

NORTHWEST VENTURE

CARCROSS AREA

NORTHWEST BRITISH COLUMBIA
AND SOUTH YUKON TERRITORY

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C376
c.1

0124-95360
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December 17, 1970.

Dr. C. E. Cleveland,
Minerals Exploration Manager,
Pacific Petroleum Ltd.,
Box 6666,
Calgary 2, Alberta.

Dear Courtney:

Re: Carcross Project (Northwest Venture) -
Kelsall Claim Group

Attached is a signed copy of your letter of November 25, whereby we agree to designating the Kelsall claim group as a Special Project area in accordance with Section 7(a) of the subject agreement, dated February 12, 1968.

We would appreciate receiving a 1971 work plan and budget for our consideration, as soon as possible. A meeting of the Technical Committee would probably be in order early in the new year.

Very truly yours,

GULF MINERALS CANADA LIMITED

Original Signed
By N. M. Ediger

N. M. Ediger,
Manager.

Encl.
/gm
cc:

Mr. R. H. Glover w/a
Mr. F. J. Mesaros w/a
Mr. R. H. Carlyle w/a

*Suggest you
call up about
Jan 15*

DIAND - YUKON REGION. LIBRARY

November 25, 1970

RECEIVED
NOV 25 1970
GULF MINERALS COMPANY
200 KING STREET EAST
TORONTO, ONTARIO

To: Members of the Technical Committee, Carcross Project
(Northwest Venture)

Gulf Minerals Company
Suite 1300 - 10 King Street East
Toronto 1, Ontario

Attention: Mr. Fred E. Perry

Dear Sir:

As a result of geochemical, geophysical and geological field work and studies, the members of the Technical Committee feel that the Kelsall Group of claims, Kelsal 1 to 32 inclusive and Fractions 1 to 6 inclusive, warrant additional exploration.

In accordance with Section 7(a) of the agreement dated the 12th day of February 1968, it is proposed that the above lands, together with any lands within 8 miles from a point on the boundary of a mineral claim within the above mineral claims and fractions, shall be designated a Special Project area.

If, as a member of the Technical Committee, you concur with this proposal, please sign this letter in the space provided and return the original copy to the undersigned.

Yours very truly,

C. E. Cleveland,
Minerals Exploration Manager

CEC/dd



Approved this day of December 17, 1970.
Gulf Minerals Company

7749

NORTHWEST VENTURE

CARCROSS AREA - NORTHWEST BRITISH COLUMBIA

AND SOUTH YUKON TERRITORY

NORTHWEST VENTURE

(Carcross Area - Northwest British Columbia
and South Yukon Territory)

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NORTHWEST VENTURE

(Carcross Area - Northwest British Columbia
and South Yukon Territory)

THIS AGREEMENT made this day of , A.D. 1968

BETWEEN:

PACIFIC PETROLEUMS LTD.

- and -

ASHLAND OIL & REFINING COMPANY

- and -

THE BRITISH AMERICAN OIL COMPANY LIMITED

all being bodies corporate with offices at the
City of Calgary in the Province of Alberta
(hereinafter called "Pacific", "Ashland" and
"B.A." respectively)

WITNESSETH THAT:

WHEREAS by letter agreement (hereinafter called the "Survey Agreement") hereto annexed as Schedule "A", dated February 12, 1968, the parties hereto as the "Financiers" retained Geophoto Services, Ltd. to undertake a geochemical survey to evaluate the minerals within a certain area as therein defined, to carry out prospecting and exploration work and, if warranted, to stake Mineral Claims;

AND WHEREAS, if Mineral Claims are staked, the parties hereto may wish to conduct an exploratory and development program within the Exploration Area as hereinafter defined;

NOW THEREFORE, in consideration of the premises and of the covenants, terms and agreements hereinafter set forth and contained, the parties hereto do hereby covenant and agree as follows:

1. DEFINITIONS

In this Agreement, including the recitals, this Clause and the Schedules, unless

the context otherwise requires, the following expressions shall have the respective meanings herein assigned to them, namely:

- (a) "Accounting Procedure" means the rules, provisions and conditions set forth and contained in Schedule "B" hereunto annexed and made part hereof;
- (b) "affiliate corporation" means a corporation fulfilling one of the following requirements:
 - (i) a corporation the majority of whose voting stock is owned by a party hereto;
 - (ii) a corporation owning the majority of the voting stock of a party hereto;
 - (iii) a corporation the majority of whose voting stock is owned by any other corporation, which other corporation also owns the majority of the voting stock of a party hereto;
- (c) "Development Operations" means a major shaft or adit tunnel for the purpose of transporting ore, underground openings such as ore passes, raises in ore, main haulageways, winzes in ore, drifts in ore and other such underground mine openings driven for the purpose of defining known ore-bodies and facilitating their extraction as opposed to searching for new ore-bodies;
- (d) "Exploration Area" means the area outlined in red on the plan hereto annexed as Schedule "C";
- (e) "joint account" means the record of expenditures, receipts and other financial transactions which is kept by the Operator regarding operations conducted hereunder at the joint expense as authorized by the parties hereto;
- (f) "Joint Operator" means any party to this Agreement who is not Operator hereunder;
- (g) "Minerals" means all solid mineral deposits of whatsoever nature and kind, excluding petroleum and natural gas;

- (h) "Mineral Claims" means collectively all claims, permits, licenses or other documents of title and all renewals or extensions thereof, by virtue of which the parties hereto are entitled to explore for, exploit, win, take or remove the minerals upon and underlying all or any part of the Exploration Area;
- (i) "Mining Facilities" means structures used on the surface to facilitate mining operations and production such as head frame, powerhouse, change house, warehouse, ore bins, compressor house, mill or concentrator, cook house, bunkhouse and other such structures;
- (j) "Operator" means the party to this Agreement originally designated or subsequently appointed as Operator pursuant to the provisions hereof;
- (k) "participating interests" means the respective shares or interests of the parties hereto in and to all costs and expenses incurred hereunder, and in and to all assets, including buildings and equipment, acquired by the parties hereto pursuant to this Agreement as expressed in the percentages set forth in Clause 2, as may be varied by Clause 7 hereof;
- (l) "Special Project" means an area within the Exploration Area designated by the Technical Committee pursuant to Clause 7(a).

2. PARTICIPATING INTERESTS

If and when Mineral Claims are staked pursuant to the Survey Agreement, or other mineral properties are acquired, each of the parties hereto shall hold an undivided Thirty-three and One-third Percent (33-1/3%) participating interest hereunder subject to increase or decrease in the manner hereinafter set out, by virtue of withdrawal or dilution of interest by any of the parties hereto.

3. OTHER CLAIMS TO BE INCLUDED

During the term of this Agreement, any Mineral Claims acquired, either directly or indirectly, by any of the parties to this Agreement within the Exploration Area shall be offered to the other parties who shall have Sixty (60) days after receipt of notice to acquire an interest therein proportionate to their applicable participating interest by paying to the acquiring party an equivalent share of the costs of acquisition.

4. THE TECHNICAL COMMITTEE

(a) All matters of a technical and operational nature shall be directed by a Technical Committee consisting of One (1) representative of each of the parties hereto.

(b) The first members of the Technical Committee shall be as follows:

Pacific Petroleum Ltd.	- Dr. Courtney Cleveland
Ashland Oil & Refining Company	- Dr. E. Schiller
The British American Oil Company Limited	- Mr. Walter Dow.

Each member of the Technical Committee shall be entitled to appoint one or more alternates, who may attend meetings of the Technical Committee, but one only of whom in his absence may vote thereat, and such alternates shall otherwise stand in all respects in the place of the regular representatives.

(c) Each member of the Technical Committee or his alternate shall have a vote proportionate to the participating interest of the party he represents. On a vote, the majority of the members or their alternates present and entitled to vote shall govern any decisions of the Technical Committee.

(d) The Technical Committee shall be responsible for establishing general policy and control and general management of the matters hereunder, including management of the Operator.

(e) The function of the Technical Committee shall also include the receiving of reports from Operator covering the Mineral Claims, the Development Operations and the Mining Facilities, delivering copies of the reports to the parties hereto and proposing prospecting and exploration programs and budgets, all of which must be approved by the parties hereto.

(f) The Chairman of the Technical Committee, or any member thereof, may summon a meeting of the Technical Committee.

(g) A resolution in writing, signed by all members of the Technical Committee, shall be as valid and binding as if passed at a meeting of the Technical Committee duly called and constituted.

(h) The members of the Technical Committee and their duly authorized representatives shall be entitled to access at all reasonable times to the Exploration Area and all information relating thereto or to any area being investigated by the parties hereto.

5. OPERATOR

(a) Pacific is hereby designated as and hereby agrees to act as Operator of the joint account for the duration of this Agreement, subject to the terms and conditions hereof.

