



Crescent Point

# UNITIZATION

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2015 GPAC / PJVA JOINT CONFERENCE



# Agenda

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- Introductions
- What is a Unit?
- Why Unitization?
- What is the Process?
- Roles of Unitization Process
- Our Experiences, Challenges and Successes
- Recent Industry Activity
- Question Period
- References



## What is a Unit?

As Defined by the PJVA Unitization Seminar Material:

“Unitization is a special type of joint venture which may be defined in its broadest terms as the pooling of productive mineral interests for the mutual benefits of all the interested parties.”<sup>1</sup>

## The Objective:

To provide for the cohesive development and operation of an entire geologic prospect or producing reservoir in order for exploration, drilling, production and enhanced recovery to proceed in the most efficient and economical manner by one Operator.

# Why Unitization?

**Unitization provides the following benefits / incentives to Unit Owners:**

- Capital Efficient Development on both Primary and Secondary Recovery**
  - Optimal well and facility development
  - Relief from offset drilling obligations and compensatory royalties
  - Relief from land expiries
  
- Development for Secondary recovery based on aligned development strategies**
  - Rapid turnaround of Waterflood Applications
  - Quick turnaround on conversion of producing wells to injection wells for optimizing reserve recoveries.
  
- Common operatorship and operating synergies that provide total OPEX savings for both wells and Facilities.**
  
- Diversification for parties with small land holdings within the unit.**
  - Become a WI % holder in a larger area of interest
  
- Future insurance that a party will continue to have production irrespective an individual well's performance.**
  
- Long term advantage for ultimate recoveries and increased value of the asset**



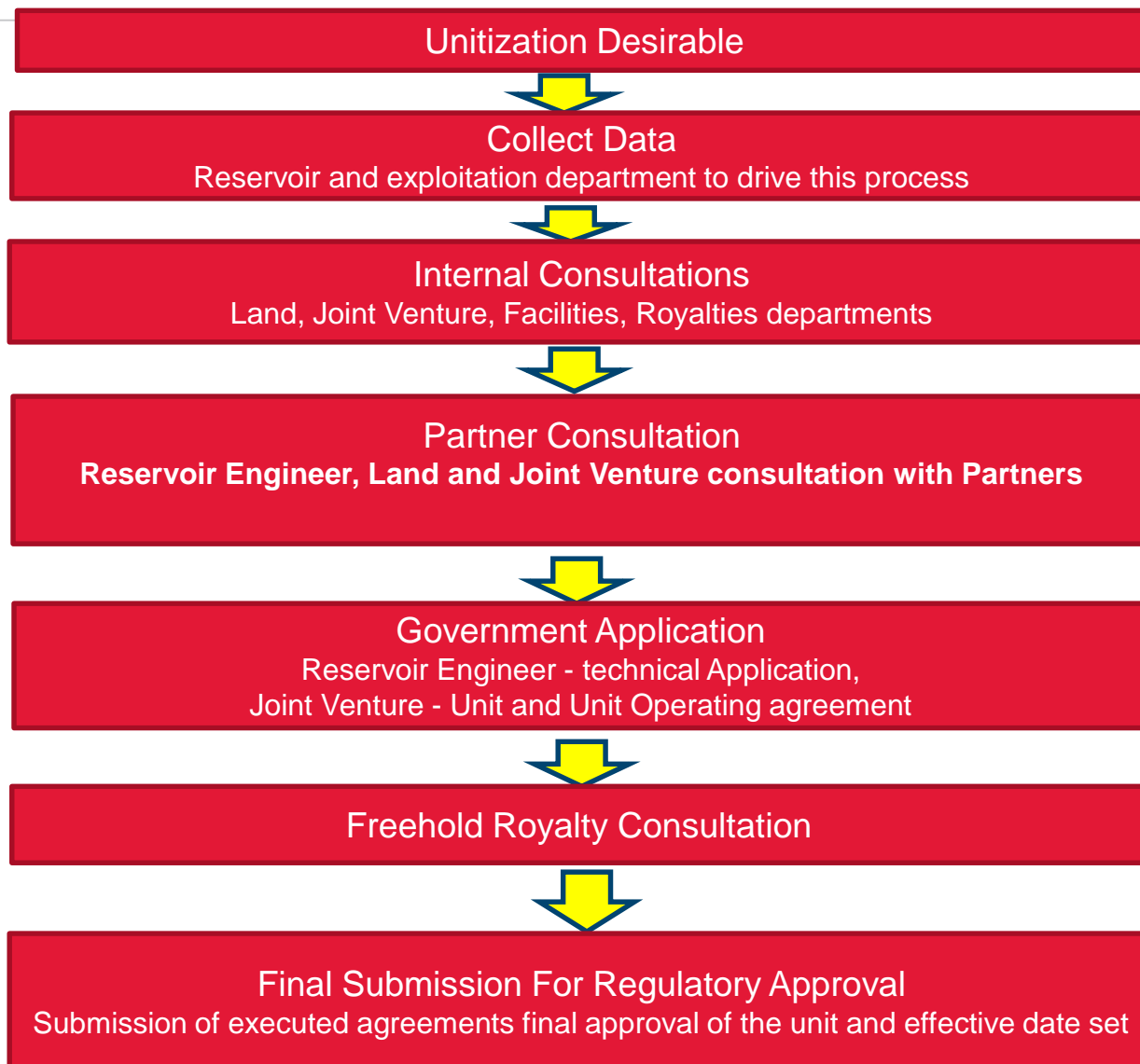
## Why Unitization? (cont'd)

