

*Practice Standard For Use Of
Geophysical Data*

March 2006

Overview

The wording in this document will have most relevance to the Oil and Gas Industry from which the issues of concern and proposed practices have originated. Nonetheless, owners and users of geophysical data (“Data”) of all types from other industries are encouraged to adopt this Practice Standard as much as possible and to the degree that the practises are relevant to their industries.

The primary use of geophysical Data by oil and gas exploration companies has been to aid in the search for hydrocarbons. This document refers to seismic Data however these practices would apply to other types of geophysical data as well. Traditionally a company would acquire the Data at its own expense and consider the information contained within the acquired Data to be proprietary and confidential. Accordingly this type of Data is known throughout the industry as “100% proprietary” Data.

In many situations where exploration costs were high or where there was deemed to be some advantage in working together with other oil companies, geophysical data was acquired jointly between two or more oil companies. This Data was also considered proprietary and confidential by the acquiring group of companies and is referred to throughout the industry as “partnered proprietary” Data.

Oil companies also realized that their proprietary Data was an asset that could be monetized by selling licenses of copies of the Data to other oil and gas companies. Typically, the purchasing company could obtain a licensed copy of the geophysical data at a price substantially less than the current acquisition cost. Consequently, a market in the licensing of proprietary Data flourished between oil companies, with the licensed copy being referred to within the industry as “purchased” or “trade” or “licensed” Data.

Recognizing potential in the geophysical trade market, a number of geophysical companies have been formed to acquire proprietary seismic data with the primary objective of licensing copies of their Data for a profit. They may speculate on the location of future activity and acquire their Data in these areas in order to maximize marketability to oil and gas companies. This Data is often referred to within the industry as “spec” or “multi-client” Data.

Purpose

Data generally contains information, which is considered confidential and proprietary by those companies who own the Data. The unrestricted use of the Data, either by proprietary partners, or by companies who have licensed a copy of the Data, has the potential to decrease the value of the data to the Owner(s). Restrictions between acquiring partners are generally outlined in a joint venture agreement and in cases where copies of the Data are licensed to a third party through a Data licensing agreement. However, there are many situations where no Data use or licensing agreements exist or existing agreements inadequately govern Data use. In these cases this “Practice Standard For Use of Geophysical Data” will be used to govern Data use as there is an ongoing onus on the Company using non-proprietary Data to protect the confidential and proprietary nature of the Data.

It is entirely possible that some companies may choose, and have the right to, restrict Data use to an even tighter standard.

APEGGA’s committee and boards may use these criteria as a guide to practice standards and ethical conduct.

Definitions

For the purposes of this standard, the following terms and definitions apply. Words importing the singular include the plural, and vice versa:

“**Data**” means geophysical data, regardless of the form or medium on or in which it is displayed and includes, but is not limited to: observer’s notes, surveyor’s notes and any subsequent calculations, location maps, physical recordings of the field measurements, and, any subsequent displays which have been calculated from the field measurements.

“**Proprietary Data**” means Data that is owned 100% by an oil and gas exploration company.

“**Partner Proprietary Data**” means Data that is owned by two or more oil and gas exploration companies.

“**Spec Data**” means Data that is owned by geophysical companies not actively in the business of exploring for oil and gas.

“**Licensed Data**” means any type of Data that is licensed to a third party by the owner(s) or licensor(s) thereof.

“Confidentiality Agreement” means an agreement of terms and conditions whereas a Company may disclose confidential Data to a third party who would not otherwise be entitled to view the Data.

“Company” means a person, firm or corporation that is actively engaged in the exploration, development and/or production of hydrocarbons.

“Direct Control” means that circumstance where:

- (i.) No copies or re-creations of the Data or portions thereof can be made without the prior written consent of the Licensor; and
- (ii.) The Data resides: within the offices of the Licensee; at the Licensee's duly authorized archival site; at a data room operated by the Licensee or its authorized agent; or at a processing house acting as authorized agent of the Licensee; or
- (iii.) Whenever the Data is not within the premises described above, an employee or agent of the Licensee is within direct physical proximity of the Data at all times.

“Disclosure” means that a Data owner or licensee has shown or revealed specified Data.

“License” means a non-exclusive, non-transferable, non-proprietary right to use the Data as granted to the Licensee pursuant to, and for the specific uses described in a licensing agreement.

“Licensee” means a company that has acquired a Data License.

“Licensor” means a party that grants a Data License.

“Owner” means a person, firm or corporation which is the proprietary owner of the Data and has the legal right to assign, sell, trade, exchange, transfer, license or give away the Data.

“Prospect” means a geographical area designated by the Licensee where the Licensee has an idea or detailed concept to explore for hydrocarbons.

