

Instructions for the Production Allocation Agreement (Horizontal Well)

A Production Allocation Agreement is required for any horizontal well drilled on lands where one or more of the following apply among the applicable spacing units:

- there is different royalty ownership;
- there are different royalties payable; or
- there are different lessees and/or working interest participants.

The Well Production Allocation Percentage (defined in the Production Allocation Agreement) is calculated based on the proportionate productive interval length of the horizontal well contained within the boundaries of each Allocation Land Parcel (also defined in the Production Allocation Agreement) to the length of the horizontal leg of such well pursuant to the pre-drill or post-drill survey submitted to the applicable regulator.

The Well Production Allocation Percentage is required to be attributed to each of the applicable Allocation Land Parcels under the Title Documents.

Each Allocation Land Parcel shall reflect no more than the impacted spacing units, as defined by the applicable regulations.

Production Allocation Agreement Forms

Choose the Production Allocation Agreement for either mineral leases or overriding royalty agreements:

- Production Allocation Agreement (Horizontal Well) – Mineral Leases
- Production Allocation Agreement (Horizontal Well) – Overriding Royalty Agreements

For the “Title Documents” applicable to the spacing units involved where the ownership is less than 100%, a separate Allocation Land Parcel number is required (#1, #2, etc.). The interest will be reflected in the resulting Well Production Allocation Percentage.

For Allocation Land Parcels, please also include reference to the original parties under the “Agreement Name and Date” description.

For unit to non-unit production allocation, choose the Production Allocation Agreement form that corresponds to PrairieSky’s royalty interest in the non-unit lands.

The “Production Allocation Substance” should include reference to all well substances that are applicable to the Production Allocation Agreement.

Typically for Oil Wells: petroleum, solution gas and related hydrocarbons

Typically for Gas Wells: natural gas and related hydrocarbons

Where a Party to the Production Allocation Agreement is not recognized under the applicable Title Documents, an executed Authorization Form is required.

Saskatchewan Pre-License Production Allocation Agreement Form

In the submission of a Production Allocation Agreement (Horizontal Well) for a Saskatchewan pre-licensed well, we note that the “Effective Date” and “Well License #” fields of the Production Allocation Agreement (Horizontal Well) will need to be left blank until such time as the well is on production. Once that date has been determined, please provide confirmation of the “Effective Date” and “Well License #” to PrairieSky (ProductionAllocations@prairiesky.com) to finalize the agreement.

Submission of Forms, Supporting Information and Queries

Submit the completed Production Allocation Agreement (Horizontal Well) for approval and execution to ProductionAllocations@prairiesky.com.

The pre-drill or post-drill survey, as applicable, should accompany the completed Production Allocation Agreement (Horizontal Well) form, if such surveys have not previously been sent to PrairieSky.

Please contact ProductionAllocations@prairiesky.com for questions about the applicable form or unique requirements that are not addressed or contained within the applicable form.