# **KENT FEDERATION OF AGRICULTURE**

farmers working for farmers

Ag Business Centre, Ridgetown Campus/University of Guelph, Ridgetown, Ontario NOP 2CO phone: 519-674-1500 x 63595 or 1-866-222-9682 fax: 519-674-1512 e-mail: <u>kent@ofa.on.ca</u>

To: Ontario Energy Board P.O. Box 2319, 27<sup>th</sup> Floor 2300 Yonge St., Toronto, ON M4P 1E4

Attention: Ms. Kirsten Walli Email <u>boardsec@ontarioenergyboard.ca</u> Fax: 416-440-7656 April 11, 2011

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

 CC: Mark Murray, Union Gas Ltd. <u>UNIONregulatoryproceedings@uniongas.com</u> Dan Jones, Union Gas Ltd. <u>dxjones1@uniongas.com</u> Bonnie Adams, Enbridge Gas Distribution Inc. <u>bonnie.adams@enbridge.com</u> Tania Persad, Enbridge Gas Distribution Inc. <u>EGDRegulatoryProceedings@Enbridge.com</u> Louis Roesch, Kent Federation of Agriculture <u>kent@ofa.on.ca</u> Demetrius Kappos, Ministry of Natural Resources <u>demetrius.kappos@ontario.ca</u> James Murphy, Invenergy Canada <u>JMurphy2@invenergyllc.com</u> Harry Lawson, Kent Federation of Agriculture <u>harry.lawson@rogers.com</u>

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**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

# 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 <u>minimum</u> annual payments equal to LCSA agreement payments, others appear to be industry "standard" leases, unamended.

"Minimum" suggests that landowners could expect more.

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. <u>www.sacnaturalgas.com</u> Website printouts are included in this submission.

This development appears to be comparable to storage in Ontario, however <u>landowner</u> <u>payments are based on a percentage of the operating gross revenue</u>, 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 <u>Ontario Regulation 263/02</u> under the <u>Mining Act</u> 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 1973 to present 1973 to Present 1995 to Present	Graduate of Lambton Kent Composite School, Dresden Ontario Full time farm operator Property owner in Zone DSA 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
	<ul> <li>witness.</li> <li>Member of LCSA Negotiating Committee as advisor and resource person.</li> <li>Worked as landowner's representative, regarding MNR issued plugging order, researching orphaned brine disposal well near Sarnia, appealing and securing services of qualified contractor.</li> <li>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.</li> <li>Provided advice to Stanley Bayfield Landowners Association during negotiations with Tribute Resources over storage compensation agreements.</li> <li>Ongoing role in providing advice throughout protracted proceedings surrounding petroleum and storage rights in Stanley Pool.</li> <li>Ongoing role in providing advice and guidance to Landowners with problems involving oil patch interaction with landowners.</li> </ul>

Part D Su	mmary of Commingled Wells	· )	Ba	y Pi	eld l	JOA	)			)	(7)
Licence No.	Well Name		Тс	ownship, T	ract - Lot - C	oncession		Field/Pool		Remarks	-
8752	Bluewater Imperial Porter No. 1	Twp:	Stanley	Tract:	1 Lot:	7 Con:	BRN	Bayfield Reef - Unit Agreement	207		28.Apr.06
8753	Bluewater Imperial Grainger No. 1	Twp:	Stanley	Tract:	4 Lot:	8 Con:	BRN	Bayfield Reef - Unit Agreement	200	72 hr	28.Apr.06
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The undersigned c	certifies that the above information is complete and accurate and he/sh	e has the	authority to	bind the o	perator.						
Name:	per: Jane Lowrie Signature:		Kour	w	Þo	sition Held:		President Date:		01.Feb.0	7
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Natura	ry of Mini. des al Richesses Irces naturelles					Annual Report of M	Gas and Salt Resources Ionthly Oil and Ga for the year 2006		) CTION			Bayfreld	· )	Page 1 of
Operator Name		wood Res			Well Name:		Bayfield UOA	)	L	icence #:	Field/Pool:	Bayfield Reef -	Unit Opera	Y
	it E - 309 Commission	ers Rd. W.	, London	1, ON, N6J 1Y4	Township:	Stanley 1	ract	Lot	7&8	Con. BR			Gas Producer	
Indicate whether ${f E}$ .														
for wells which did not p	roduce any oil or gas during the reg	orting year, but	these wells mi	ust be reported on Forr	u 3.	•								
Part A	Single well repo	rt	<u>.</u>	<u>[x]</u> G	roup/Commingled	Well Report								
		PRC	DUCTIO	ON VOLUME	S				]	PRESSURE DA	ATA	<u></u>	TIME ON 1	RODUCTION
Month	Oil (m <sup>3</sup> )	G	as (10 <sup>3</sup> m	<sup>3</sup> ) (	Condensate (m <sup>3</sup> )	Water (m <sup>3</sup> )	WHSIP	* (kPag)		-in Time (hrs.)		SIP Taken		Days
Jan	0		14.82		0	0				······				30
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Mar	<u> </u>	1	32.67		0	0		·····			RECEIV			31
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June	0		15.22		0	0	*				FEB 1 2 200			30
July	0		13.79		0	0					PETROLEUM RESO	URCES		31
Aug	0		10.46		0	· 0 .		<u>`</u>			PETROLEUM RESU	RESOURCES		31 ·
Sep	0		14.03		0	0		·	I	L				30
Oct	0		19.14		0	0				<u> </u>				31
Nov	0		24.51		0	0								30
Dec	0	+	26.84		0	0			<u> </u>					31
TOTALS	0	1	239.82		0	0	]							361
Part B	·			<u></u>	*Wellhead Shut-in	n Pressure				Part C	** CALCULAT	ION OF ANNUA	L LICENC	E FEE
	Oil (m <sup>3</sup> )	Oil Va	lue (\$)	Gas (10 <sup>3</sup> m <sup>3</sup> )	Gas Value (\$)	Condensate & gas Products (m <sup>3</sup> )	Condensate Value (\$)	Total V	/alue (\$)		(A) Total Production 1000 m <sup>3</sup> gas and m <sup>3</sup> gil or condensate	(B) Licence rate		nce fee payable (A) x (B)
Amount used as feul	0	\$	-	0	\$ -	0	\$ -	\$	-	Gas	239.82	\$0.135 per 1000	0 m <sup>3</sup> \$	32.38
Sales	0	\$	-	239.82	\$ 73,738.77	0	<u>s</u> -	\$ 73,	738.77	Oil	0	\$0.27 per m <sup>3</sup>	\$	-
Other (Explain)	0	\$	-	0	\$	0	\$	\$		Condensate	0	\$0.27 per m <sup>3</sup>	\$	-
`otal	0	\$		239.82	\$ 73,738.77	0	\$ -	\$ 73,	738.77	Total			\$	32.38