“Property” means a geographical area designated by the Licensee where the Licensee has the right, license or privilege to explore for hydrocarbons.

Practice Standard

At a minimum, the following Practice Standard must be followed when a Company has a Prospect or a Property and is using Data to promote and attract business for farm-ins, farm-outs, land sales, drilling options, seismic options, pooling or joint ventures, divestiture of individual properties, divestiture of an entire company, or other like business transactions concerning the Prospects and /or Properties.

1. **Existing Agreements:** This practice standard in no way supersedes any existing agreements (such as Data license agreements or Joint Operating agreements) governing the use of Data unless written consent is obtained from the Data Owner(s).
2. **Confidentiality Agreement:** Parties viewing the Data are required to sign a confidentiality agreement stating they will keep all information regarding the Data

strictly confidential and will not disclose any portion of this information to any other third party save persons, firms, or consultants in its employ.

3. Proprietary Data Disclosure:

- a. All Data which is clearly 100% proprietary may be assigned, sold, traded, exchanged, transferred, given or otherwise disclosed at the sole discretion of the Data Owner(s).
- b. All geophysical Data which is Partner Proprietary (<100% working interest) is to be treated in the same manner as licensed data, where there is an attempt to keep all Data Owners from loss.

A Company may divest the entirety (and not less) of its ownership position to one (and not more than one) Company at any time. Notification of the divestiture to working interest partner(s) must be done in a timely manner. The disposing Company must not keep any copies, whether electronic or hardcopy, of the Data and must to the greatest extent possible, eliminate all copies of the Data and other interpretative products relating therefrom whether on workstations, on databases or at storage facilities.

A Company wishing to sub-divide its working interest must obtain prior approval from all partners.

4. Licensed Data Disclosure: A Company may disclose the data to:

- a. Persons, firms or consultants in its employ, or any wholly owned subsidiary or parent company, if such party agrees not to assign, sell trade, exchange, transfer, give or otherwise disclose the Data; or
- b. Firms or corporations resulting from any merger, re-organization or consolidation in which the Company is a party; or
- c. Firms or corporations with whom the Company, during the course of normal business as outlined in this Practice Standard, is negotiating a business arrangement with respect to a specific Prospect or Property.

However, the company cannot assign, sell, trade, exchange, transfer, give or otherwise disclose the licensed Data to any third party unless consent to do otherwise is first obtained in writing from the Data Owner(s).

5. Direct Control of Licensed Data: Disclosure of the Data is only allowed under Direct Control and the right to copy, in whole or in part, any licensed Data remains solely with the Data Owner(s). This disclosure is permitted for the purpose of attracting third parties to participate in business deals relating to Prospects or Properties of the Company.

6. Lateral Extent of Licensed Data: The extent of Data shown should be limited and defined, for instance, it would not be appropriate to show all of a regional line for a one-section farm-in. An appropriate guideline for the WCSB: Data on or within 1 mile from the Prospect or Property being considered may be disclosed.

7. Limit on Access Time to Licensed Data:

- a. Disclosure of licensed Data will cease once a business arrangement between the Company and a third party has been agreed to, or at some other reasonable time defined at the outset. An appropriate guideline: 30 days from time of disclosure, or at the execution of a signed business arrangement, or at the time when it is clear no agreement will be reached, whichever event occurs sooner. If the third party wishes to further enjoy benefits of the Data after this time, they must then license a copy of the Data from the Owner(s). However, if the signed business arrangement and period of disclosure lead to a well commitment, but the third party subsequently encounters problems obtaining the desired surface well location, the Company is again permitted to provide brief access to the same data to spot an alternate surface well location.
- b. Should a Company and a third party not come to terms regarding a business arrangement, all notes and sketches in the possession of the third party cannot be used further and must be returned to the Company, or destroyed. The Company can require that the third party sign an officer's certificate stating all notes and sketches have been destroyed.

8. **Working The Data:**

For the purpose of doing a reasonable economic assessment of the Property or Prospect the third parties will be allowed:

- a. Visual inspection of the data.
- b. Re-interpretation of the data, which could include:
 - i. Making new data measurements – either on a supplied hard copy plot or a workstation.
 - ii. Building new maps – either by hand sketching or computer mapping.
- c. Workstation post-stack processing – filtering, polarity changes or calculating attributes.
- d. Pre-stack processing – under the Direct Control of the licensee at a third party processing house.
- e. The use of their own plotted seismic and synthetics to help tie-in the third party's data.

However, in all these cases the **ONLY** materials allowed to leave with the third party are hand drawn sketches (clause 9), and the Company may request that the materials be returned (clause 7). Note: even though a computer map may be produced on a screen, it may not be plotted and taken away.