(b) Subject always to the control and direction of the Technical Committee, the

Operator, in its own name as agent for and with the sanction of the parties hereto, shall have the following duties and powers:

- (i) to prepare and submit to the Technical Committee for approval, exploration and development programs and budgets;
- (ii) to appoint a consultant, whenever required, to formulate exploration and development programs and budgets, and to carry out and supervise the field work within the Exploration Area, all subject to the approval of the Technical Committee;
- (iii) to keep or cause to be kept proper books of account and to make entries therein of all such matters, transactions and things as are usually written and entered in books of account kept by persons engaged in concerns of a similar nature; and all books, securities, letters and other things belonging to or concerning the joint account shall be kept at the office of the Operator or such other office as may be designated by the Technical Committee, and each of the parties hereto shall have free access at all times to inspect, examine and copy them, and to furnish to the parties correct information, accounts and statements of and concerning all such transactions without any concealment or suppression;
- (iv) to provide the members of the Technical Committee with monthly progress reports and monthly statements of expenditures made and costs incurred on behalf of the joint account;
- (v) to receive funds from the parties hereto and to apply the same in payment of the costs and expenses of the joint account;
- (vi) to purchase such equipment and supplies as are required;
- (vii) to carry insurance for the joint account and shall require its contractors and their sub-contractors to carry insurance covering all operations with an approved insurance company or companies of

the kind and in the following minimum amounts:

1. General Public Liability Bodily Injury Insurance with limits of not less than \$150,000.00 for the injury or death of one person, and with limits of not less than \$300,000.00 for the injuries or deaths of more than one person as a result of one accident or occurrence;
2. General Public Liability Property Damage Insurance with limits of not less than \$100,000.00 for damage occurring in any one accident or occurrence;
3. Automobile Public Liability Bodily Injury Insurance with a limit of not less than \$150,000.00 for the injury or death of one person and with a limit of not less than \$300,000.00 for the injuries or deaths of more than one person as a result of one accident;
4. Automobile Public Liability Property Damage Insurance with a limit of not less than \$100,000.00 for the destruction of or damage to property resulting from one accident;
5. Employer's Liability Insurance to cover each employee engaged in the operations hereunder to the extent of \$100,000.00 where such employee is not covered by Workmen's Compensation;
6. Such other insurance as may be approved by the Technical Committee.

Operator shall, upon request, furnish each party hereto with written evidence of the insurance carried by Operator.

(viii) to carry out such other duties and have such other powers as may be determined from time to time by the Technical Committee.

(c) The Operator shall at all times ensure that all exploration and development work hereunder is carried out in compliance with the applicable laws, orders and regulations.

(d) The parties hereto severally covenant to indemnify and save harmless the Operator against and from all claims against and liabilities of the joint account in proportion to their participating interests hereunder, and for that purpose the Operator shall, as such, bear its due proportion of such indemnity. Such indemnity shall not apply where there is wilful misconduct or gross negligence by the Operator.

(e) Information with respect to the Exploration Area shall be released to the public only by the Chairman of the Technical Committee after notice to all members of the Technical Committee and upon approval by a majority thereof.

(f) The Operator shall be paid an administrative overhead fee calculated on amounts spent on the joint account as follows:

- (i) Survey Agreement - Phases I, II and III - no overhead fee;
- (ii) All other joint account expenditures as set out in the Accounting Procedure.

(g) Operator shall make no expenditure in developing and operating the Exploration Area or for capital investment in excess of Five Thousand Dollars (\$5,000.00), unless the same is authorized by the Technical Committee or is required to keep the Mineral Claims or any of them in full force and effect, or unless the same is required by any law or regulation or is necessary through the happening of an unforeseen contingency endangering the joint property of the parties hereto and, in any such event, Operator shall forthwith advise each Joint Operator in writing thereof.

6. CHANGE OF OPERATOR

(a) Operator shall continue to serve as such except when replaced in any of the circumstances set out in Subclause (b) of this Clause or in Subparagraphs (i) and (ii) of this Subclause. The Operator shall be replaced as such in any of the following circumstances:

- (i) If Operator shall default in the performance of any other obligation to be performed by Operator under this Agreement and fail to remedy such default within a reasonable time after notice of such default shall have been given by a Joint Operator, or if a petition in bankruptcy or for re-organization under the bankruptcy laws shall be filed by Operator or against Operator and not dismissed within Thirty (30) days, or if Operator makes an assignment for the benefit of creditors or takes advantage of any insolvency act or causes or permits any judgment to be registered against its participating interest;
- (ii) If the Operator disposes of more than Seventy-five Percent (75%) of its participating interest under this Agreement.

(b) The Operator shall not assign or purport to assign any of its duties, rights and obligations hereunder. The Operator may, at any time after it has acted as Operator for a continuous period of One (1) year, upon giving not less than Ninety (90) days' notice in writing to each Joint Operator, resign as Operator and upon such resignation Operator shall be relieved and released from further duties and obligations as Operator hereunder. In the event of such resignation or the occurring of any event in Sub-paragraphs (i) or (ii) of Subclause (a), all the parties to this Agreement shall meet to determine by mutual agreement the appointment of a successor Operator who shall become Operator at the expiration of Ninety (90) days in the case where Operator has resigned in accordance with the provisions of Subclause (b) hereof, or immediately upon appointment in any case where the Operator has been replaced pursuant to Sub-paragraphs (i) and (ii) of Subclause (a) hereof. Failing mutual agreement, the Operator shall be appointed by those of the parties hereto whose participating interests total more than Fifty Percent (50%). At the effective time of the resignation or replacement of Operator pursuant to the provisions of this Clause, the preceding Operator shall surrender and deliver to the successor Operator hereto the possession of the joint account and cash on hand and allow the successor Operator to make extracts and copies of pertinent books of account and records of operations and all documents, agreements and other papers relating thereto. If the parties cannot or will not appoint a successor Operator pursuant to the provisions of this Clause, then the retiring Operator shall appoint a successor Operator.

(c) At any time after an Operator has acted in that capacity for Two (2) years, a Joint Operator may give written notice to Operator and to all other Joint Operators of its readiness to act as Operator and setting forth the more favourable financial terms and conditions upon which such Joint Operator would be prepared to act. If, within Sixty (60) days of receipt of such notice, the Operator does not agree in writing to carry on the control and management of the Exploration Area upon the basis offered by such Joint Operator, then such Joint Operator shall thereupon assume the duties of the Operator on the terms and conditions so imposed except that where there are two or more Joint Operators, such Joint Operators

must obtain the consent in writing of a majority in interest of all Joint Operators, and at least two of them, in order to assume the duties of Operator on the terms and conditions so imposed. It is understood and agreed that the provisions of this Subclause shall not be utilized by any party at intervals more frequent than at least Two (2) years from any previous utilization of same.

7. SPECIAL PROJECTS

(a) The Technical Committee may at any time by resolution designate as a Special Project any area within the Exploration Area which is of particular interest and warrants more intensive exploration and development. In such event, the area comprising a Special Project shall be explored and developed under a separate program and budget approved by the Technical Committee. Each such program shall be limited to a period of Two (2) years or less. The Special Project area may be of any dimension or shape; PROVIDED, HOWEVER, that, in the case of a Special Project area in which Mineral Claims are located, no point on the boundary of the Special Project area shall be more than Eight (8) miles from a point on the boundary of a Mineral Claim located therein.

(b) Each of the parties hereto shall, within Thirty (30) days after approval by the Technical Committee of an initial program and budget for a Special Project, elect whether it will participate in such Special Project. A party electing not to participate in a Special Project shall have no further interest therein or in the Mineral Claims in respect thereto or in after-acquired rights in such area pursuant to Clause 3.

(c) Each of the parties hereto which has participated in a Special Project shall, within Thirty (30) days after approval by the Technical Committee of a subsequent program and budget for a Special Project, elect whether it will participate in such further program and budget for a percentage which shall not be greater than its participating interest therein. The interests of the parties hereto at any given time in a Special Project in which they have

participated shall be in the proportion which their respective contributions paid and committed to such Special Project bear to the total monies paid and committed by all parties participating therein as of the effective date of calculation exclusive of monies expended thereon under the general program; PROVIDED, HOWEVER, that any party which has allowed its participating interest in a Special Project to diminish to less than Five Percent (5%) shall thereupon forfeit its interest in such Special Project, the Mineral Claims in respect thereto and in after-acquired rights in such area pursuant to Clause 3.

(d) The separate programs and budgets of Special Projects shall be carried out under the supervision of the Operator and the Technical Committee.

(e) All funds required for each Special Project shall be contributed by the parties in proportion to their respective interests in that project in the following manner:

- (i) All funds for exploration and development under a Special Project shall be advanced pursuant to budgets approved by the Technical Committee, monthly upon request from the Operator;
- (ii) All funds for the purchase of Mineral Claims or interests therein and any other non-budgetary items (hereinafter referred to as "extra-ordinary expenses") relating to a Special Project shall be advanced as and when the purchase or expense is authorized by the Technical Committee and requested by the Operator.