\*\* This information is to be summarized on Form 3 for all wells

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## EB-2011-0013\0014\0015 Section 3 - Schedule 13

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## Jacob Pool Production History

	Cumulative Production	Bottom Hole	e Pressure	P₀/Z	Well
Date	(10 <sup>3</sup> m <sup>3</sup> )	(kPag)	(kPaa)	(kPaa/Z)	
15-Jan-88	0.0	7927	8026.3	9601.0	PPC 14
20-Jun-90	12790.7	5582	5681.3	6456.1	PPC 14
07-Jun-90	12653.9	5588	5687.3	6463.8	RR 9
19-Jun-91	18108.9	5167	5266.3	5928.0	PPC 31
10-Aug-91	18839.2	5472	5571.3	6315.2	PPC 34
30-Jun-92	32842.6	2331	2430.3	2562.1	PPC 39
27-Jul-92	33695.6	2057	2156.3	2259.0	PPC 39
19-Jan-96	51022.4	1053	1152.3	1179.8	PPC 34
20-Jul-98	56424.3	758	857.3	871.9	PPC 34
July, 1998	56409.3	682	781.3	793.3	PPC 14
27-May-99	57851.8	1215	1314.3	1350.6	PPC 39
14-Sep-06	64883.6	395	494.3	498.7	PPC 34
23-Nov-09	66134.2	181.1	280.4	281.5	PPC 34

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licence No.	Well Name		Тс	ownship, T	ract - Lot - (	Concessi	Field/Pool		Remarks			
	uron 3 Stanley 4-7-XI	Twp:	Stanley	Tract:	4 Lot:	7	Con:	XI	Stanley Reef - Unit Agreement	69 kPa	72 hr	28.A
<u>6307 H</u>	uron 4 Stanley 3-7-XI	Twp:	Stanley	Tract:	3 Lot:	7	Con:	XI	Stanley Reef - Unit Agreement	69 kPa		28.A
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Ontario F	Ministry of I Natura! I Resources r	Richeseos			•••)	Annual Report of M	as and Salt Resources onthly Oil and Ga for the year 2006		) CTION				(18	Di
Form 8	<u>`</u>				<u>Inv nxv</u>			<del>)                                    </del>				1911 - 1911 - 1917 - 1919 - 1914 - 1914 - 1914 - 1914 - 1914 - 1914 - 1914 - 1914 - 1914 - 1914 - 1914 - 1914 -		e 1 of 2
Operator N Address:			wood Resources In ers Rd. W., Londor		Well Name:		Stanley UOA			icence #:	Field/Pool:		Unit Operation Agreen	aent
Indicate whether		309 Commission	ers Ru. w., London	1, ON, NOJ 1 14	110wnship:	StanleyTi	act	Lot	7	Con. I	Well Status - M	ode: G	as Producer - Capped	
		any oil or gas during the rep	orting year, but these wells n	ust be reported on Form	3.									
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			PRODUCTI	ON VOLUMES			1			PRESSURE DA	- T <sup>*</sup> A			
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Month		Oil (m³)	Gas (10 <sup>3</sup> n	1 <sup>3</sup> ) C	ondensate (m <sup>3</sup> )	Water (m <sup>3</sup> )	WHSIP*	(kPag)	Shut	t-in Time (hrs.)	Date WH	SIP Taken	Days	
Jan		0	0		0	0		<u></u>	<u>†                                    </u>	······································			0	
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TOTALS	1	0	0	l	0	0							0	
					*Wellhead Shut-in	n Pressure								
Part B										Part C		ION OF ANNUA	L LICENCE FEE	
		Oil (m <sup>3</sup> )	Oil Value (\$)	Gas $(10^3 \text{m}^3)$	Gas Value (\$)	Condensate & gas Products (m <sup>3</sup> )	Condensate Value (\$)	Total V	alue (\$)		(A) Total Production 1000 m <sup>3</sup> gas and	(B) Licence f	ee Licence fee pa (A) x (B)	- 1
Amount used as	i fcul	0	\$ -	0	\$ -	0	\$ -	\$		Gas	<u>m<sup>3</sup> oil or condensate</u> 0.00	£0.125 1000		
Sales		0						1				\$0.135 per 1000		
-	· · _		\$ -	0.00	\$ -	0	\$-	\$	*	Oil	0	\$0.27 per m <sup>3</sup>	\$	
Other (Expla	in)	0	\$ -	0	\$-	0	\$-	\$	_	Condensate	0	\$0.27 per m <sup>3</sup>	\$\$	-
Fotal		0	\$ -	0.00	\$-	0	\$ -	\$		Total			\$	

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\*\* This information is to be summarized on Form 3 for all wells

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Part D	Summary of Commingled Wells

Licence No.	Well Name	Township, Tract - Lot - Concession	Field/Pool	Remarks
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The undersigned certifies that the above information is complete and accurate and he/she has the authority to bind the operator.

Name: Peter Miller

Signature:

Position Held:

President

Date:

Feb 8,2011

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Natural	of Ministère des Richesses es naturelles					l, Gas and Salt Resources Monthly Oil and Ga for the year 2010		CTION				Page 1 of 2
Operator Name:		Lagasco Inc.		Well Name:		Union Dawn 67		1	licence #: T008	864 Field/Pool:	<u></u>	Dawn
Address:	309 Commissi	oners Rd., London, C	Ont	Township:	Dawn 7	ract 7	Lot	24	Con. 9	Well Status - Mo	ode: Ga	s Producer - Active
					s shall be listed on the reverse side	in the space provided in Part D	. It in not necess	ry to complete this fo	0(1))		<u></u>	
r wells which did not prod	luce any oil or gas during the rep Single well repo			roup/Commingled	Well Report							
		PRODUCTIO	ON VOLUMES	5				Р	RESSURE DAT	`A	·····	TIME ON PRODUCTION
Month	Oil (m <sup>3</sup> )	Gas (10 <sup>3</sup> m <sup>3</sup>	<sup>3</sup> ) C	condensate (m <sup>3</sup> )	Water (m <sup>3</sup> )	WHSIP*	(kPag)	Shut	-in Time (hrs.)	Date WH	SIP Taken	Days
n		4.00										31
b		2.00		<u>.</u>								28
ır		0.00										31
<u>r</u>		4.00										30
/	<u></u>	4.00										31
9		1.40										30
,	· · · · · · · · · · · · · · · · · · ·	1.60										31
		1.40										31
		1.40										30
	<u></u>	1.50										31
,		0.00										30
;		0.00		·····	(	235 kpa		48 hr		Dec 5,2010		31
TALS	0.0000	21.30	<u> </u>	0	0.00	<u> </u>						365
B	<u></u>			*Wellhead Shut-in					Part C	** CALCULAT	ION OF ANNUAL	LICENCE FEE
	Oil (m <sup>3</sup> )	Oil Value (\$)	Gas (10 <sup>3</sup> m <sup>3</sup> )	Gas Value (\$)	Condensate & gas Products (m <sup>3</sup> )	Condensate Value (\$)	Total	Value (\$)		(A) Total Production 1000 m <sup>3</sup> gas and m <sup>3</sup> oil or condensate	(B) Licence fe rate	
ount used as feul	0	\$ -	2	\$ -	0	\$ -	\$	-	Gas		\$0.135 per 1000	m <sup>3</sup> \$ 3.15

