

CQ Energy Canada Resources Partnership
Bidding Guidelines
Fee Title Assets April 28, 2017

1. **SCOPE**

CQ Energy Canada Resources Partnership, managed by Direct Energy Marketing Limited (“DEML”), is making its Saskatchewan fee title petroleum and natural gas rights available to industry to lease through a competitive auction process. The purpose of this document is to outline DEML’s fee title posting and bidding guidelines.

2. **PNG EXCHANGE WEBSITE**

All information and documents required to participate in this posting and bidding process (the “Sale Notice”) will be available on <http://pngexchange.com> (the “PNG Exchange website”).

3. **POSTING PROCESS**

Beginning **January 30, 2017**, DEML will accept requests to post fee title petroleum and natural gas rights. The posting request period will end **February 24, 2017** at 4:00pm MDT.

Industry must use the Posting Request Form (“Posting Request”) which may be obtained on the PNG Exchange website. Parcels must be listed by quarter section and a note made if you are interested in only requesting a specific formation. A company may request several individual parcels; however, the decision to post specific lands must be approved by the management of DEML.

All Posting Requests must be submitted on the letterhead of the company submitting the Posting Request Form using one the following two methods:

Via Mail

Direct Energy Marketing Limited
West Tower, Suite #2600, 237 – 4th Ave S.W.
Calgary, Alberta, Canada
T2P 4K3

Attention: Richard LeGallais/Posting Request

Via Email

Richard.Legallais@centrica.com

4. SALE NOTICE

The Sale Notice of specific lands will be available on the PNG Exchange website as of **March 20, 2017**.

Any party(ies) participating in the Bidding process does so on the understanding that if it becomes the successful bidder it will have the duty and obligation to identify and protect the leased lands against drainage of the leased substance from any offset well drilled on the spacing unit laterally or diagonally adjoining the leased lands. **If any offset wells exist, Clause 8 (“Offset Wells”) of DEML’s Petroleum and Natural Gas Lease (the “Lease”) will be triggered and will require the offset obligation to be fulfilled within ninety (90) days of the effective dated of the Lease.**

5. BIDDING PROCESS

Bids submitted prior to 4:00pm MDT on **April 28, 2017** made in accordance with the terms of these Bidding Guidelines will be considered by DEML. The primary criterion that will be used to select the winning bid is the value of the bonus consideration to be paid for the Lease.

All bidders must use the Bid Submission Form (“Bid Form”) available on the PNG Exchange website to bid on lands posted in the Sale Notice. Bids must be made on a parcel by parcel basis (no multi-parcel bids will be accepted).

Bid Forms should be printed on company letterhead of the party(ies) submitting the bid and sent to DEML at the following address:

Direct Energy Marketing Limited
West Tower, Suite #2600, 237 – 4th Ave S.W.
Calgary, Alberta, Canada
T2P 4K3
Attention: Richard LeGallais/Bid Submission

Once submitted, all bids complying with these Bidding Guidelines become legally binding offers and, if accepted by DEML, will result in the issuance of a Lease in accordance with the terms of Clause 9 hereof.

Any bid submitted in response to the Sale Notice that does not conform to the terms and conditions set forth in these Bidding Guidelines will not be considered.

6. IDENTICAL BIDS

In the event of identical bids for the same parcel, as determined solely by DEML, each bidder involved will be notified and will have the opportunity to submit a new bid in the proper form within forty eight (48) hours after being notified by DEML.

7. IDENTITY OF BIDDING PARTIES

All bidders may use a broker in the bidding process provided that on the Bid Form, the bidder's identity is disclosed, the broker is appointed as the bidder's designated representative, and the broker consents in writing to have its name publicized, in lieu of the bidder's name, in the Bid Results notice to industry if the bid is successful. Where a bidder elects this option, DEML agrees to keep such information confidential.

It is the responsibility of the designated representative to submit the bid and DEML shall look solely to the designated representative for the performance of all obligations prior to Lease issuance. The Lease will be issued to the bidder and DEML shall look solely to the bidder for the performance of all obligations under the Lease.