(f) Any party not participating in a Special Project shall take no part in the deliberations and decisions of the Technical Committee with respect to such Special Project.

8. ASSIGNMENT

Any party hereto shall have the right to sell, lease, option or otherwise dispose of its respective interest in and under this Agreement or in respect of any Special Project area or areas covered thereby at any time without restriction; PROVIDED, HOWEVER, that before making any such disposal the party proposing to do so shall first offer the interest proposed to

be disposed of to the other parties hereto, offering them the right to acquire such interest at the same price that the selling party is prepared to sell to any one else, and such parties shall be entitled for a period of Fifteen (15) days after receipt of notice of the offer to exercise such right. In the event that there are more than one of the parties entitled under this paragraph, they shall be entitled to exercise the right conferred hereby in proportion to their participating interests in the Special Project areas or the Exploration Area, whichever is applicable, held by them respectively at the time of such offer.

If the right specified above has not been exercised by the offeree within the said Fifteen (15) day period, the offeror shall be free for Ninety (90) days after the expiry of the said Fifteen (15) day period, but not thereafter, without again giving notice pursuant to the provisions of this Clause, which shall thereafter *mutatis mutandis* apply, to dispose of such interest for the same consideration and upon the same terms and conditions set forth in the said notice.

This Clause shall not apply to a disposal:

- (a) to an affiliate corporation;
- (b) by way of mortgage, pledge or hypothecation if the mortgagee or pledgee is required upon any realization of the security to agree with the other parties to this Agreement that it will assume all future obligations of the mortgagor, pledgor or hypothecator under the terms of this Agreement;
- (c) through merger, re-organization, consolidation, dissolution or sale of all the parties' mining properties in the Yukon.

Such assignment shall be without warranty of title of the interest of assigning party or parties.

9. JOINT RIGHTS AND OBLIGATIONS

If, under any Clause or provision of this Agreement, more than one party has an obligation or right to participate in costs, expenses or risks or otherwise to pay money or to assign or transfer interests hereunder, or a right to receive payment of money or an assignment of any interest or interests hereunder, the said parties shall participate therein, pay the said money, make such assignments, receive and divide such payments, or take the interest so

assigned, as the case may be, unless otherwise specifically agreed by the parties involved in the proportions of their applicable participating interests.

10. TERM OF AGREEMENT

This Agreement shall come into full force and effect as of the day and year first above written and shall, except as otherwise herein provided, continue in full force and effect until December 31, 1970 and thereafter shall continue in respect of any Special Project area so long as any of the Mineral Claims located therein and any renewal and extension thereof continue in full force and effect and until all materials, equipment and personal property used in connection with the operations hereunder have been removed and disposed of and final settlement been made among the parties hereto in liquidating all accounts by prompt payment each to the other of any balance which may be shown, to the end that each of the parties hereto shall have shared all benefits and burdens hereunder in proportion to its respective participating interests hereinbefore in this Agreement provided.

11. FORCE MAJEURE

The obligations of each party hereto in any capacity shall be suspended and it shall not be liable for damages during the time and to the extent that such party is prevented from complying with its obligations hereunder in part or in whole by strikes, lockouts, acts of God or the Queen's enemies, war, laws, orders or regulations of governmental bodies or agencies, unavoidable accidents, delays in transportation, inability to obtain necessary materials in the open market, or any other cause, except financial, whether similar or dissimilar to those specifically enumerated, beyond the reasonable control of the party affected; PROVIDED that nothing herein contained shall be deemed to impose upon any party hereto any obligation to settle any labour dispute on terms which, in the sole discretion of the party affected, are not in the best interests of such party.

Any party failing or delaying in the performance for any cause aforesaid shall give the other parties a reasonably prompt notice of such cause or causes and the result, and it shall use to the best of its ability reasonable diligence to remedy the same.

12. USE OF NAME

Each of the parties hereto covenants and agrees that, except where required by law, it will not use, suffer or permit to be used, directly or indirectly, the name of any other party hereto for the purpose of or in connection with the financing of or obtaining financial assistance for any of the operations hereunder.

13. RELATIONSHIP OF PARTIES

Except as otherwise in this Agreement provided, where the parties hereto incur a liability to any other person, such liability shall not be joint or several but each party shall be separately liable to the other person for a portion of the total liability calculated in accordance with its participating interests. It is not the purpose of this Agreement to create any partnership, mining partnership or joint venture relationship, and neither this Agreement nor the operations hereunder shall be construed and considered as creating any such relationship.

14. FURTHER ASSURANCES

Each of the parties hereto shall, from time to time and at all times, do all such further acts and execute and deliver all such further deeds and documents as shall be reasonably required in order to fully perform and carry out the terms of this Agreement.

15. WAIVER OF PARTITION

Each of the parties hereto agrees that, during the existence of this Agreement, it shall not resort to any action at law or in equity to partition the Exploration Area, the Mineral Claims or the equipment and facilities or any part thereof, the subject of this Agreement.

16. MISCELLANEOUS

(a) Wherever in this Agreement the singular member or masculine gender occurs, the same shall be respectively construed as the plural or neuter, and vice versa, as the context or reference to the parties may require, and the expression "person" shall refer to a body

Corporate and a governmental body, agency or department, as well as to a natural person

(b) All schedules attached hereto are incorporated herein by reference as fully as though contained in the body hereof. Wherever any term or condition, express or implied, of any such schedule conflicts or is at variance with any term or condition of this Agreement, such term or condition of this Agreement shall prevail.

(c) The headings of all Clauses in this Agreement are inserted for convenience of reference only and shall not effect the construction thereof.

(d) All terms, covenants, provisions and conditions of this Agreement shall run with and be binding upon the lands covered by the Exploration Area during the term hereof.

(e) This Agreement may be executed in as many counterparts as are necessary and when a counterpart has been executed by each party, all counterparts together shall constitute one agreement.

(f) Time shall be of the essence of this Agreement.

(g) Notwithstanding anything to the contrary herein contained or implied, any right of any party to acquire any interest from any other party hereunder shall cease, determine and be at an end not later than the expiration of Twenty-one (21) years after the death of the last surviving descendant now living of Her Majesty Queen Elizabeth II.

(h) This Agreement shall be binding upon and shall enure to the benefit of each of the parties hereto and their respective heirs, executors, administrators, successors and assigns.

17. PREVIOUS AGREEMENTS

As of the date of this Agreement, any agreements covering the Mineral Claims and

Exploration Area and dated previous to the date of this Agreement are hereby replaced and superseded except that each party shall continue to indemnify and save harmless the other parties for any costs, losses, claims or damages that may be suffered by or incurred by the other parties as a result of any obligations or liabilities that may have arisen or have been incurred under the above-mentioned agreements with respect to its participating interest prior to the date this Agreement comes into effect and which should have been observed or performed by any party or its predecessor in interest.

18. CONFIDENTIAL INFORMATION

Except as otherwise provided herein, all data and information of whatsoever nature acquired by the parties from any operations pursuant to this Agreement or supplied by one party to the others pursuant hereto shall be for the sole and exclusive use and benefit of all parties unless all the parties agree to the dissemination of such information. For greater certainty, upon the termination of this Agreement, any relationship of a fiduciary nature among the parties hereto, or any of them, that may have been created with respect to any information as described above shall also terminate.

19. COMMINGLED FUNDS

Any funds received by Operator for the joint account under this Agreement need not be segregated by the Operator, but may be commingled with its own funds.

20. U. S. TAX ELECTION

Each of the parties hereto which is now or at any time becomes subject to United States Income Tax elects under the authority of Section 761(a) of the Internal Revenue Code of 1954 to be excluded from the application of any and all sections of Subchapter K of Chapter I of Subtitle A of the Internal Revenue Code of 1954 to the extent approved by the Secretary of the Treasury of the United States or his delegates.

21. SURRENDER

(a) Any party or parties (in this Clause called "surrendering party") may at any time and from time to time surrender its entire interest with respect to any Mineral Claim by giving to the other parties, at least Sixty (60) days before the anniversary date of such Mineral Claim, a written notice (in this Clause called "the surrender notice") which shall be duly executed and which shall specify those Mineral Claims proposed to be surrendered.

(b) If the parties to whom the surrender notice is given fail to advise surrendering party in writing within Twenty (20) days after receipt of the surrender notice that they elect to join in the surrender of the subject Mineral Claims, surrendering party shall convey to the other parties its entire interest in and to such Mineral Claims and thereupon the parties shall do all things and complete and deliver all documents necessary to register the entire interest in such Mineral Claims in the name of those parties who did not elect to join in the surrender, and upon such conveyance "Mineral Claims" shall be deemed to be amended so as to exclude therefrom those so surrendered. The parties receiving such conveyance shall forthwith pay to Operator, for credit to the account of the parties hereto, a sum equal to the fair salvage value of all recoverable material and equipment located upon and attributable to those Mineral Claims surrendered, such value to be determined in accordance with the Accounting Procedure. Upon the execution and delivery of the conveyance by surrendering party, such party shall be released and discharged from all obligations thereafter accruing with respect to the surrendered Mineral Claims, but such conveyance shall not release surrendering party from its proportionate share of any obligation or liability which ought to have been performed or may have accrued prior to the conveyance of the surrendered Mineral Claims.