0.0000 21.3 \$ Oil 3,831.00 0 \$ \$ 3,831.00 \$0.27 per m<sup>3</sup> 0 \$ -\$ 0 \$ \$ Condensate \$0.27 per m<sup>3</sup> 0 \$ \$ -0 ---0.0000 \$ 23.3 \$ 3,831.00 0 -\$ \$ 3,831.00 Total \$ -

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Sales

Total

Other (Explain)

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\*\* This information is to be summarized on Form 3 for all wells

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Part D Summar	y of Commingled Wells			
Licence No.	Well Name	Township, Tract - Lot - Concession	Field/Pool	Remarks
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<u> </u>				

The undersigned certifies that the above information is complete and accurate and helshe has the authority to bind the operator.

Name: Peter Miller

Signature: //\_

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Position Held:

President

Feb 8,2011

Date:

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Natu	stry of Ministère des ral Richesses surces naturelles					Oil, Gas and Salt Reso of Monthly Oil ar for the year 2	d Gas PRO	DUCTION				Page 1 of 2
Operator Nam	e:	Lagasco Inc.		Well Name:	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	Union Dawn 69	<u> </u>		Licence #: T0089	914 Field/Pool:	D	
Address:		ioners Rd., London,	Ont	Township:	Dawn	Fract	Lot		Con. 5		· ··	roducer - Active
for wells which did not	prot represents a single well report produce any oil or gas during the re X Single well repo	porting year, but these wells mu	ist be reported on Form			in the space provided in Par	1 D. It in not neces	sary to complete this	form			
	<u></u>	PRODUCTI	ON VOLUMES	<u> </u>					PRESSURE DA	ата		E ON PRODUCTION
Month	Oil (m <sup>3</sup> )	Gas (10 <sup>3</sup> m		Condensate (m <sup>3</sup> )	Water (m <sup>3</sup> )	WHSI	P* (kPag)	Shu	t-in Time (hrs.)	Date WHSI		Days
Jan		4.00							· · · · ·			31
Feb		2.00										28
Mar		0.00										31
Apr		4.00										30
May	· · · · · · · · · · · · · · · · · · ·	4.00										31
June		4.00		<u> </u>								30
July		5.00										31
Aug		3.00										31
Sep		3.00		·····								30
Sep Oct	<b>_</b>	2.30		· · · · · · · · · · · · · · · · · · ·								31
Nov		0.00				10 kpa		24 hrs		Nov 8,2010		30
Dec		0.00										31
TOTALS	0.0000	31.30		0	0.00							365
Part B	Oil (m <sup>3</sup> )	Oil Value (\$)	Gas (10 <sup>3</sup> m <sup>3</sup> )	*Wellhead Shut-i Gas Value (\$)	n Pressure Condensate & gas	Condensate	Total	Value (\$)	Part C	** CALCULATION (A) Total Production	OF ANNUAL LICEN	
					Products (m <sup>3</sup> )	Value (\$)	1018	• • aiuc (\$)		(A) Total Production 1000 m <sup>3</sup> gas and <u>m<sup>3</sup> oil or condensate</u>	(B) Licence fee rate	Licence fee payable (A) x (B)
Amount used as feu	1 O	\$-	3	\$-	0	\$ -	\$		Gas	34.3	\$0.135 per 1000 m <sup>3</sup>	\$ 4.63

\$

\$

\$

5,540.00

5,540.00

-

0

0

0

\$

\$

\$

\$

\$

\$

-

-

-

5,540.00

5,540.00

-

Oil

Total

Condensate

31.3

0

34.3

-

-

Sales

Total

Other (Explain)

0.0000

0

0.0000

\$

\$

\*\* This information is to be summarized on Form 3 for all wells

0

0

\$0.27 per m<sup>3</sup>

\$0.27 per m<sup>3</sup>

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-

4.63

\$

\$

\$

Part D Summa	ary of Commingled Wells			· · · · · · · · · · · · · · · · · · ·
Licence No.	Well Name	Township, Tract - Lot - Concession	Field/Pool	Remarks
	· · · · · · · · · · · · · · · · · · ·	-		
		· · · · · · · · · · · · · · · · · · ·		
	· · · · · · · · · · · · · · · · · · ·			
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The undersigned certifies that the above information is complete and accurate and he/she has the authority to bind the operator.

Name: Peter Miller

Signature:

Position Held:

: President

Date:

Feb 8,2011

	nistry of Ministère des Itural Richesses Isources naturelles				Gas and Salt Resources Act Monthly Oil and Gas PRO for the year 2010	DUCTION		Page 1 of 2
Operator Na		Lagasco Inc.	Well Name:	Uni	on Zone # 40	Licence #: 8872	Field/Pool:	Zone Pool
Address:	309 Commissio	ners Rd., London, Ont	Township:	Zone <u>Trac</u>	Lot	11 Con. VII	Well Status - Mode:	Gas Producer - Active
	e report represents a single well report or not produce any oil or gas during the repo X Single well repor	rting year, but these wells must be reporte	id or pool production. Commingled wells si ed on Form 3. Group/Commingled W		e space provided in Pari D. It in not necc	ssary to complete this form		
		PRODUCTION VOL	LUMES			PRESSURE I	DATA	TIME ON PRODUCTION
Month	Oil (m <sup>3</sup> )	Gas (10 <sup>3</sup> m <sup>3</sup> )	Condensate (m <sup>3</sup> )	Water (m <sup>3</sup> )	WHSIP* (kPag)	Shut-in Time (hrs.)	Date WHSIP Taken	Days
Jan		24.00		3.00				31
Feb		21.40		2.00			· ·	28
Mar		21.60		3.00				31
Apr		22.80		4.00				30
May		20.00		3.00				31
June		24.20		4.00				30
July		26.80		5.00			······································	31
Aug		24.20		4.00			······································	31
Sep		23.50		5.00	168 kpa	24 hrs	06-Sep-10	30
Sep Oct		27.80		5,00				31
Nov		26.10		5.00			<u> </u>	30
Dec		22.40		5.00				31
TOTALS	0.0000	284.80	0	45.00			1	365
			*Wellhead Shut-in	Pressure			· · · · · · · · · · · · · · · · · · ·	

