

KENT FEDERATION OF AGRICULTURE*farmers working for farmers*

Ag Business Centre, Ridgetown Campus/University of Guelph, Ridgetown, Ontario NOP 2C0
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To: Ontario Energy Board
P.O. Box 2319,
27th Floor
2300 Yonge St.,
Toronto, ON M4P 1E4

April 11, 2011

leggs

Attention: Ms. Kirsten Walli
Email boardsec@ontarioenergyboard.ca
Fax: 416-440-7656

EB-2011-0013
EB-2011-0014
EB-2011-0015

ONTARIO ENERGY BOARD

IN THE MATTER OF the Ontario Energy Board Act, 1998, S.O. 1998, c.1S,
Schedule B; and in particular sections 90, 36.1 (1), 38(1) and 40(1) thereof.

AND IN THE MATTER OF an Application by Union Gas Limited for a regulation
designating the area known as the Jacob Pool, in the Municipality of Chatham-Kent, as a
gas storage area;

AND IN THE MATTER OF an Application by Union Gas Limited for authority to
inject gas into, store gas in and remove gas from the Jacob Pool, and to enter into and
upon the lands in the said area and use the said lands for such purposes;

AND IN THE MATTER OF an Application by Union Gas Limited to the
Ministry of Natural Resources for licences to drill wells in the said area;

AND IN THE MATTER OF an Application by Union Gas Limited for leave to
construct a natural gas pipeline and ancillary facilities in the Municipality of Chatham-Kent


Please find the Kent Federation of Agriculture's intervenor evidence attached.

Enclosed:

- KFA Intervenor Evidence - written submission
- Statement of Qualifications of Harry Lawson
- 19 scanned files of well pressure documentation
- Tribute Resources Letter – re: Stanley Pool
- Sacramento Natural Gas Storage – *please note that only the relevant pages have been submitted.*

If you require any further information or clarification please feel free to contact Harry Lawson on behalf of the Kent Federation of Agriculture.

Respectively,



Harry Lawson
Kent Federation of Agriculture-designate
harry.lawson@rogers.com

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Kent Federation of Agriculture Intervenor Evidence

Kent Federation of Agriculture Respectfully submits that the following Evidence falls beneath the umbrella of Point 1(1.3) of the Proposed Issues List.

1(1.3) "Does the applicant have the necessary leases and agreements with the directly affected landowners?"

Some leases submitted as applicant evidence contain clauses which indicate minimum annual payments equal to LCSA agreement payments, others appear to be industry "standard" leases, unamended.

"Minimum" suggests that landowners could expect more.

President – Louis Roesch, 519-351-7711

Kent Federation of Agriculture is concerned that compensation paid by Ontario storage operators is inadequate and unfair in today's marketplace. The current compensation regime is a product of the fully regulated storage structure which existed prior to the birth of deregulation in the 1990's. The subject application here is for unregulated profit open market storage in which storage volume is rented to the highest bidder. This submission is to put forth evidence to support fairer compensation levels.

Residual Gas

The KFA presents, as evidence, "Form 8" Documents as submitted by Operators, as required by Regulation, to Ontario Ministry of Natural Resources, Petroleum Resources Section.

These Production Records clearly document the widespread industry practice in Ontario of continuing production operations **below 50 psia**. Lessors continue to receive royalties on production below 50 psia under the P&NG leases in many pools across Southern Ontario.

When a landowner or mineral rights holder enters into a P&NG Lease that person has the expectation that if oil and or gas is discovered it will be produced until exhausted or economically unprofitable to the operator and at that time the operator will undertake further exploration or surrender the lease.

Production continued **through the 50 psia barrier**, in the Jacob Pool, the subject pool in this application, royalties were due and payable under the terms of the P&NG Leases.

Section 3 Schedule 13 of the current application documents a reservoir pressure taken in November of 2009 of **280.4 kPaa** which converts to **40.668 psia** using a conversion factor of 6.8948.

In the **Zone Pool DSA**, (Designated by OEB in 1963 (Inactive)) the present operator continues to produce Natural Gas at levels in some wells **approaching 0 psia**.

Examples of other wells are included, many are former Union Gas wells, some in Dawn-Euphemia Township, which are still in production.

The **Stanley Pool** in Huron County, which the operator seeks to develop into storage was also depleted through production to **near 0 psia**.

A letter stating that intention is also included.

KFA submits that to allow the continuance of the practice of **not** compensating royalty owners below 50 psia is unfair, presents an undue, unearned windfall to the operators and should be corrected.

Storage Opportunity Underground

An internet search reveals a proposed storage development in Sacramento, California, USA. www.sacnaturalgas.com Website printouts are included in this submission.

President – Louis Roesch, 519-351-7711

This development appears to be comparable to storage in Ontario, however landowner payments are based on a percentage of the operating gross revenue, listed as 4%, giving the property owners a revenue stream based on the "Storage Opportunity Underground".

Contributions to a Community Neighbourhood Foundation are also generated from the revenue stream.

Several other storage operations are also listed in the American Gas Association Survey Summary as having compensation levels substantially above Ontario.

It is also worth noting that Ontario Regulation 263/02 under the Mining Act requires payments to the Ontario Government, on Crown Land, to be based on storage volumes. Excerpt reads .

(b) the storage rental, in dollars per 1000 cubic metres of the working storage volume per month, that the applicant proposes to pay the Crown during the first and subsequent terms of the lease;

KFA submits that the current landowner compensation regime in Ontario is unfair and should be updated to reflect the market opportunities being captured by storage companies, while continuing landowner compensation levels based on regulated, franchise based conditions.

KFA would also submit that a impartial review of the current compensation regime is overdue and suggest that the OEB commence by it's own Motion a Proceeding whereby the evidence concerning Landowner compensation is considered and ruled upon.

A Proceeding commenced in this manner would provide a more level platform, which would not require the level of financial risk which fell upon the shoulders of the landowners in past proceedings.

This evidence is respectfully submitted in the good faith belief that it brings forth to OEB, some of the landowner issues of concern in Ontario.

Respectfully Submitted on behalf of Kent Federation of Agriculture by Harry Lawson as Designated Representative.

Statement of Qualification of Harry Lawson
EB-2011-13/14/15

1972	Graduate of Lambton Kent Composite School, Dresden Ontario
1973 to present	Full time farm operator
1973 to Present	Property owner in Zone DSA
1995 to Present	Chair of Zone Landowner's Association (currently inactive)
	Pursued issues surrounding Off Target un-pooled wells in Zone Resulting in Ontario Mining and Lands Commissioner Hearings resolving pooling and Royalty issues in Zone "B" and "C" Pools , acted as landowner representative and appeared as witness.
	Member of LCSA Negotiating Committee as advisor and resource person.
	Worked as landowner's representative, regarding MNR issued plugging order, researching orphaned brine disposal well near Sarnia, appealing and securing services of qualified contractor.
	Participated throughout Tipperary proceedings providing advice and guidance to Huron Federation of Agriculture, Tipperary Storage Landowners Association and their legal Counsel, was deemed eligible and received costs as expert.
	Provided advice to Stanley Bayfield Landowners Association during negotiations with Tribute Resources over storage compensation agreements.
	Ongoing role in providing advice throughout protracted proceedings surrounding petroleum and storage rights in Stanley Pool.
	Ongoing role in providing advice and guidance to Landowners with problems involving oil patch interaction with landowners.