22. OWNERSHIP OF PRODUCTION

Each party shall own and, at its own expense, may take in kind or separately dispose of for its own account its proportionate share of all minerals produced and saved from the Mineral Claims on behalf of the parties, subject, however, to deduction from each party's

share of production its proportionate share of any royalties paid in kind (unless otherwise specifically provided in this Agreement.

23. ADDRESS FOR SERVICE.

The addresses for service hereunder of the respective parties hereto shall be as follows:

Pacific: Pacific Petroleum Ltd.,
P. O. Box 6666,
Calgary, Alberta.
Attention: Dr. C. E. Cleveland

Ashlands: Ashland Oil & Refining Company,
736 - 8th Avenue S.W.,
Calgary, Alberta.
Attention: Dr. E. Schiller

B.A. The British American Oil Company Limited,
707 - 7th Avenue S.W.,
Calgary, Alberta.
Attention: Mr. Walter Daw.

Any of the parties hereto may from time to time change its address for service hereunder on written notice to the other parties. Any notice may be served by mailing the same by prepaid registered post in a properly addressed envelope addressed to the party to whom the notice is to be given at its address for service hereunder. Any notice so served shall be deemed to be given and received by the addressee on the next business day following forty-eight (48) hours after the mailing thereof.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the date hereof on the dates set out below.

PACIFIC PETROLEUMS LTD.

John S. Jensen
SENIOR VICE PRESIDENT

John S. Jensen
Secretary

Date _____

LAW	<i>J.S.</i>
EXPL.	<i>Bl</i>
Prod.	
Acctg.	<i>Bl</i>
Eng.	
Sales	

Joan A. Travis
Witness as to the Signature of the Attorney in Fact for
ASHLAND OIL & REFINING COMPANY

ASHLAND OIL & REFINING COMPANY

[Signature]
HERBERT EARL JOUDRIE
Its Attorney In Fact

Dec. 17, 1968

Date

[Signature]
[Signature]
[Signature]
[Signature]

[Signature]

Date WITNESSES

[Signature]

THE BRITISH AMERICAN OIL COMPANY
LIMITED

By its Attorney George O'Keefe
George U. Reff Vice President

AFFIDAVIT OF EXECUTION BY ATTORNEY

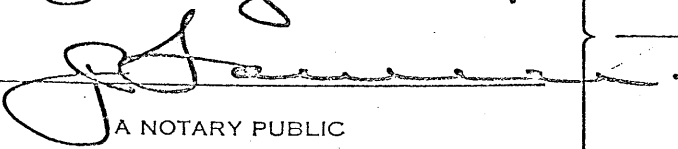
CANADA
PROVINCE OF ALBERTA
TO WIT:

}

I, **GERALDINE I. FISH**, OF THE CITY OF CALGARY,
IN THE PROVINCE OF ALBERTA, SECRETARY, MAKE OATH AND SAY:

1. THAT I WAS PERSONALLY PRESENT AND DID SEE George O. Relf
ATTORNEY FOR THE BRITISH AMERICAN OIL COMPANY LIMITED NAMED IN THE ANNEXED INSTRUMENT, WHO
IS PERSONALLY KNOWN TO ME TO BE THE DULY APPOINTED ATTORNEY FOR THE BRITISH AMERICAN OIL
COMPANY LIMITED NAMED THEREIN, DULY SIGN AND EXECUTE THE SAME FOR THE PURPOSES NAMED
THEREIN.
2. THAT THE SAME WAS EXECUTED AT THE CITY OF CALGARY, IN THE PROVINCE OF ALBERTA,
AND THAT I AM THE SUBSCRIBING WITNESS THERETO.
3. THAT I KNOW THE SAID George O. Relf, AND HE IS, IN MY BELIEF,
OF THE FULL AGE OF TWENTY-ONE YEARS.

SWORN BEFORE ME BY THE ABOVE NAMED
DEPONENT AT THE CITY OF CALGARY, IN THE
PROVINCE OF ALBERTA, THIS 27
DAY OF January, A.D. 1969



A NOTARY PUBLIC
~~A COMMISSIONER FOR OATHS~~
IN AND FOR
THE PROVINCE OF ALBERTA



AFFIDAVIT OF EXECUTION

CANADA)
PROVINCE OF ALBERTA)
TO WIT:)

JOAN AILEEN TRAVISS

I, _____, of the

City of Calgary, in the Province of Alberta, Secretary, MAKE OATH
AND SAY:

1. THAT I was personally present and did see HERBERT EARL JOUDRIE, Attorney for ASHLAND OIL & REFINING COMPANY named in the within instrument, who is personally known to me to be the duly appointed Attorney for ASHLAND OIL & REFINING COMPANY named therein, duly sign and execute the same for the purposes named therein.
2. THAT the same was executed at the City of Calgary in the Province of Alberta and that I am the subscribing witness thereto.
3. THAT I know the said HERBERT EARL JOUDRIE and he is, in my belief, of the full age of twenty - one years.

SWORN BEFORE ME by the above)
named deponent at the City of)
Calgary in the Province of)
Alberta, this 17 day of)

November, A.D. 1968)

[Signature])

Joan A. Traviss

A Commissioner for Oaths in and
for the Province of Alberta.

Executed



SCIENCE SERVICES DIVISION
TEXAS INSTRUMENTS
INCORPORATED

GEOPHOTO SERVICES, LTD.

world-wide natural resources evaluation

February 12, 1968.

This is Schedule "A" attached to and forming part of an agreement dated the _____ day of _____, A.D. 1968 and made between Pacific Petroleum Ltd., Ashland Oil & Refining Company and The British American Oil Company Limited.

Pacific Petroleum Ltd.,
330 - 9th Avenue S.W.,
Calgary, Alberta.

Ashland Oil & Refining Company,
736 - 8th Avenue S.W.,
Calgary, Alberta.

The British American Oil Company Ltd.,
707 - 7th Avenue S.W.,
Calgary, Alberta.

Gentlemen:

1. This letter of agreement is submitted for your approval and acceptance. If it meets with your approval, please sign the attached copies and return to us. After all of the copies have been signed by all participants, a duly executed copy will be sent to each of the above.

2. In accordance with formulated plans, Pacific Petroleum Ltd., Ashland Oil & Refining Company and The British American Oil Company Ltd., (hereinafter collectively referred to as the "FINANCIERS"), hereby retains Geophoto Services, Ltd., and GEOPHOTO hereby undertakes a minerals exploration evaluation in an area in the Carcross Area, northwestern British Columbia and southern Yukon Territory. The Carcross area is hereinafter referred to as the "Exploration Area". The Exploration Area to be evaluated encompasses approximately 9,600 square miles and is shown on the accompanying index map as the project area.

3. The object of the investigation is to explore for minerals in the Exploration Area by geochemical and surface field investigations. Photo-geologic maps will be prepared to assist in the field investigations.

Pacific Petroleum Ltd.,
Ashland Oil & Refining Company,
The British American Oil Company Ltd.

Page 2,
February 12, 1968.

4. GEOPHOTO will purchase suitable aerial photographs of the area, construct mosaics and prepare photogeologic maps of the Exploration Area. The photogeologic maps will be prepared at a scale of one inch equals one mile. A composite photogeologic map, at a scale of one inch equals four miles will also be prepared.

5. GEOPHOTO agrees to provide adequate qualified personnel, equipped with adequate instruments and equipment in good working order and condition, necessary to carry out the provisions of this agreement. Such personnel shall undertake the provisions of this agreement in a workmanlike manner. Subject to the provisions of clause 6, such personnel, equipped as aforesaid, shall be sent by GEOPHOTO to such part or parts of the Exploration Area as GEOPHOTO may decide, for a three month period commencing on or about June 15th, 1968. They shall devote their full time and energy in carrying out prospecting and exploration work with the view to locating and staking claims (hereinafter referred to as the "Mineral Claims") in the Exploration Area, which in their opinion —

- (a) justify expenditures of money thereon for exploration and/or development purposes, or
- (b) are deemed necessary to protect the interests of the FINANCIERS.

The field party shall at all times be under the control of GEOPHOTO and shall act under the direction of its Party Manager, who will be assisted in the field by fully qualified minerals exploration personnel. GEOPHOTO's Party Manager shall have sole discretion as to what claims shall be staked. In no event shall GEOPHOTO be liable for failure to stake a claim.

6. The amount of monies to be expended pursuant to this agreement shall be one hundred and fifty five thousand dollars (\$ 155,000.00) which shall be contributed by each of the FINANCIERS in the amount of \$ 51,666.67.