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Part B			· · · ·					Part C	** CALCULATION	OF ANNUAL LICENCE	FEE
	Oil (m <sup>3</sup> )	Oil Value (\$)	Gas (10 <sup>3</sup> m <sup>3</sup> )	Gas Value (\$)	Condensate & gas Products (m <sup>3</sup> )	Condensate Value (\$)	Total Value (\$)		(A) Total Production 1000 m <sup>3</sup> gas and m <sup>3</sup> oil or condensate	(B) Licence fee rate	Licence fee payable (A) x (B)
Amount used as feul	0	\$	28	\$ -	0	\$ -	\$ -	Gas	312.8	\$0.135 per 1000 m <sup>3</sup>	\$ 42.23
Sales	0.0000		284.8	\$ 50,791.00	00	\$	\$ 50,791.00	Oil	0	\$0.27 per m <sup>3</sup>	\$ -
Other (Explain)	0	<u>s</u> -	0	\$ -	0	<u>s</u> -	\$ -	Condensate	0	$0.27 \text{ per m}^3$	\$ -
Total	0.0000	\$ -	312.8	\$ 50,791.00	0	<u>\$</u> -	\$ 50,791.00	Total			\$ 42.23

\*\* This information is to be summarized on Form 3 for all wells

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Part D Si	ummary of Commingled Wells			
Licence No.	Well Name	Township, Tract - Lot - Concession	Field/Pool	Remarks
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			·	
			· · · · · · · · · · · · · · · · · · ·	
	·····	+		
	· · · · · · · · · · · · · · · · · · ·			······
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The undersigned certifies that the above information is complete and accurate and he she has the authority to bind the operator.

Name: Peter Miller

Signature:

Position Held:

President

08-Feb-11

Date:

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		Ministère des								Oil, Gas	and Salt Res	ources Ac	et								$\cdot$
	atural I escurces i	Richesses naturelles						Annua	I Report	of Mor	thly Oil an	nd Gas <b>I</b>	PRODI	JCTION							
Ontario										foi	r the year 2	010									
Form 8											<u> </u>			••••••••••••••••••••••••••••••••••••••							Page 1 of
Operator Na	me:		Lagasc				ll Name:	(			Lone # 84			Li	cence #:	8855	Field/Pool:		Zone I	'ool	
Address:		309 Commissi					wnship:	Zone		raci	8	Lot		11	Con.	VII	Well Status - Mode:	(	Jas Pro	ducer - Acti	ve
		esents a single well report o					n. Commingled well	s shall be listed on the	e reverse side i	n the space	e provided in Par	rt D. It in no	of necessary	to complete th	is form						
ir weus which aid i		any oil or gas during the rej		but these wells mi	<b></b>																
	x	Single well repo	ort		G	roup/	Commingled	Well Report	•												
art A	· · · · ·														••••						
		<u> </u>	PI	RODUCTI	ON VOLUME	5									PRES	SURE E	ΟΑΤΑ		TIME	ON PRODU	JCTION
Month		Oil (m <sup>3</sup> )		Gas (10 <sup>3</sup> m	i <sup>3</sup> ) (	Conde	nsate (m <sup>3</sup> )	Wate	er (m <sup>3</sup> )	_	WHSIP	P* (kPag	g)	Shut-	in Time (I	nrs.)	Date WHSIP	Taken		Days	
in							··													31	
eb														<del>.</del>						28	
lar	_				·····		,,													31	
pr	·   · · ·	· · · · · · · · · · · · · · · · · · ·																		30	
ay	·										·····	,								31	
ine				3.80																30	
ily				3.90				ļ				<u> </u>								31	
ug				3.50			<del></del>	<u> </u>		4	<u> </u>	)				· · · · · ·			L	31	
ep				3.30		·				28	38 kpa		2	4 hrs			06/09/2010		L	30	
et			-	3.98							$\leq$				•		···			31	
ov				4.20				<u> </u>			. <u> </u>						· · · · · · · · · · · · · · · · · · ·			30	
ec DTALS		0.0000		3.60			0				·····								<u> </u>	31	
JIALS	<u> </u>	0.0000		26.28	I		0 Ilhead Shut-ii		00			<u></u> ,								365	•
urt B												<u> </u>			Part C		** CALCULATION OF	ANNUAL LICE	NCE FI	CE.	
	i	Oil (m <sup>3</sup> )	Oil V	Value (\$)	Gas (10 <sup>3</sup> m <sup>3</sup> )	Ga	is Value (\$)	Condensate Products			ndensate alue (\$)	To	otal Val	ue (\$)			(A) Total Production 1000 m <sup>3</sup> gas and m <sup>3</sup> oil or condensate	(B) Licence rate	fee	Licence fee (A) x	
iount used as f	feul	0	\$		2.6	\$		0	····	\$		\$			Gas		m_oil or condensate 28.88	\$0.135 per 100	0 m <sup>3</sup>	\$	3.9
les		0.0000			26.28	\$	4,417.00	0		\$	-	\$	4,41	7.00	Oil		0	\$0.27 per m <sup>3</sup>		\$	-
ther (Explain	n)	0	\$		0	\$		0		\$		\$	•	-	Condensat	e	0	\$0.27 per m <sup>3</sup>		\$	-
otal		0.0000	\$	~	28.88	\$	4,417.00	0		\$		\$	4,41	7.00	Total					\$	3.90

\*\* This information is to be summarized on Form 3 for all wells

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Part D Summary of Contract Description Contract Des	ommingled Wells		1	1
Licence NO.	Well Name	Township, Tract - Lot - Concession	Field/Pool	Remarks
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The undersigned certifies that the above information is complete and accurate and he/she has the authority to bind the operator.