Bidders must be a corporation or partnership engaged in oil and gas exploration and development in Canada and such corporation, or the corporate partners in such partnership, must be incorporated in a Canadian jurisdiction and registered to carry on business in the Province of Saskatchewan. Bids will not be accepted from United States persons or residents of the United States, and any bids from any such entity shall be invalid and shall not be considered. The competitive bid process is being made from within Canada only and is not intended in any way to be a competitive bid process outside of Canada including, without limitation, a competitive bid process with the United States or within any state with the United States.

8. NOTIFICATION OF SUCCESSFUL BID

Bid Results may be obtained on the PNG Exchange website after **May 5, 2017** and will constitute DEML's acceptance of the bidder's offer to lease.

9. PAYMENT OF BONUS CONSIDERATION AND RENTAL

The successful bidder or their designated representative must pay the bonus consideration (the "Bonus Consideration") on or before 4:00pm MDT **May 12, 2017**, by certified cheque or bank draft, payable to Direct Energy Marketing Limited at:

Direct Energy Marketing Limited
West Tower, Suite #2600, 237 – 4th Ave S.W.
Calgary, Alberta, Canada
T2P 4K3
Attention: Richard LeGallais/Consideration

Failure to remit payment of the Bonus Consideration in full by 4:00pm MDT **May 12, 2017** as provided above, shall be deemed a breach of these Bidding Guidelines and DEML reserves the right to cancel the acceptance of such bid, and offer the parcel(s) to one or more other bidder(s).

10. THE PETROLEUM AND NATURAL GAS LEASE

An example of DEML's Petroleum and Natural Gas Lease is available on the PNG Exchange website.

Upon receipt of the Bonus Consideration pursuant to Clause 9 herein, DEML will issue to each bidder a Lease having an effective date of **April 28, 2017** that contains the following fundamental terms:

- Royalty Rate – Twenty Percent (20%) with no deductions
- Primary Term – One (1) year
- Reversion of non-producing formations
- Offset obligation

The bidder shall fully execute the Lease, and return same to DEML within seven (7) business days from receipt to:

Direct Energy Marketing Limited
West Tower, Suite #2600, 237 – 4th Ave S.W.
Calgary, Alberta, Canada
T2P 4K3
Attention: Richard LeGallais

11. DISCLAIMER/CONDITIONS

DEML reserves the right to accept or reject any bids submitted in response to the Sale Notice, in accordance with the terms and conditions in these Bidding Guidelines.

DEML further reserves the right to withdraw any parcel or parcels from the Sale Notice posted on the PNG Exchange website, subject to notifying bidders of such parcels that the parcel or parcels have been withdrawn and that no bids will be accepted in respect of same.

Once submitted, all Bid Forms become the property of DEML.

12. TITLE

Notwithstanding anything herein or elsewhere contained or implied, it is expressly agreed and understood that, in and by these Bidding Guidelines or pursuant to the Lease, DEML does not represent, convey, purport, promise or agree to convey to any bidder or designated representative any better title in and to the leased substances or other rights which may be granted pursuant to the Lease than the actual entitlement or title therein and thereto which DEML now has, ever had or is entitled to have, under any existing agreement.

DEML advises that it has not conducted and will not, be conducting, prior to issuance of any Lease, a historical title search on the lands being offered for lease and that bidders should conduct their own due diligence and obtain their own title opinions concerning title to the lands and leased substance upon which they are bidding prior to submitting bids. All costs incurred by any bidder to investigate and evaluate title to the lands shall be for their own account.

13. CONFIDENTIALITY

Information submitted by bidders or their designated representative (the “Confidential Information”) as described in these Bidding Guidelines shall be kept confidential by DEML, with the exception of the identity of the successful bidder or designated representative, which will be announced by DEML in the Bid Results notice to industry.

For purposes of this Clause 13, Confidential Information does not include information which is publicly available through no breach of these Bidding Guidelines by DEML or its employees, contactors, subcontractors or agents.