The schedule of payments will be as follows. It is agreed that each of the FINANCIERS will make payments to GEOPHOTO to arrive on or before the dates indicated, at their offices situated at 706 - 6th Street S.W., Calgary, Alberta.

<u>Date</u>	<u>Amount</u>
Forewith on execution of agreement	- \$ 1,050.00
March 31, 1968	- 3,000.00
April 30, 1968	- 3,000.00
May 31, 1968	- 3,000.00
June 15, 1968	- 7,750.00
July 15, 1968	- 12,100.00
August 15, 1968	- 12,100.00
September 15, 1968	- 6,250.00
October 31, 1968	- 1,750.02
November 30, 1968	- 1,666.65
	<hr/>
	\$ 51,666.67
	<hr/> <hr/>

GEOPHOTO agrees to pay out of the aforesaid sum of one hundred and fifty five thousand dollars, all its expenses hereunder, including without limitation, all engineering fees, salaries, aircraft charters, travelling expenses, living costs, costs of staking and recording claims, cost for insurance and depreciation of equipment properly owned and used by GEOPHOTO in its duties hereunder, all to the end that the total commitment and liability of each of the parties included in FINANCIERS shall not exceed the sums set forth in the foregoing provisions of this paragraph. GEOPHOTO is not authorized to pledge the credit of the FINANCIERS for any purpose whatsoever.

7. Each of the FINANCIERS will nominate, in writing, one representative and one alternate, both of whom shall be fully empowered to act and bind it with respect to any and all matters arising out of this agreement.

8. GEOPHOTO agrees to make and submit in proper form, applications for recording of the claims staked during the course of the field work and in the name of its nominee or nominees and on such recording to properly execute transfers in the name of GEOPHOTO which will hold them in trust for the FINANCIERS. The FINANCIERS shall have the undivided right, title, and interest in and to the Minerals Claims in proportion to the monies contributed by them hereunder, and the FINANCIERS shall have the exclusive right to determine all questions relating to the Mineral Claims including the development, sale or other disposition.

9. GEOPHOTO agrees to keep each of the FINANCIERS reasonably informed on work progress and fully informed as to any claims staked on other property otherwise acquired, the intention being that GEOPHOTO shall send to each of the FINANCIERS weekly written reports during the field operations, containing all relevant and appropriate information and the planned exploration activity for the ensuing period. GEOPHOTO agrees that upon commencement of staking Mineral Claims in any part of the Exploration Area, the Party Manager will report as soon as possible to his Calgary Office indicating commencement of staking, the reasons therefore and this information will be communicated to the FINANCIERS as soon as is practicably possible.

10. GEOPHOTO will, during the term of this agreement, maintain insurance of not less than the following amounts, all such insurance will be procured and maintained at the sole expense of GEOPHOTO, Insurance certificates can be submitted to the FINANCIERS upon request.

- (a) Employees Liability Insurance covering each employee of GEOPHOTO engaged in operations hereunder to the extent of \$ 500,000.00, where such employee is not governed by Workmen's Compensation.
- (b) Public Liability Insurance covering all operations hereunder within the limits of \$ 500,000.00 for any one person injured or killed and \$ 1,000,000.00 for two or more persons injured or killed in any one accident.
- (c) Property Damage Insurance covering all operations hereunder for damage to property, including damage by fire within a limit of \$ 500,000.00 on any one claim.
- (d) GEOPHOTO will require the owners of the aircraft used in the operation hereunder to maintain Aircraft Public Liability and Property Damage Insurance sufficient to comply at least with the minimum amount set forth by the Department of Transport, Air Transport Board for such charters. GEOPHOTO will submit to the FINANCIERS upon request, certificates of insurance coverage evidencing compliance with this paragraph.

11. GEOPHOTO will indemnify and save harmless the FINANCIERS of and from all actions, causes of actions, claims or demands whatsoever which can, shall, or may hereafter be brought against the FINANCIERS by a third party excepting employees of the FINANCIERS by reason of or in any way arising out of an injury to or death of such party of any loss or damage to the property of such party which may arise out of or in connection with or resulting directly or indirectly from the work and services to be performed hereunder by GEOPHOTO and its own personnel providing however that such indemnity does not apply to claims for damage to property or injury or death to third parties caused by the negligence of employees of the FINANCIERS, and the FINANCIERS extend unto GEOPHOTO the same indemnity mutatis mutandis with respect to any work or services to be performed hereunder by personnel employed by the FINANCIERS in accordance with the provision of this agreement.

12. It is expressly understood and agreed that this agreement does not constitute a partnership among the parties hereto or any of them and it does not create the relationship of master and servant between the FINANCIERS on the one hand and GEOPHOTO on the other. Subject to the provisions of clause 6 and except as herein otherwise stipulated, GEOPHOTO as an independent contractor has undertaken to attempt to find mineral locations and to protect the same by staking where appropriate and will not be under the orders or control of any one or more of the FINANCIERS and may use its discretion in the performance of its obligations hereunder. GEOPHOTO shall have no claim whatsoever against the FINANCIERS or any of them arising out of this agreement or performance of its duties hereunder except as herein expressly stipulated.

13. On or about November 30th, 1968, GEOPHOTO agrees to send each of the FINANCIERS a written report on the results of the exploration work complete with copies of all maps and technical data. Preliminary copies of the photogeologic maps will be submitted to each of the FINANCIERS prior to the field investigation. Conclusions drawn in such report will represent GEOPHOTO's best judgement. Any action FINANCIERS take based on such report will be on its own responsibility.

14. Upon completion of the evaluation, GEOPHOTO will serve as a repository for all materials such as air photographs, samples, mosaics, and so forth, and such other materials as the FINANCIERS may decide, and such materials will be made available to the FINANCIERS upon request. It is agreed that these materials will be used for the sole purpose of the FINANCIERS and

Pacific Petroleum Ltd.,
Ashland Oil & Refining Company,
The British American Oil Company Ltd.

Page 6,
February 12, 1968.

shall remain with GEOPHOTO until such time as GEOPHOTO is informed in writing by all of the FINANCIERS to otherwise dispose of the materials.

15. GEOPHOTO agrees that it will take all reasonable precautions to insure that technical information obtained as a result of the performance of its duties pertaining to this agreement will be kept confidential forever and will be released only to an accredited representative of each of the FINANCIERS. The FINANCIERS shall have the right to release this information to their parent, affiliate and subsidiary companies.

16. GEOPHOTO agrees that it will not stake or cause to be staked, from any information gained in this survey or subsequent surveys for the FINANCIERS, any claims in the Exploration Area or within a distance of three miles outside of the boundaries of the Exploration Area at any time upon completion of the survey or surveys for any person, firm or corporation other than the FINANCIERS. GEOPHOTO further agrees not to conduct any photogeological, geochemical, or field minerals investigations in the Exploration Area for any person, firm or corporation other than the FINANCIERS, for one year after the termination of this letter of agreement (November 30, 1968), unless specifically authorized in writing by all of the FINANCIERS.

17. This agreement shall not be assigned or sub-contracted by GEOPHOTO without the prior written consent of the FINANCIERS.

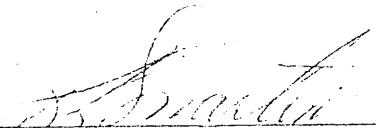
18. Neither GEOPHOTO nor the FINANCIERS will be responsible for failure to perform under this agreement when performance is hindered or prevented by strikes, lockouts, war or acts of war, or other cause beyond the control of the parties, whether or not similar to the matters herein enumerated.

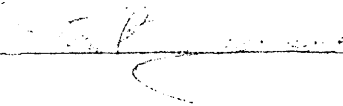
Geophoto Services, Ltd. appreciates the opportunity to be of service to the Financiers.

Respectfully submitted,

GEOPHOTO SERVICES, LTD.

Witness :



per: 

Pacific Petroleum Ltd.,
Ashland Oil & Refining Company,
The British American Oil Company Ltd.

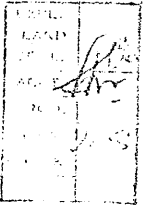
Page 7,
February 12, 1968.

Witness :

PACIFIC PETROLEUMS LTD.

John A. ...
Secretary

per: *John A. ...*
Treasurer



ASHLAND OIL & REFINING COMPANY

John A. ...

per: *John A. ...*
THE BRITISH AMERICAN OIL COMPANY LTD.

John A. ...

per: *John A. ...*

AFFIDAVIT OF EXECUTION

CANADA)
PROVINCE OF ALBERTA)
TO WIT:)

I, JOAN A. JENNIS, of the

City of Calgary, in the Province of Alberta, Secretary, MAKE OATH

AND SAY:

1. THAT I was personally present and did see HERBERT EARL JOUDRIE, Attorney for ASHLAND OIL & REFINING COMPANY named in the within instrument, who is personally known to me to be the duly appointed Attorney for ASHLAND OIL & REFINING COMPANY named therein, duly sign and execute the same for the purposes named therein.