Name: Peter Miller

Signature:

Position Held:

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President

Date:

08-Feb-11

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Natur	try of Ministère des al Richesses urces naturelles						Annual Report	of Mo	as and Salt Resou onthly Oil and or the year 20	Gas		ON						
Operator Name		Lagasco In	с.		W	ell Name:		Jnior	n Zone # 85		$\rightarrow$	1.1	cence #: 888	2 Field/Pool:		Zone		Page 1 of 2
Address:	309 Commissi			nt		wnship:		ract	2	L	ot 9		Con. VI				ducer - Acti	ve
for wells which did not ;	port represents a single well report a produce any oil or gas during the rep X Single well repo	porting year, but the		be reported on Form	n 3.	ion. Commingled wells		in the s	sace provided in Part	D. Ici	in not necessary to con	uplete th	ils form					· · · · ·
		PROE	DUCTIO	VOLUMES	S				I				PRESSURE	DATA	·····	TIME	ON PROD	ICTION
Month	Oil (m <sup>3</sup> )	Gas	s (10 <sup>3</sup> m <sup>3</sup> )	C	Conde	ensate (m <sup>3</sup> )	Water (m <sup>3</sup> )		WHSIP	* (kľ	Pag)	Shut-	-in Time (hrs.)	Date WHSIP	? Taken		Days	
Jan			7.00													1	31	
Feb			6.50										······································			1	28	
Mar			6.85					-								1	31	
Apr			6.85										<u></u>			1	30	
May			6.50														31	
June			6.50							_							30	
July		_	6.70													1	31	
Aug		-	6.70														31	
Sep	•		6.70				(		126 kpa 🌖		24 hr	s		sept 6,2010			30	
Oct			6.90				<u> </u>										31	
Nov			7.50													1	30	
Dec			6.40														31	
TOTALS	0.0000	8	1.10			0	0.00			<u></u>							365	
Part B						ellhead Shut-in	Pressure						Part C	** CALCULATION O	F ANNUAL LICI	ENCE I	FEE	
	Oil (m <sup>3</sup> )	Oil Valu	e (\$)	Gas (10 <sup>3</sup> m <sup>3</sup> )	G	as Value (\$)	Condensate & gas Products (m <sup>3</sup> )		Condensate Value (\$)		Total Value (S	\$)		(A) Total Production 1000 m <sup>3</sup> gas and m <sup>3</sup> oil or condensate	(B) Licence rate		Licence fe (A) x	
Amount used as feu	0	\$	-	8	\$	*	0	\$	-	\$	-		Gas	89.1	\$0.135 per 100	0 m <sup>3</sup>	\$	12.03
Sales	0.0000			81.1	\$	14,557.00	0	\$		\$	14,557.00		Oil	0	$\$0.27 \text{ per m}^3$		\$	- 12.00
Other (Explain)	0	\$	-	0	\$	-	0	\$	_	\$			Condensate	0	\$0.27 per m <sup>3</sup>		\$	[
Total	0.0000	\$	-	89.1	\$	14,557.00	0	\$	-	\$	14,557.00	Ţ	Total		1		\$	12.03

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\*\* This information is to be summarized on Form 3 for all wells

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Natural	of Ministère des Richesses res naturelles			Annual Report of Mont	nd Salt Resources Act hly Oil and Gas PRODUC the year 2010	TION		Page 1 of
Operator Name:		Lagasco Inc.	Well Name:	Z	one field	Licence #:	Field/Pool:	Zone
Address:	309 Commission	ners Rd., London, Ont	Township:	Traot		Con.	Well Status - Mode:	Gas Producer - Active
Indicate whether the report	t represents a single well report or a	n approved reporting of commingled field	or pool production. Commingled wells sha	If be listed on the reverse side in the sp	ace provided in Part D. It in not necessar	y to complete this form	······	
for wells which did not proc	duce any oil or gas during the repor	ting year, but these wells must be reported	on Form 3.					
	Single well report	t X	Group/Commingled W	ell Report				
Part A						•		
		PRODUCTION VOL	UMES			PRESSURE DA	ГА	TIME ON PRODUCTION
Month	Oil (m <sup>3</sup> )	Gas (10 <sup>3</sup> m <sup>3</sup> )	Condensate (m <sup>3</sup> )	Water (m <sup>3</sup> )	WHSIP* (kPag)	Shut-in Time (hrs.)	Date WHSIP Taken	Days
Jan	· · · · · · · · · · · · · · · · · · ·	28.10		5.00				31
Feb		28.30		4.00				28
Mar		35.15		5.00				31
Apr		36.65		7.00		······································		30
May		36.90		5.00				31
June		6.90		2.00				30
fuly		14.50		3.00				31
Aug		14.50		3.00			· ·	31
Sep		15.41		3.00				30
Oct		11.24		2.50				31
Nov		16.70		4.00			·····	30
Dec	<u></u>	15.70	•	3.00		······		31
FOTALS	0.0000	260.05	0	41.50		· · · · · · · · · · · · · · · · · · ·	~ <u></u>	365
Part B			*Wellhead Shut-in H	ressure		Dent Q		

Part B	· · · · · · · · · · · · · · · · · · ·						 ·	 	Part C	** CALCULAT	<b>ION OF ANNUAL LICI</b>	ENCE FEE
	Oil (m <sup>3</sup> )	Oil Valu	ıe (\$)	Gas (10 <sup>3</sup> m <sup>3</sup> )	Gas Value (\$)	Condensate & gas Products (m <sup>3</sup> )	ondensate 'alue (\$)	Total Value (\$)		(A) Total Production 1000 m <sup>3</sup> gas and m <sup>3</sup> oil or condensate	(B) Licence fee rate	Licence fee payable (A) x (B)
Amount used as feul	0	\$		26	<u>\$</u> -	0	\$ -	\$ -	Gas	286.05	\$0.135 per 1000 m <sup>3</sup>	\$ 38.62
Sales	0.0000			260.05	\$ 47,853.00	0	\$ -	\$ 47,853.00	Oil	0	\$0.27 per m <sup>3</sup>	\$ -
Other (Explain)	0	\$	-	0		0	\$ ~	\$ 	Condensate	0	\$0.27 per m <sup>3</sup>	\$ -
Total	0.0000	\$	-	286.05	\$ 47,853.00	0	\$ -	\$ 47,853.00	Total			\$ 38.62

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\*\* This information is to be summarized on Form 3 for all wells