9. **Notes and Sketches:**

- a. Third parties will be allowed to make sketches and notes that contain measured data interpretations. Such interpretations could include estimates of length, width, vertical closure in depth or time, amplitude and approximate geographical location (see figure 1). Any attempts to use such sketches in order to avoid the cost of acquiring a copy of the disclosed Data would be

considered an unethical attempt to deprive the Owner or Licensor of revenue they should normally expect to receive for the use of their Data.

Consequently, sketches that attempt to reproduce elements of Data such as surveyed shot point or bin locations will not be permitted to leave the Company's Direct Control. However, any plats of publicly available data, or data known to a third party, such as DLS grids or seismic stick maps may be brought into the Data disclosure area and used as a base for sketches.

- b. Digitally produced maps or data must not be removed be from the Company's Direct Control. No electronic devices, cameras, laptops, cell phones with photographic capability may be brought into an area where Data is disclosed.

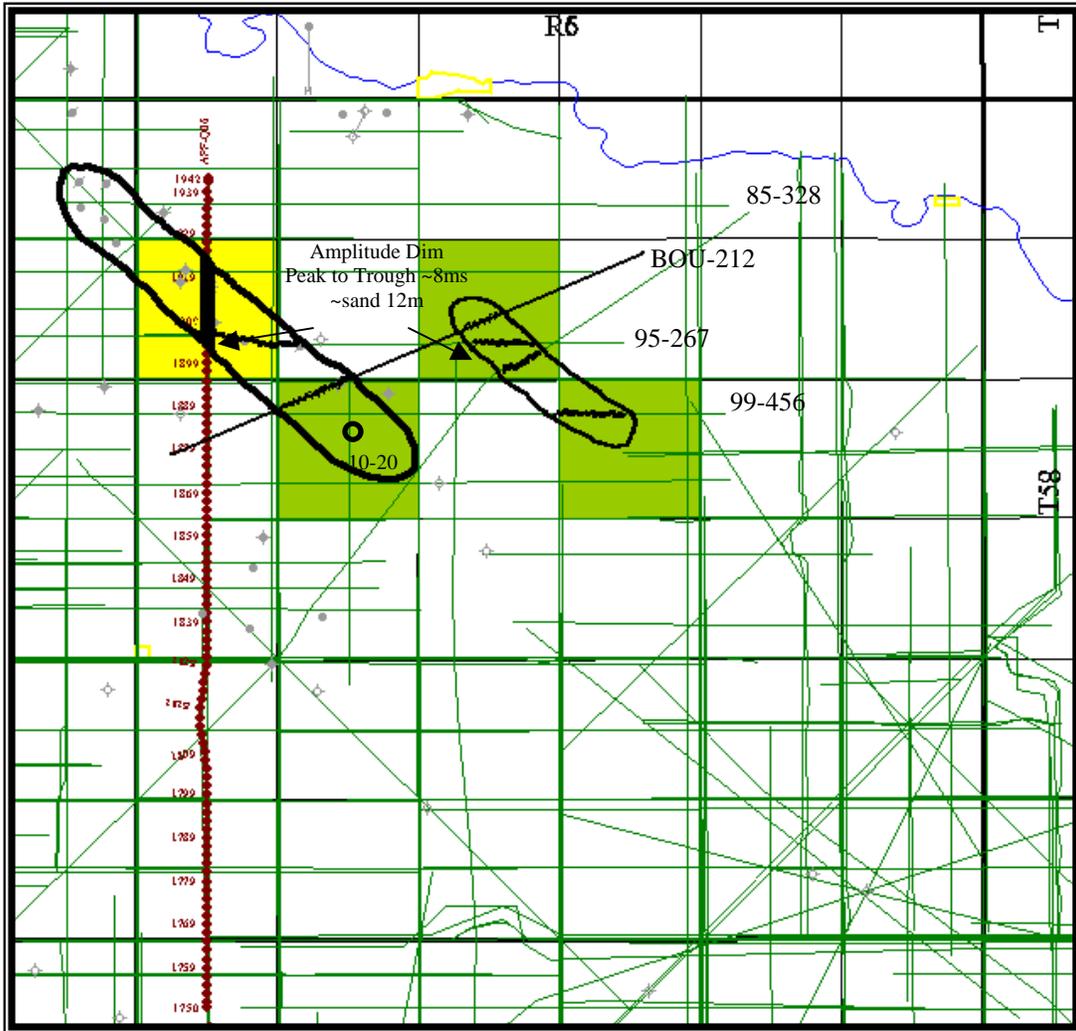


Fig.1 Example of sketch permitted to leave Company's direct control. Note that the base map with colour elements, shot point locations, DLS grid and land holdings were brought into the dataroom by the third party. The black lines and notes were sketched in the data room.