2. THAT the same was executed at the City of Calgary in the Province of Alberta and that I am the subscribing witness thereto.

3. THAT I know the said HERBERT EARL JOUDRIE and he is, in my belief, of the full age of twenty - one years.

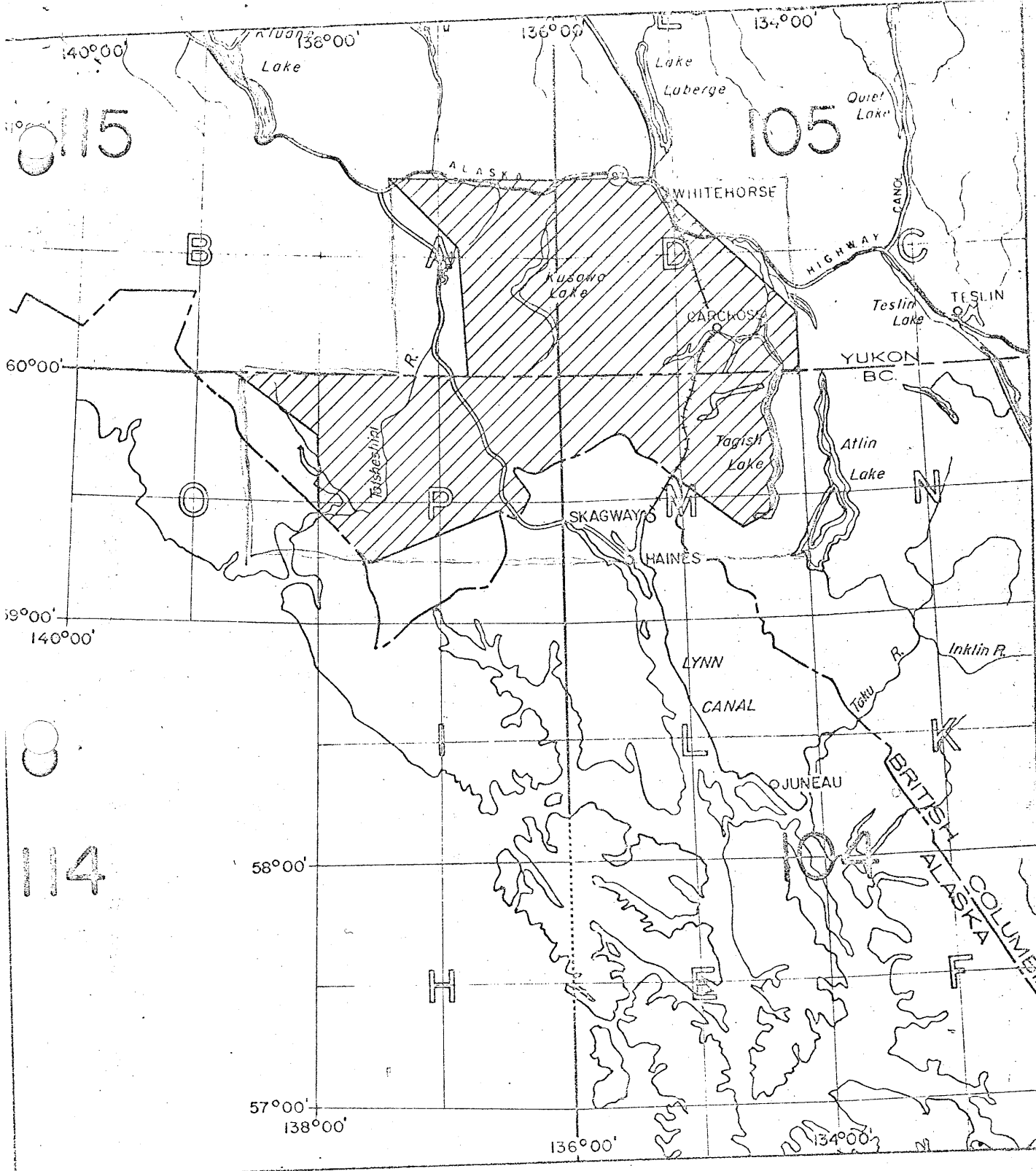
SWORN BEFORE ME by the above)
named deponent at the City of)
Calgary in the Province of)
Alberta, this 20th day of)

March, A.D. 1965)

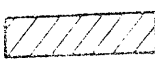
Joan A. Jennis)

Joan A. Jennis

A Commissioner for Oaths in and
for the Province of Alberta.



INDEX MAP
 OF
 PHOTOGEOLOGIC & GEOCHEMICAL PROGRAM
CARCROSS AREA
 N.W. BRITISH COLUMBIA & S. YUKON TERRITORY

 Project Area

SCALE: 1 INCH = 40 MILES APPROX.

NORTHWEST VENTURE
Carcross Area - Northwest British Columbia
and South Yukon Territory

Schedule "B"
JOINT INTEREST ACCOUNTING PROCEDURE

SECTION I
GENERAL PROVISIONS

1. Application

This is the Scheduled Accounting Procedure forming part of the Agreement dated _____, 1968 between Pacific Petroleum Ltd., Ashland Oil & Refining Company and The British American Oil Company Limited.

2. Statements and Billings

The statement delivered by Operator pursuant to Clause 5 of the Agreement shall include the following particulars:

- (a) detailed statements of material ordinarily considered controllable by operators of mining properties;
- (b) statement of ordinary charges and credits to the Joint Account summarized by appropriate classification indicative of the nature thereof;
- (c) detailed statement of the proceeds of the use of and production from the Joint Property; and
- (d) detailed statement of any other charges and credits.

3. Payments by the Joint Operator

Each Joint Operator shall pay all such bills within Fifteen (15) days after receipt thereof. If payment is not made within such time, the unpaid balance may, at the Operator's option, bear interest at the rate of Six Percent (6%) per annum until paid.

4. Advances

Unless otherwise provided for in the Agreement, the Operator may require the Joint Operator to advance its share of estimated cash outlay for the current month's operation; PROVIDED that the Joint Operator shall not be required to make any such advance more than Ninety (90) days prior to the anticipated date of expenditure thereof.

5. Adjustments

Payment of any such billings shall not prejudice the right of a Joint Operator to protest or question the correctness thereof. All statements rendered to a Joint Operator by the Operator during any Operations Year shall conclusively presumed to be true and correct after Twenty-four (24) months following the end of any such Operations Year, unless within the said Twenty-four (24) month period such Joint Operator takes written exception thereto and makes claim on the Operator for adjustment. Failure on the part of a Joint Operator to make claim on the Operator for adjustment within such period shall establish the correctness thereof and preclude the filing of exceptions thereto or making of claims for adjustment thereon. The provisions of this paragraph shall not prevent adjustments resulting from physical inventory of property as provided for in Section VI.

6. Audits

The Joint Operator, or a representative thereof, upon notice in writing to Operator shall have the right to audit the Operator's accounts and records relating to the accounting hereunder for any Operations Year within the Twenty-four (24) month period following the end of such Operations Year, and the Joint Operator must take written exception to and make claim upon the Operator for all discrepancies disclosed by said audit within said Twenty-four (24) month period.

SECTION II
EXPLORATION, DEVELOPMENT, MAINTENANCE AND
OPERATING CHARGES

Subject to the limitations hereinafter prescribed, the Operator shall charge the Joint Account with the cost of the following items:

1. Rentals and Royalties

All rentals, renewals and extension fees, payments in lieu of actual production, and royalties paid by the Operator for the Joint Account.

2. Labour

Salaries, wages and expenses of the Operator's employees directly engaged on the Joint Property in the exploration, development, maintenance and operation thereof, including salaries or wages paid to technical employees such as geologists, engineers and other employees who are temporarily assigned to and located at and directly engaged on the Joint Property.

3. Employee Benefits

Salaries and wages shall include the Operator's share of such employee benefits as are or may be from time to time established by the Operator with and/or for the benefit of its employees including but not limited to annuity, pension or retirement plan contributions, thrift and hospitalization and group life insurance contributions, sickness, accident and death benefits, retirement allowances, salary or wage bonuses, and similar or other such expenditures or contributions made; PROVIDED that the charge for such benefits shall not exceed Twelve Percent (12%) of the labour chargeable to the Joint Account. In addition, a charge shall be made which shall include the Operator's share of such employee benefits as are or may be from time to time established by governmental authority with and/or for the

benefit of its employees including but not limited to Workmen's Compensation, Unemployment Insurance contribution, vacation allowances and similar or other expenditures or contributions imposed by law.

4. Material

Material purchased or furnished by the Operator for use on the Joint Property. So far as it is reasonably practical and consistent with efficient and economical operation, only such material shall be purchased for or transferred to the Joint Property as is required for immediate use, and the accumulation of surplus stocks shall be avoided.

