain water truck and/or water packs on site for fire prevention;
- d) The Company will utilize single skid facilities with a close proximity to the wellhead and such facilities will integrate separation, water/methanol tanks and methanol pumps and will have all inclusive secondary containment combined with upgraded insulation for noise mitigation;
- e) The wellsite facility will be spaced as small as possible and it will be designed to have as much of the lease site as possible remain in native grass;
- f) Any facilities and wellhead covers will have earthtone exterior colors to minimize visual impact;
- g) Central compression will be utilized wherever possible to minimize facilities and such compression will use state of the art noise suppression technology and esthetic compressor housings;
- h) In conducting production operations, the Company will utilize electronic monitoring (through the use of Site Communication and Data Acquisition Systems) and human surveillance;
- i) Wherever possible, facilities will be powered by solar power or by the use of a thermal electric generator so as to eliminate the need for power lines;
- j) With respect to maintenance of any production facilities, the Company will conduct routine surveillance by the use of quads and by the use of low impact vehicles for fluid cartage, (water out/methanol in) and the use of a central water removal site, if necessary, all for the purpose of minimizing environmental impact;
- k) All access will, where possible, use pre-established access routes and access will be locked and available only to Company's operator and Owner;

ARTICLE IV – LIABILITY AND INDEMNITY

4.1 Liability and Indemnity

The Company hereby indemnifies and saves harmless the Owner, its directors, officers, consultants, agents and employees from and against any and all actions, causes of actions, suits, claims, demands, costs, losses and expenses resulting from loss, injury, death or damage respecting any person, property or thing, which may be brought against or incurred or suffered by the Owner, its directors, officers, consultants, agents or employees or which the Owner, its directors, officers, consultants, agents or employees may sustain, pay or incur by reason of, or which may be attributable or arise out of, any act or omission of the Company or its directors, officers, servants, consultants, agents, contractors or employees in conducting Operations on the Lands, except to the extent that such loss, injury, death or damage is a direct result of, or is directly attributable to, the gross negligence or willful misconduct of the Owner or its directors, officers, consultants, agents and employees.

ARTICLE V – GENERAL

5.1 Covenants Run with the Lands

All terms, covenants and conditions contained in this Agreement shall run with and are binding on the Lands and the estates affected thereby for the duration of this Agreement.

5.2 Further Assurances

The parties hereto covenant and agree without further consideration, that they shall execute, acknowledge and deliver such other documents and shall take or refrain from taking such action as may be necessary to carry out their respective obligations under this Agreement.

5.3 Assignment

If the Company transfers or assigns any part of its interests in the Lands, it shall continue to be bound by, observe, and perform all of the covenants and terms of this Agreement as if there had been no transfer or assignment until such time as the party acquiring such interests delivers to Owner (i) notice of such transfer or assignment; (ii) a written undertaking to be bound by, observe and perform all of the covenants and terms of this Agreement then binding on the Company; and (iii) a certificate from the assignee's insurer indicating the insurance coverage in place; and until

Owner consents to such transfer, which consent may be arbitrarily withheld.

5.4 Default

If the Company is in default of any of its obligations hereunder, the Owner may give the Company notice stating the nature of that default. Upon receipt of that notice, the Company shall immediately commence to remedy that default and shall use its best efforts to remedy that default in a diligent and uninterrupted manner to the satisfaction of Owner, acting reasonably. If Company either fails to commence or fails to remedy that default as herein provided, Owner may, upon further written notice to Company, require Company to suspend the operations that are causing the default and such suspension shall continue until such time as Company remedies that default. If the Company disputes that it is in default, and without restricting any other rights in law that Owner may have, Owner and Company agree to immediately submit the dispute to arbitration in accordance with Clause 5.5 hereof to determine the matter.

5.5 Arbitration

In addition to any other rights Company or Owner may have in law, in the event of any dispute or claim arising out of relating to this Agreement, or a breach thereof, the matter at issue may be determined by three (3) disinterested arbitrators, one (1) to be appointed by the Owner, one (1) by the Company and the third by the two (2) arbitrators so appointed, and the decision of any two (2) of the three (3) arbitrators shall be final and conclusive; PROVIDED THAT in all other aspects the provision of the arbitration legislation then in force in the Province of Alberta shall apply to each submission. The Company shall be responsible for all reasonable arbitration costs.

5.6 Enurement

This Agreement shall be binding upon and shall enure to the benefit of the Parties hereto and their respective heirs, executors, successors, receivers, trustees and assigns.

5.7 Address

The addresses for notices for each of the Owners shall be as follows:

Enter Name of Owner and/or Ranch
Enter address for notices
Attention: Enter *Name*
Phone: (403) *123-4567*
Facsimile (403) *234-5678*

Enter Name and Address of Resource Company

Attention: *Surface Land Manager*
Email: *resource company email*
Facsimile: *(403) 345-6789*

Any of the parties may from time to time change its address for service herein by giving written notice to the other party. Any notice may be served by mail, personal service upon a party or by instantaneous electronic means to the number for notice hereunder. Any notice given by service upon a party and any notice given by instantaneous electronic means shall be deemed to be given to and received by the addressee on the day (except Saturdays, Sundays and statutory holidays) of service and after the sending thereof with appropriate answer-back acknowledgement. Any notice sent by mail will be sent by first class, registered post, postage prepaid, directed to the party on which it is to be served at that parties address for service. Notices so served shall be deemed to be received by the addressee at noon, local time, on the actual date of receipt following the mailing thereof. However, if postal service is (or is reasonably anticipated to be) interrupted or operating with unusual delay, notice shall not be served by such means during such interruption or period of delay.

5.8 Severability

Each of the parties acknowledges and agrees that if any covenant, obligation, term or condition of this Agreement or the application thereof to any party or circumstances shall to any extent be illegal, invalid or unenforceable, then the remainder of this Agreement or the application of such covenant, obligation, term or condition to persons or circumstances other than those as to which it is held; illegal, invalid or unenforceable shall not be effected thereby and each covenant, obligation, term and condition of this Agreement shall be separately legal, valid, enforceable to the fullest extent permitted by law.

5.9 Waiver, Modification – Requirement of Writing

No waiver, modification or cancellation of any term or condition or of any breach of any term or condition of this Agreement shall be effective unless executed in writing. No waiver shall excuse the performance of any act other than the act specifically referred to in such waiver. No assent to or waiver of any breach of any one or more of the covenants and agreements herein contained, whether such assent or waiver be expressed or implied, shall be deemed to be taken to be a waiver of any succeeding breach.

5.10 Counterpart Execution

This Agreement may be executed by the parties in as many counterparts as are necessary and when a counterpart has been executed by each Party, all counterparts will constitute one Agreement. A facsimile copy of an executed counterpart signature page will be as valid as an originally signed counterpart for purposes of signing this Agreement.

Witness

Enter Name of Owner

Enter Name of Ranch if applicable

Per: _____

Enter name of Resource Company

Per: _____