uniongas
A Spectra Energy Company

October 26, 2007

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
Suite 2700, 2300 Yonge Street
Toronto, Ontario
M4P 1E4

Dear Ms. Walli:

Re: Union Gas Limited
Application for Union Gas Limited to purchase shares of Tipperary Gas Corp.

Enclosed please find two (2) copies of Union's Application and Pre-filed Evidence for the above-noted matter.

As noted in the Application and Evidence there is some necessity to complete the transaction by November 15, 2007, and we would very much appreciate it if the Board could deal with this Application by that date.

In the event you have any questions on the above or would like to discuss in more detail, please do not hesitate to contact me at (519) 436-5211.

Sincerely,

"Original signed by"

Michèle Thébeau
Director, Regulatory Projects and Lands
:mjp
Encl.

cc: Neil McKay, Manager Facilities Applications *(neil.mckay@oeb.gov.on.ca)*

UNION GAS LIMITED
PURCHASE OF SHARES OF
TIPPERARY GAS CORP.

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Application

Prefiled-Evidence

ONTARIO ENERGY BOARD

IN THE MATTER OF The Ontario Energy Board Act, 1998, S.O. 1998, c.15, Schedule B, and in particular, s.43(2)(a) thereof;

AND IN THE MATTER OF an Application by Union Gas Limited for an Order granting leave to purchase 75% of the shares of Tipperary Gas Corp.

UNION GAS LIMITED

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1. Union Gas Limited ("Union") hereby applies to the Ontario Energy Board (the "Board"), pursuant to Section 43(2)(a) of the *Ontario Energy Board Act*, *1998* (the "Act") for an order granting Union leave to purchase (the "Purchase") 75% of the shares of Tipperary Gas Corp. ("Tipperary GP").

2. Tipperary GP is the general partner of Huron Tipperary Limited Partnership I ("Tipperary Limited Partnership"). Tipperary Limited Partnership in turn owns the storage rights to lands and facilities commonly referred to as the Tipperary North and South Storage Pools (the "Storage Pools") which are currently under development by Tipperary Limited Partnership in the geographic Township of Goderich, Municipality of Central Huron.

3. Tribute Resources Inc. ("Tribute") currently owns 100% of the limited partnership units of Tipperary Limited Partnership and 100% of the shares of its general partner, Tipperary GP.

4. Union has entered into a non-binding term sheet
   i) to subscribe for a 75% interest in the Tipperary Limited Partnership;
   ii) to purchase 75% of the shares of Tipperary GP from Tribute;
   iii) for Union to operate the Storage Pools pursuant to a contractual arrangement with Tipperary Limited Partnership once the Storage Pools are developed, and
   iv) for Union to lease the space in the Storage Pools from Tipperary Limited Partnership (the "Proposed Transaction").

5. Tipperary Limited Partnership requires additional financing in order to complete the development of the Storage Pools. The Proposed Transaction is in the public interest and will facilitate rational development and safe operation of gas storage in Ontario because it will provide funding and operational expertise to Tipperary Limited Partnership that will promote the safe and timely development and operation of the Storage Pools.

6. The Proposed Transaction will not have any impact on any of Union's regulated customers because Union's shareholders will bear all of the risk associated with the transaction.

7. The non-binding term sheet contemplates a closing date of November 15, 2007 or as soon as possible thereafter. Union therefore requests that the Board grant leave for the Purchase to proceed by November 15, 2007.

8. Union also requests that the Board issue the requested Order without a hearing as there is no party affected by the change in ownership other than the parties to the non-binding term sheet. In the alternative, if the Board determines that a hearing is necessary, Union requests that the Board proceed by way of written hearing, pursuant to Section 34.01 of the Board's Rules of Practice and Procedure.

Dated at Toronto this 25th day of October, 2007.

Per: Glenn F. Leslie
Counsel for Union Gas

Comments respecting this Application should be directed to:

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UNION GAS LIMITED
PURCHASE OF SHARES OF
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Application

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SECTION 1

PROJECT SUMMARY

1. This application is being made under Section 43 (2) (a) of the *Ontario Energy Board Act, 1998* (the "Act") which states:

    > (2) No person, without first obtaining an order from the Board granting leave, shall,
    >
    > (a) acquire such number of voting securities of a gas transmitter, gas distributor or storage company that together with voting securities already held by such person and one or more affiliates or associates of that person, will in the aggregate exceed 20 per cent of the voting securities of a gas transmitter, gas distributor or storage company;

2. Union Gas Limited ("Union") is applying for an order granting Union leave to purchase 75% of the shares of Tipperary Gas Corp. ("Tipperary GP"). Tipperary GP is a storage company as defined in the Act.

3. Tipperary GP is the general partner of Huron Tipperary Limited Partnership I ("Tipperary Limited Partnership"). Tipperary Limited Partnership in turn owns the storage rights to lands and facilities commonly referred to as the Tipperary North and South Storage Pools (the "Storage Pools") which are currently under development by Tipperary Limited Partnership in the geographic Township of Goderich, Municipality of Central Huron. The Storage Pools are the primary assets owned by Tipperary Limited Partnership.

4. Tribute Resources Inc. ("Tribute") currently owns 100% of the limited partnership units of Tipperary Limited Partnership and 100% of the shares of its general partner, Tipperary GP.