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Licence No.	Well Name	Township, Tract - Lot - Concession	Field/Pool	Remarks
		Turne Tong Tri 2 Late 12 Com 6	Zone	SI pressure 700 Kpa
F008884	Union Zone # 21	Twp: Zone, Tr: 2, Lot: 12, Con: 6           Turn: Zone, Tr: 7, Lot: 12, Con: 8	Zone	SI pressure 1316Kpa
008877	Union Zone # 29	Twp: Zone, Tr: 7, Lot: 12, Con: 8 Twp: Zone, Tr: 7, Lot: 10, Con: 6 Huspka by R.L.	Zone	SI pressure 1910Kpa
008840	Union Zone # 31		Zone	SI pressure 91 Kpa
008870 003460x8\504	Union Zone # 34	Twp: Zone, Tr: 5, Lot: 10, Con: 6 $-452k4$ $105k2$ Twp: Zone, Tr: 8, Lot: 10, Con: 7	Zone	SI pressure 234 Kpa
00346057 (31)4	Union Zone # 38 Union Zone # 42	Twp: Zone, Tr: 1, Lot: 9, Con: 7	Zone	SI pressure 595 Kpa
008868	Union Zone # 43	Twp: Zone, Tr: 6, Lot: 10. Con: 7	Zone	SI pressure 147 Kpa
008867	Union Zone # 45	Twp: Zone, Tr: 3, Lot: 10. Con: 7	Zone	SI pressure 490 Kpa
008925	Union Zone # 49	Twp: Zone, Tr: 4, Lot: 11. Con: 7	Zone	SI pressure 336 Kpa
008924	Union Zone # 50	Twp: Zone, Tr: 1, Lot: 9. Con: 6	Zone	SI pressure 546 Kpa
008923	Union Zone # 51	Twp: Zone, Tr: 6, Lot: 12. Con: 6	Zone	SI pressure 350 Kpa
008871	Union Zone # 54	Twp: Zone, Tr: 7, Lot: 13. Con: 6	Zone	SI pressure 434 Kpa
	Union Zone # 62	Twp: Zone, Tr: 1, Lot: 9. Con: 7	Zone	SI pressure 1890 Kpa
008885	Union Zone # 69	Twp: Zone, Tr: 5, Lot: 11. Con: 8	Zone	SI pressure 1001 Kpa
008869	Union Zone # 72	Twp: Zone, Tr: 4, Lot: 13. Con: 8	Zone	SI pressure 14 Kpa
008887	Union Zone # 73	Twp: Zone, Tr: 4, Lot: 14. Con: 8	Zone	SI pressure 1057 Kpa
008855	Union Zone # 84	Twp: Zone, Tr: 8, Lot: 11. Con: 7	Zone	SI pressure 280 Kpa
008882	Union Zone # 85	Twp: Zone, Tr: 2, Lot: 9. Con: 6	Zone	SI pressure 126 Kpa
008880	Union Zone # 91 DJones	Twp: Zone, Tr: 5, Lot: 10. Con: 6	Zone	SI pressure 707 Kpa
008935	Union Zone No. 12, Zone 4-12-VI	Twp: Zone, Tr: 4, Lot: 12. Con: 6	Zone	SI pressure 245 Kpa

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The undersigned certifies that the above information is complete and accurate and he/she has the authority to/bind the operator.

Name:

Signature:

Peter Miller

Position Held:

Held: President

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Feb 8,2011

Date:

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	Ministry of	Ministère des
$(\heartsuit)$	Natural	Richesses
	Resources	naturelles
Ontario		

Oil, Gas and Salt Resources Act

WELL STATUS REPORT

For Year 2010

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									Martine and Annual A	tetre research			
Form 3		·····			- <u></u>								Page 5 v. 1999-03-30
Lagasco Inc		Address:	309	Commi	issione	rs Rd. W	I., Lond	don, Ont. N6J	1Y4	Tel. #:	(519) 657-2151	Fax #:	(519) 657-4296
Please attach list in same format if more space is required. A	All unpluaged	wells must be rep	orted and well which	were plu	unged of						·····	I	
Well Name		Town	ship, Tract - Lot	- Conc	ession	nd of purch	ased du	Licence #	vear must be reported Well Status - Type*	t. Well Status - Mode**	Status Change Date	Date Sold	Date Purchased
	Twp.		Tract	Lot		Con.		1				_	
Union Zone No. 12, Zone 4-12-Vi	Twp.	Zone	Tract 4	Lot	12	Con.	6	8935	GP	SUSP	Sept 22-2010		
Union Zone No. 16, Zone 8-12-VI	Twp.	Zone	Tract 8	Lot	12	Con.	6	8933	GP	ABD	May 2010		
Union Zone No.18, Zone 8-12-VII	Twp.	Zone	Tract 8	Lot	12	Con.	7	8921	GP	ABD	May 2010		
Union No. 21- W. Nickels No.1, Zone 2-12-VI	Twp.	Zone	Tract 2	Lot	12	Con.	6	8884	GP	ACT			
Union No. 22, Zone 8-12-V	Twp.	Zone	Tract 8	Lot	12	Con.	5	8878	GP		· · · · · · · · · · · · · · · · · · ·		
Union No. 29, Zone 7-12-VIII	Twp.	Zone	Tract 7	Lot	12	Con.	8	8877 V	GP	POT			
Union No. # 31, Zone 7-10-VI	Twp.	Zone	Tract 7	Lot	10	Con.	6	8840 V	GP GP	ACT			
Union Zone No. 34, Zone 5-10-VI	Twp.	Zone	Tract 5	Lot	10	Con.	6	8870 √	GP GP	ACT /			<u> </u>
Union No. 38, Zone 2-8-10-VII	Twp.	Zone	Tract 8	Lot	10	Con.	7	9504		ACT		-	
Union Zone No. 40, Zone -11-VII	Twp.	Zone	Tract	Lot	11	Con.		8872 1	GP				
Union Zone No. 42, Zone 1-9-VII	Twp.	Zone	Tract 1	Lot	9	Con.	7	8866	<u> </u>				
Union Zone No. 43, Zone 6-10-VII	Twp.	Zone	Tract 6	Lot	10	Con.	7		<u> </u>	ACT <sup>1</sup>			
Union No. 45, Zone 3-10-VII	Twp.	Zone	Tract 3	Lot	10			8868 √	<u> </u>	ACT <sup>1</sup>			
Union No. 49, Zone 4-11-VII	Twp.	Zone	Tract 4	Lot	······································	Con.		8867 🗸	GP	ACTV			
Oil well (OP), natural gas well (GP), oil and gas well (OPGP).	injection (IN	I) natural rae stor	TIAUL 4	LUL	11	Con.		8925 ✓	GP	ACT√			

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), injection (INJ), natural gas storagge (NGS), cavern storage (LPG), disposal (BD), observation (OBS), solution mining (SM), brine producer (BW), stratigraphic test (STR), dry hole (DH), oil show (OS), gas show (GS), oil & gas show (OSGS), private gas (PGP), historical oil (HOP), licence (LIC)

\*\*Active (ACT), suspended (SUS), abandoned (ABD), abandoned and whipstocked (ABW), capped/shut-in (CAP), potential (POT), lost (abandoned and junked) (LOS), not drilled (NDR) See Official Well Status Definitions for proper usage.