5. Transportation

(a) Transportation of material necessary for the exploration, development, maintenance and operation of the Joint Property subject to the following limitations:

- (i) if material is moved to the Joint Property from a vendor's or from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store or railway receiving point where such material is available, except by agreement with the Joint Operator;
- (ii) if surplus material is moved from the Joint Property to the Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store or railway receiving point, except by agreement with the Joint Operator;
- (iii) if surplus material is moved from the Joint Property to other properties in which the Operator has an interest, no charge shall be made to the Joint Account except by agreement with the Joint Operator.

(b) Transportation of the Operator's employees referred to in paragraph 2 to and from the Joint Property.

6. Outside Services

The cost of operational services and utilities, as distinct from those of a consultative or interpretative nature, obtained from outside sources and which are reasonable and necessary for the exploration, development and maintenance of the Joint Property. The cost of professional consultants' services may be chargeable to the Joint Account when so agreed by the parties.

7. Operator's Equipment and Facilities

Use of and service by the Operator's equipment and facilities as provided in paragraph 5 of Section III.

8. Damages and Losses to Joint Property and Material

Replacement or repair resulting from losses or damages incurred by fire, explosion, flood, storm or any other cause not controllable by the Operator through the exercise of reasonable diligence. The Operator shall furnish the Joint Operator with written notice of such loss or damage as soon as practicable after the Operator becomes aware of same.

9. Litigation, Judgments and Claims

All costs and expenses of litigation or legal services necessary or expedient for the protection of the Joint Property, including attorney's fees and expenses as hereinafter provided, together with all judgments obtained against the parties or any of them and agreed settlements insofar as the same relate to the Joint Account or the subject matter of the Agreement; actual expenses incurred by any party or parties hereto in securing evidence for the purpose of defending or prosecuting any action or claim or negotiating any settlement relating to the Joint Account or the subject matter of the Agreement.

- (a) If the parties holding collectively the majority interest in the Joint Property may be handled by the legal staff of one or more of the parties hereto, and a charge commensurate with the services rendered may be made against the Joint Account.

- (b) Fees and expenses of outside counsel shall not be charged to the Joint Account unless authorized by the parties holding collectively a majority interest in the Joint Property.

10. Taxes

All taxes, rates, levies and assessments of every kind and nature (except taxes on profits) levied, assessed or imposed upon or in connection with the Joint Property or any part thereof, the production therefrom or the exploration, development, maintenance or operation thereof and which have been paid by the Operator for the benefit of the parties.

11. Insurance

Premiums paid for insurance required to be carried for the benefit of the parties, together with all expenditures incurred and paid in settlement of any and all losses, claims, damages, judgments and other expenses, including legal services, not recovered from the insurer.

12. Camp Expense

The expense of operating and maintaining all necessary camps, housing facilities for employees and boarding employees. When other operations are served by these facilities, the expense, including depreciation or a fair monthly rental in lieu of depreciation, less any revenue therefrom, shall be prorated against all operations served on a pro rata basis.

13. District Expense

A proportionate share of the salaries and expenses of the Operator's district superintendent and other general district and field employees other than those described in paragraphs 2 and 14 of this Section II serving the Joint Property, and a proportionate share of the cost of maintaining and operating a district office and sub-offices, incurred in the

exploration, development, maintenance and operation of the Joint Property and other properties operated by the Operator in the same locality. The expense of, less any revenue from, these facilities shall include depreciation or a fair monthly rental in lieu of depreciation on the investment. Such costs shall be charged to all properties served on the rate basis set forth in paragraph 15 below.

14. Administrative Overhead

Overhead charges which shall be in lieu of any charges for the expense of all officers of the Operator, including the salaries or compensation paid and other expenses of personnel assigned thereto, which are incurred in the exploration, development, maintenance and operation of the Joint Property, except those expenses chargeable under paragraphs 2, 12 and 13 of this Section II. Such charges shall be assessed against all properties served on the rate basis set forth in paragraph 15 below.

15. Overhead Charges

District and administrative overhead shall be charged on the following basis:

(a) Exploratory Operations

Seven Percent (7%) of exploratory expenditures incurred for the Joint Account except as otherwise provided for in the Agreement.

(b) Development Operations and Construction of Mining Facilities

For all costs incurred in each approved project:

Five Percent (5%) of the first \$200,000.00;

Three Percent (3%) of the next \$300,000.00;

Two Percent (2%) of the next \$500,000.00; and

One Percent (1%) of the cost in excess of \$1,000,000.00.

(c) Mining Operations

Five Percent (5%) of the first \$1,000,000.00; Three Percent (3%) on the

next \$1,000,000.00; and One Percent (1%) on all additional costs of annual expenditures incurred for the Joint Account relative to the operation and maintenance of mining facilities and relative to the production, treatment and disposal of minerals.

16. Warehouse Handling Charges

A charge to cover the cost of handling material into and in the warehouse shall be assessed on new and used materials furnished from the Operator's warehouse on the basis of Five Percent (5%) of the cost of all material other than major equipment such as drills, bulldozers, trucks and engines.

17. Other Expenditures

Any other expenditures incurred by the Operator for the necessary and proper exploration, development, maintenance and operation or abandonment of the Joint Property. Notwithstanding anything herein contained, no charge shall be made for any interest or financing charges incurred by the Operator, except where incurred with the consent of the Joint Operator.

18. Adjustment of Rates

All rates set forth in this scheduled Accounting Procedure shall be amended from time to time if, in practice, they are found to be insufficient or excessive.

SECTION III
BASIS OF CHARGES TO THE JOINT ACCOUNT

1. Purchases

Material purchased and services obtained shall be charged at the price paid by the Operator, after deduction of all discounts actually received.

2. Material Furnished by Operator

Material required for operations shall be purchased for direct charge to the Joint Account whenever practicable, except that the Operator may furnish such material from its stocks under the following conditions:

(a) New Material (Condition "A")

Material transferred from the Operator's warehouse or other properties shall be priced f.o.b. the nearest reputable supply store or railway receiving point, where similar material is available, at current replacement cost of the same kind of material. Cash discounts shall not be deducted in calculating replacement cost prices of such transferred materials.

(b) Used Material (Condition "B" and "C")

- (i) Material which is in sound and serviceable condition and is suitable for re-use without reconditioning shall be classed as Condition "B" and priced at Seventy-five Percent (75%) of current new price.
- (ii) Material which cannot be classified as Condition "B" but which:
 - A. after reconditioning will be further serviceable for original functions as good, secondhand material (Condition "B"); or
 - B. is not suitable for reconditioning but has a limited remaining service, shall be classed as Condition "C" and priced at Fifty Percent (50%) of current new price.
- (iii) Buildings and other material involving erection costs shall be charged at applicable percentage of current new price for similar dismantled materials.
- (iv) Other items of material, due to their unusual condition, shall be fairly and equitably priced by the Operator, but subject always to approval of the Joint Operator.
- (v) Current new price, wherever used in this subparagraph, shall be determined in accordance with subparagraph 2(a) of this Section.

3. Premium Prices

Whenever material is not readily obtainable at the customary supply point and at prices specified in paragraphs 1 and 2 of this Section because of national emergencies, strikes or other unusual events over which the Operator has no control, the Operator may charge the Joint Account for the required materials on the basis of the Operator's direct cost and expense incurred in obtaining such materials, in making it suitable for use, and in moving it to the location, but notice in writing shall be furnished to the Joint Operator of the proposed charge prior to charging the Joint Account for the material acquired pursuant to this provision. The Joint Operator shall have the right, by so electing and notifying the Operator within Forty-eight (48) hours after receiving such notice from the Operator, to furnish in kind, or in tonnage as the parties may agree, at the location nearest railway receiving point, or the Operator's storage point within a comparable distance, all or part of such material suitable for use and acceptable to the Operator. Transportation costs on any such material furnished by the Joint Operator, at any point other than at the location, shall be borne by the Joint Operator. If, pursuant to the provisions of this paragraph, the Joint Operator furnishes material in kind, the Operator shall make appropriate credits therefor to the account of said Joint Operator.

4. Warranty of Material Furnished by Operator

Operator does not warrant the material furnished beyond or back of the dealer's or manufacturer's guarantee or warranty; and, in case of defective material, credit shall not be passed until adjustment has been received by the Operator from the manufacturers or dealers or their agents.

5. Operator's Exclusively-owned Facilities

The Operator shall charge the Joint Account for services rendered to the Joint Property by facilities and equipment owned exclusively by the Operator. Such facilities and equipment shall include but not be limited to aircraft, automotive equipment and laboratory services. The rates charged shall be commensurate with the cost of ownership and operation and shall not be in excess of the current prevailing rate of like services and equipment in the area.

Whenever requested, the Operator shall inform each Joint Operator in advance of the rates it proposes to charge, and the foregoing rates shall be revised from time to time when found to be either excessive or insufficient.