5. On October 24, 2007 Union Gas Limited ("Union") and Tribute signed a non-binding term sheet (the "Term Sheet") that outlines the terms and conditions upon which Union would subscribe for a 75% interest in the Tipperary Limited Partnership; purchase 75% of the shares of Tipperary GP from Tribute; operate the Storage Pools pursuant to a

contractual arrangement with Tipperary Limited Partnership once the Storage Pools are developed, and ultimately lease the space in the developed Storage Pools from Tipperary Limited Partnership (the "Proposed Transaction").

6. The proposed purchase by Union from Tribute of 75% of the shares of Tipperary GP (the "Purchase") requires the approval of the Ontario Energy Board (the "Board") pursuant to s. 43(2)(a) of the Act. Accordingly, Union is making this application seeking leave from the Board to complete the Purchase.

7. Union and Tribute will be working on completing the definitive agreements that will implement the Proposed Transaction. The Term Sheet contemplates a closing date of November 15, 2007 or as soon as possible thereafter, with the Purchase being conditional on the Board granting leave. Union therefore requests that the Board grant the leave requested by November 15, 2007.

8. Union also requests that the Board issue the requested Order without a hearing as there is no party affected by the change in ownership other than the parties to the Term Sheet, and, specifically, the rights of the owners of the land in the Designated Storage Area where the Storage Pools are located will not be affected.

9. In the alternative, if the Board determines that a hearing is necessary, Union requests that the Board proceed by way of written hearing, pursuant to Section 34.01 of the Board's Rules of Practice and Procedure.

10. This evidence will provide the Board with a description of the project, and the purpose and benefits of the project.

SECTION 2

DESCRIPTION OF UNDERTAKING

11. Union is requesting Board approval under section 43(2)(a) of the Act to purchase 75% of the shares of Tipperary GP. Tipperary GP currently owns 0.01% of Tipperary Limited Partnership and will continue to own 0.01% of Tipperary Limited Partnership after Union and Tribute complete the Proposed Transaction. Tipperary GP is now, and will continue to be after the Proposed Transaction, the sole general partner of Tipperary Limited Partnership.

12. The primary assets of Tipperary Limited Partnership are the Tipperary North and South Storage Pools and the associated compressor station and pipeline (connecting the wells to the compressor station) which are currently under development. The Board approved the designation of the area as a storage pool in the RP 2003 0253 proceeding in 2004. Additional approvals were also given by the Board in 2005 and 2007.

13. The RP 2003 0253 proceedings provided the specific details with respect to all aspects of the development. There will be one injection/withdrawal well completed in each of the pools, one observation well for each pool, an eight kilometer NPS 8 pipeline (connecting the two pools to a compressor station) and a compressor station.

14. Union will be constructing a short pipeline and metering station to connect the proposed storage facilities to Union’s existing system. This was described in the original RP 2003 0253 proceedings.

15. The acquisition of and investment in the Tipperary North and South Storage Pools is consistent with Union’s commitment to develop new storage in Ontario. Union will bring its experience in the development, operations and marketing to complete the development.

16. The following are the principal terms that are expected to be in the final definitive agreements:

- Union will subscribe for 75% of the limited partnership units (the "Units") in the Tipperary Limited Partnership;
- Union will purchase 75% of the shares of the general partner, Tipperary GP, from Tribute, conditional on receiving leave from the Board to complete the Purchase;
- Tribute will continue to develop the Storage Pools, pipeline and compressor plant on behalf of Tipperary Limited Partnership, with Union's input and involvement;
- Tipperary Limited Partnership will use the proceeds from Union's subscription for 75% of the Units to finance the completion of the development of the Storage Pools;
- Union will lease all of the capacity of the Storage Pools and market that capacity under an initial 10 year marketing agreement with Tipperary Limited Partnership based on market pricing; and
- Union will operate, manage and maintain the Storage Pools under an initial 10 year operating agreement with Tipperary Limited Partnership.
- Union will have an option to participate in any storage pools and related assets located in Huron County held now or in the future by Tribute.

17. The development of the Storage Pools is currently scheduled to be completed by April 1, 2008 in order to comply with a Condition of Approval set out in the Board's decision in EB-2006-0018, EB-2006-0159 and EB-2006-0279.

SECTION 3

PURPOSE AND BENEFITS

18. The Proposed Transaction will allow Union to work actively on a new storage development with a new partner in a new part of the province where Union has not previously developed storage.

19. Tipperary Limited Partnership needs additional financing to complete the development of the Storage Pools, and Union is able to provide that financing while also bringing development, operating and marketing experience to the project.

20. Once developed, Ontario will gain additional storage space. The Proposed Transaction is in the public interest and will facilitate rational development and safe operation of gas storage in Ontario because it will provide funding and operational expertise to Tipperary Limited Partnership that will promote the safe and timely development and operation of the Storage Pools.

21. Union's investment in the Tipperary Limited Partnership and Tipperary GP is a result of the Board's recognition in the Natural Gas Electricity Interface Review proceeding (NGEIR) of the competitive business environment for the provision of gas storage. Union's shareholders will be 100% at risk for the investment. As a result, this purchase by Union will not impact Union's regulated business or customers in any way. It will however create additional Ontario storage capacity to meet growing market demands, including the Ontario power market.