For wells sold - Name of Purchaser:

For wells purchased - Name of Seller:

Ministry of Ministère des A Natural Richesses Resources naturelles Ontario

### Oil, Gas and Salt Resources Act

WELL STATUS REPORT

For Yoar 2010

GP

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ACT⊭

ACT

				44	GLL	STATU	ס תברנ	IXI		For Year	2010				
Form 3														1	Page 1999-03-30
Operator Name:	Lagasco Inc.		Address:		309	Commi	ssioner	s Rd. W.	. Lond	on, Ont. N6J	1Y4	Tel. #:	519-657-2151	Fax #:	519-657-4296
Please attach list in same form	nat if more space is required.	All upplugge	d wells must be re	norted and w	مال بينه		him and a					······································			
Well	Name		Town	ship, Tract	- Lot	- Conce	ession	old of pure	chased d	Licence #	Well Status - Type*	rted. Well Status - Mode**	Status Change Date	Date Sold	Date Purchased
Jnion No. 50, Zone 1-9-	VI	Twp.	Zone	Tract	1	Lot	9	Con.	6	8924	GP	ACT			
Jnion Zone No. 51, Zone	e 6-12-VI	Twp.	Zone	Tract	6	Lot	12	Con.	6	8923	GP	ACT		••••	
Jnion No. 54, Zone 7-13	3-VI	Twp.	Zone	Tract	7	Lot	13	Con.	6	8871	GP	ACT /			
Jnion No. 62, Zone, Zor	ne 1-9-VII	Twp.	Zone	Tract	1	Lot	9	Con.	7	8897	GP				
Jnion No. 69, zone 5-11-	-VIII	Twp.	Zone	Tract	5	Lot	11	Con.	8	8885	GP	ACT		~	
JNION NO. 72, Zone 4-	13-VIII	Twp.	Zone	Tract	4	Lot	13	Con.	8	8869	GP	SUSP -	Nov-08		
JNION NO. 73, Zone 4-7	14-VIII	Twp.	Zone	Tract	4	Lot	14	Con.	8	8887 /	GP	SUSP -	Nov-08		
Inion No. 84, Zone 8-11	-VII	Twp.	Zone	Tract	8	Lot	11	Con.	7	8855	GP	SUSP -	Nov-08		
Jnion Zone No. 85, Zone	e 2-9-VI	Twp.	Zone	Tract	2	Lot	9	Con.	6	8882	GP				
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\*Oil well (OP), natural gas well (GP), oil and gas well (OPGP), injection (INJ), natural gas storagge (NGS), cavern storage (LPG), disposal (BD), observation (OBS), solution mining (SM), brine producer (BW), stratigraphic test (STR), dry hole (DH), oil

\*\*Active (ACT), suspended (SUS), abandoned (ABD), abandoned and whipstocked (ABW), capped/shut-in (CAP), potential (POT), lost (abandoned and junked) (LOS), not drilled (NDR)

Tract 8

Tract 5

Tract

Tract

Tract

Lot

Lot

Lot

Lot

Lot

Twp.

Twp.

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Twp,

show (OS), gas show (GS), oil & gas show (OSGS), private gas (PGP), historical oil (HOP), licence (LIC)

Zone

Zone

See Official Well Status Definitions for proper usage.

For wells sold - Name of Purchaser:

Union Zone No. 87, Zone 8-11-V

Union No. 91 Faubert No.1, Zone 5-10-VI

For wells purchased - Name of Seller:



FRIBUTI RESOURCES IN

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<sup>2</sup> MAR 0 8 2011

OMERATED WELLOW OF

March 4, 2011

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

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Dear Ms. Walli,

Re: Tribute Resources Inc. – Ontario Energy Board Practice Direction Rule 20.01(a) - NOTICE OF WITHDRAWAL of Huron Bayfield Storage Project Designation Applications and Pipeline Leave to Construct Application - EB-2009-0338, 0339, 0340

Tribute Resources Inc. ("Tribute") is writing to the Ontario Energy Board ("Board" or "OEB") to request that the above applications, which are currently being held in abeyance, be formally withdrawn from the Board's docket pursuant to the Board's Practice Directions, Rule 20.01(a). The above applications will be re-filed in March 2011 and will require new Board docket identification numbers, which Tribute has requested from the Assistant Board Secretary. Please accept this correspondence as Tribute's formal Notice of Withdrawal.

Tribute staff recently met with Board staff to provide an update in respect of the project and the court proceedings, which have significantly delayed the hearing of the applications. By way of background for the record, Tribute began preparation of these applications several years ago, negotiated landowner agreements and settlements and prepared filed the abovementioned designation applications on September 21, 2009 and the leave to construct a pipeline application in November 5, 2009.

Only one landowner of nine in the two proposed storage areas, McKinley Farms Ltd., has refused to enter into a new storage lease with Tribute due to an ongoing failure to agree on compensation. Attempts to resolve the storage lease compensation issue over many months were unsuccessful, following which the OEB suspended the pending hearing at Tribute's request. The key dates and steps in the court processes that frustrated Tribute's ability to proceed with its applications were as follows:

January 2009 - Counsel to McKinley Farms Ltd. filed a Notice of Application to the Ontario Superior Court commencing the process to challenge the validity of the Petroleum and Natural Gas Lease ("PNGL") and the Gas Storage Lease ("GSL").

June 2009 - Superior Court proceeding was held. The judge in that proceeding found that both leases were invalid.



July 2009 - Tribute appealed Superior Court Decisions to the Ontario Court of Appeal.

January 2010 - Court of Appeal hearing held.

June 2010 – Court of Appeal decision released, reinstating the PNGL, but finding the GSL had expired, and was thus invalid.

August 2010 – McKinley Farms sought leave to appeal to the Supreme Court of Canada in an attempt to overturn the Court of Appeal decision that the PNGL is valid.

November 2010 – Supreme Court of Canada denied McKinley Farms Ltd's leave to appeal application. McKinley Farms Ltd's counsel challenged Tribute's ability to store gas pursuant to provisions of the valid PNGL and counsel threatened to take the PNGL back to court for an interpretation of the wording of the PNGL that Tribute has no legal right to store gas pursuant to the PNGL.

February 2011 – Tribute attempted to negotiate terms for a new GSL with McKinley Farms. Efforts were unsuccessful based on dispute over amount of compensation.

March 2011 – Tribute decided to re-launch its OEB applications and proceed to hearing.