SECTION IV
DISPOSAL OF MATERIAL

The Operator shall be under no obligation to purchase the interest of the Joint Operator in surplus, new or secondhand material. Buildings and other major items shall not be removed by the Operator from the Joint Property except as provided in the Agreement without the approval of the Joint Operator. The Operator shall not sell major items of material to an outside party without giving the Joint Operator an opportunity either to purchase same at the price offered or to take its respective shares in kind. The Operator shall have the right from time to time to dispose of normal accumulations of junk and scrap material from the Joint Property, and shall charge or credit the Joint Account with the proceeds or cost of such disposal.

1. Material Purchased by the Operator

Material purchased by the Operator shall be credited to the Joint Account and included in the statement of operations for the period in which the material is removed from the Joint Property.

2. Material Purchased by the Joint Operator

Material purchased by the Joint Operator shall be invoiced by the Operator and paid for by the Joint Operator immediately following receipt of invoice. The Operator shall pass credit to the Joint Account and include the same in the monthly statement of operations.

3. Division in Kind

Division of material in kind, if made among the Operator and Joint Operator, shall be in proportion to their respective interests in such materials. Each party will thereupon be charged individually with the value of the materials received or receivable by each party and corresponding credits will be made by the Operator to the Joint Account, and such credits shall appear in the monthly statement of operations.

4. Sales to Outsiders

Sales to outsiders of material from the Joint Property shall be credited by the Operator to the Joint Account at the net amount collected by the Operator from the purchaser. Any claims by the purchaser for defective material shall be charged back to the Joint Account, if and when paid by the Operator.

SECTION V
BASIS OF PRICING MATERIAL
TRANSFERRED FROM JOINT PROPERTY

Jointly-owned material sold to the Operator or to the Joint Operator or divided in kind among them, unless otherwise agreed, shall be valued on the following basis of condition and price. (New price as used in the following paragraphs shall have the same meaning and be computed on the same basis as the price for new material in subparagraph 2(a) of Section III.)

1. New Material

New material (Condition "A"), being new material purchased or obtained for the Joint Property but never used thereon, at One Hundred Percent (100%) of current new price.

2. Good Used Material

Good used material (Condition "B"), being good serviceable material which is further useable without reconditioning:

- (a) At Seventy-five Percent (75%) of current new price if material was charged to the Joint Account as new; or
- (b) At Seventy-five Percent (75%) of current new price less depreciation consistent with its usage on and service to the Joint Property, if the material was originally charged to the Joint Property as secondhand at Seventy-five Percent (75%) of new price.

3. Other Used Material

Other used material (Condition "C"), being material which:

- (a) After reconditioning will be further serviceable for its original function as good secondhand material (Condition "B"); or
- (b) Is serviceable for its original function but substantially not suitable for reconditioning, at Fifty Percent (50%) of current new price.

4. Bad Order Material

Bad order material (Condition "D"), being material not further useable for its original function but for possible other service, at a value commensurate with its use.

5. Junk

Junk (Condition "E"), being obsolete and unserviceable material, at prevailing junk prices in the district.

6. Miscellaneous

Other items of material, because of their unusual condition or nature, shall be fairly and equitably priced by the Operator.

SECTION VI
INVENTORIES

1. Periodic Inventories

Periodic inventories of material which is ordinarily considered controllable shall be taken by the Operator at reasonable intervals, but at least once in every Five (5) years.

2. Notice

Notice of intention to take inventory shall be given to the Joint Operator by the Operator at least Thirty (30) days before any inventory is to begin so that each non-Operator may be represented when any inventory is taken.

3. Failure to be Represented

Failure of a Joint Operator to be represented at the physical inventory shall bind such Joint Operator to accept the inventory taken by the Operator, who shall in that event furnish such Joint Operator with a copy thereof.

4. Reconciliation of Inventory

Reconciliation of inventory with charges to the Joint Account shall be made by each party of interest, and a list of overages and shortages shall be jointly determined by said parties.

5. Adjustment of Inventory

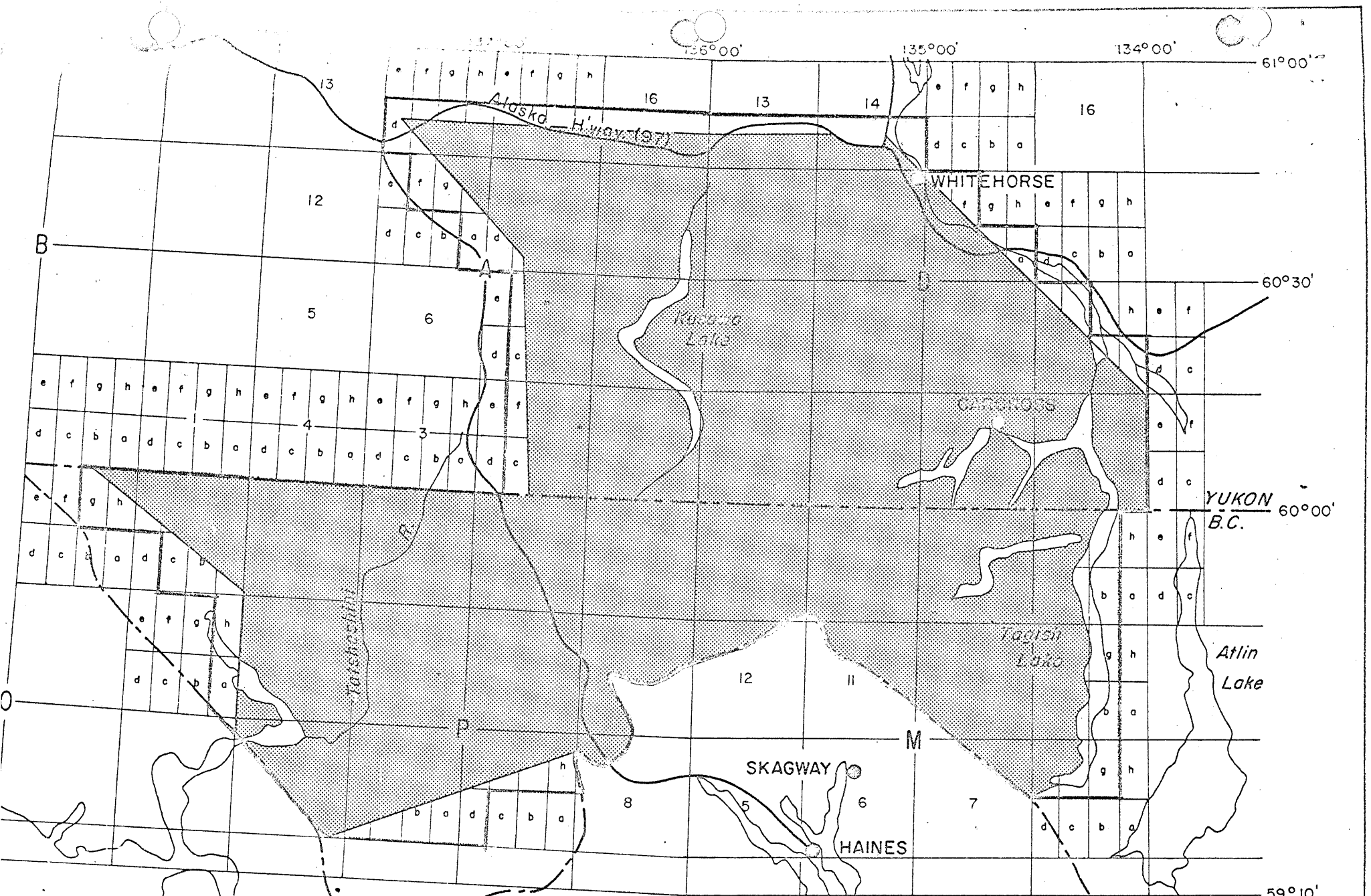
Inventory adjustments shall be made by the Operator to the Joint Account for overages and shortages, but the Operator shall be held accountable to the Joint Operator only for shortages due to lack of reasonable diligence.



6. Inventory Expenses

The expense of the Operator's and the Joint Operator's representatives present at the taking of regular inventory shall not be charged to the Joint Account.

7. Special Inventories

The Joint Operator shall have the right at any time to request in writing the taking of a special inventory. The taking of such special inventory shall be commenced within Thirty (30) days after the receipt of notice thereof. All expenses incurred by the Operator in conducting any special inventory so requested shall be charged to the separate account of the requesting party.



 GEOPHOTO SURVEY AREA
 EXPLORATION AREA
 MAP DIVISIONS BASED ON N.T.S.

This is Schedule "C" attached to and forming part of an agreement dated the _____ day of _____, A.D. 1968 and made between Pacific Petroleum Ltd., Ashland Oil & Refining Company and The British American Oil Company Limited.

SCHEDULE "C"
 CARCROSS AREA
 NORTHWEST VENTURE
 AGREEMENT
 SCALE 1" = 20mi.