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### Things to Consider ... (possible arguments against Unitization)

- Dilution of Interest / production possible for some Owners over others
- Loss of control of operations to another operator (Unit Operator)
- Initial decline of revenue is possible in the short term
- Partners may be carried on Unit projects they do not wish to participate in

# Process Flow



# Roles of Unitization Process

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- Engineering
  - Reservoir – mapping, net pay/porosity, OOIP or ROIP, productivity
    - Long term focus
    - Enhanced Recovery Schemes
    - Determination of Unit boundaries
    - Calculation of tract factors
    - Regulatory / Crown Technical Applications
- Exploit
  - Infrastructure planning
  - Optimization opportunities
- Land
  - Land title review
  - Initial Royalty Owner consultation preparation



# Roles of Unitization Process

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- Joint Venture
  - Organizes internal and external stakeholders
    - Internal meetings / initiation organization
    - Primary contact for initial Partner meetings / proposal
  - Manage Communication Process for Unitization
  - Ensure all parties stay on track and ensure successful implementation of Unitization
    - Acts as liaison between all internal and external stakeholders
  - Drafts Unit and Unit Operating Agreements
  - Ongoing administration and management of the Unit once effective / approved
    - facilitator in unit negotiations (tracts, tract factors, etc)



# Our Experiences / Challenges / Successes

[https://www.youtube.com/watch?v=m\\_MaJDK3VNE](https://www.youtube.com/watch?v=m_MaJDK3VNE)



# Our Experiences / Challenges / Successes

## Text Book vs. Real World

- Unique approach due to majority stake hold in unitized lands
- Drive process, supply technical data to unit stakeholders
- Control/possess most or all of technical data related to unitization
- Ease of implementation due to limited number of parties as WIO
- Strong focus and stringent timeline for implementation

## Challenges

- Development and approval of “modern” Unit model agreement and establishment of process with government
  - What are requirements?
  - Who are the contacts?
  - Process for approvals/applications and expectations
  - Understanding the differences in Provincial Approvals, processes (Manitoba vs. Saskatchewan)

## Royalty Owners

- Communication and explanation of how unitization works
- Explanation of impact on their Royalty once implementation occurs
- What does it mean for them (what are the long term benefits)?
- What are their expectations?

# CPG Recent Events Related to Unitization: History



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## Saskatchewan:

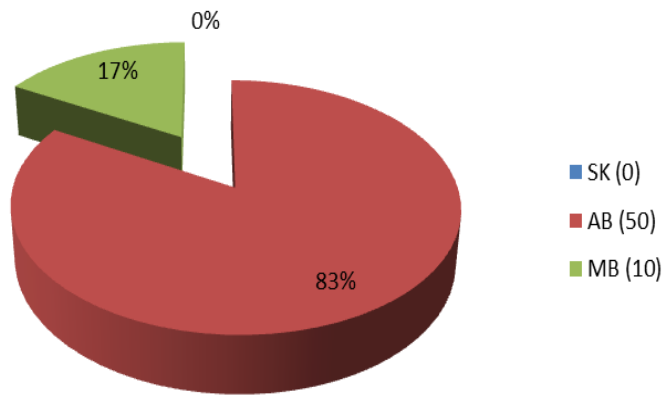
- Leitchville North Shaunavon Voluntary Unit (Effective 2013)
- Viewfield Bakken Voluntary Unit No. 1 (Effective 2015)

## Manitoba:

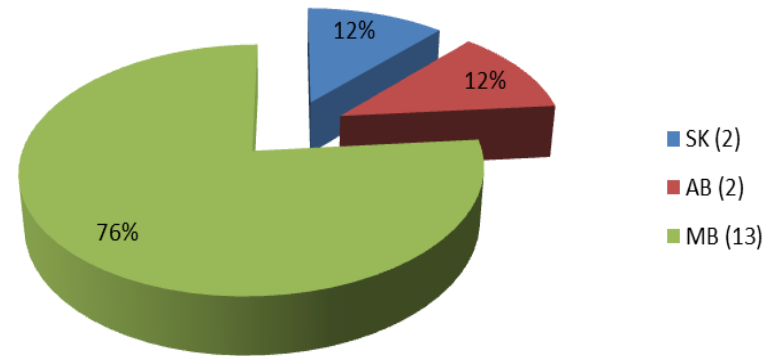
- East Manson Unit No.2 (Effective 2015)
- Kola Unit No.4 (pending)
- East Manson Unit No.5 (pending)
- East Manson Unit No.7 (pending)

# Recent Industry Activity:

### 2014 Approvals



### 2015 Approvals



# Questions?



# Thank You

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# Resources / Bibliography

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<sup>1</sup>PJVA Unitization Seminar Materials 2013