Tribute is therefore now in a position to proceed with the applications under the new docket numbers. Tribute wishes to advise the Board that even if counsel to McKinley Farms wishes to pursue another court action to determine wording in the valid PNGL, Tribute will bring a motion to have the matter determined before the OEB, which is the most suitable adjudication venue.

Tribute looks forward to filing its refreshed applications next week and receiving the necessary OEB procedural orders to move the applications forward. Please contact me if you have any questions,

Yours truly, Tribute Resources Inc.

Chris Butler Manager, Project Development

### Welcome | Sacramento Natural Gas Storage



Project Benefits Project Health & Safety

Compensation Community Outreach Contact Us

## YOUR NEIGHBORS SAY IT BEST ...

(Please allow time to download large files) PROJECT FACILITIES MAP

ESSENTIAL FACTS

SUBSURFACE VIEW

PROJECT UPDATES

- July 2008

- August 2008 -Chairman's Report #1

PRINTER FRIENDLY



# 2010

Final EIR Ready for Public Review

The document is available for public review on June 10, 2010

Two Options to Review a copy of the "FEIR"



9031 Fruitridge Road Suite B. Sacramento, CA 95828 \$16-388-2088

#### SNGS is pleased with the EIR...

and believes it validates the safety of the project. The remaining issue of the "highly unlikely" migration of natural gas into the water table is not at all alarming when viewed in context. The EIR speaks of any possible threat in terms of "geologic time," meaning millions of years. IF EVER."

1. The SNGS project will give SMUD greater independent from PG&E: and

2. 1/3 of the gas field already holds gas today and there is no monitoring of any kind.



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# WELCOME

#### The Szoramento Natural Gas Storage Project

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## Unanimous SMUD Board Approval Of Contract Agreement

On The siley, October 2, 2006, the Sacraments Monicolar Utility Diamet (SMuC) unanimouslity voted to approve a one-year extension for the contrast agreement with the Sacramento Natural Gas Storage (SNGS) project Board member Rence Taylor audio that the SNGS project vould is gnificantly benefit raisbayers

#### Creation of Community/Neighborhood Foundation and ongoing, annual (inancial lunding Storage Rights Leases for Property Owners and the City \$ Signing Bonuses \$ Annual Payments \$ One-time. Lump Sum Buyout Increased Tax Revenue to the City New Jobs

New Landscaping, Sidewalks Expanded Neighborhood Security Patrols Security of Energy Supply



Public safety is our first priority. This project has addressed and studied all the right issues to determine it is a safe and beneficial project for the









PROJECT FACILITIES



#### Operational Facilities

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For more information or to be added to the project mailing list, please contact Elizabeth Hughes at aizabeth hughes@sachaturalgas.com or (916) 448-2440.

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# PAYMENTS FOR ONE - ACRE OF STORAGE RIGHTS

## COMPARISON OF "COMPARABLE" FACILITIES AND THE SNGS FACILITY

	Wild Goose	Lodi	McDonald Island	SNGS
SIGNING BONUS	\$-0-	Per Lease	\$-0-	\$1,000
\$/ACRE/YEAR				
Year 1	\$ <mark>68</mark> 1	\$317	N/A	\$2,450
Year 5	\$681	\$371	N/A	\$2,870
Year 10	\$3,250	\$1,311	N/A	\$3,490
Year 15	\$3,954	\$1,595	N/A	\$4,250
5 Year Total	\$3,405	\$1,718	\$8,686*	\$14,290
10 Year Total	\$18,451	\$5,493	\$19,772**	\$30,450
15 Year Total	\$36,757	\$12,878	\$33,921***	\$50,120

Note: \* 51st – 55th year of Operation

\*\* 56th - 60th year of Operation

\*\*\* 61st - 65th year of Operation

SNGS Offer is based on 4% of projected annual Gross Revenue of \$17.6 million in the first full year of operations (Year 1)



# STORAGE RIGHTS COMPENSATION SUMMARY OF SURVEY

Location of Facility	Annual Compensation Per Acre	Increases Over Time?
Virginia	\$1	No
U.S. *	\$1 - \$2	No
U.S. *	\$1	No
U.S. *	\$4	No
U.S. *	\$5	No
U.S. *	\$2 - \$7	No
U.S. *	\$4 - \$11	No
U.S. *	\$5 - \$10	No
U.S. *	\$20	No
U.S. *	\$20	No
U.S. *	\$100	No
Ontario, Canada	\$24	No
Ontario, Canada	\$24	No
Ontario, Canada	\$28	No
Pennsylvania	\$78	No
Texas	\$100	No
Colorado	\$350	No
California (Wild Goose)	\$681	Yes
California (Lodi)	\$317	Yes
California (SNGS)	\$2,610 **	Yes

**Note:** Source was Storage Compensation Survey, conducted by the American Gas Association

\*\*Based on Project Revenue, Year 1

# Property Owner Payments - Frequently Asked Questions (FAQ)

# If the Sacramento Natural Gas Storage (SNGS) project is approved, how much will property owners earn?

Property owners, whose land extends above the reservoir, will be paid a minimum of \$500 annually or more if the property is greater than one half acre. Lease signing bonuses will also be provided at this same \$500 minimum at the time of signing. Lease payments for one-acre sites will be paid at \$1,000 per acre which exceeds other compensation of only \$317 or \$681 at other comparable facilities (e.g. Wild Goose and Lodi).

### What if my property is less than a half an acre?

No one will be paid less than \$500 for their storage rights. Property owners, whose land extends above the reservoir and having less than half of one acre, will be paid \$500 annually as part of the SNGS lease agreement.

# What if the storage reservoir was located in a more costly area like Land Park, would they earn more money for leasing their property?

Absolutely not! The assessed value determined for the compensation, for the purposes of a natural gas storage facility, is based on the value of the storage opportunity that is underground.

# The City of Sacramento owns property above the reservoir; would they earn more money than other property owners?

The amount paid per parcel is distributed on an equitable basis determined by the size of each parcel. Leasing payments will be based on the individual landowner's property size. For every one half of an acre (or a fraction thereof), the property owner would receive \$500 annually as part of the SNGS lease agreement. The City does not receive any more money than other property owners.

# Would you consider as part of the lease payment, property owners being partners in the project?

While not truly partners, the property owners will share in the gross revenues and will be protected from any losses realized by the storage project. Since property owners are lessors not partners, they have <u>no financial risk</u> of cost over-runs, operating losses or loan foreclosure on their storage rights.

### How will the value of my property be impacted?

Properties receiving annual lease income will benefit from an increase in the value of their property. The estimated 15-year value increase, for a typical neighborhood property, is projected to be more than \$10,000.

# How has the proposed compensation plan for the homeowners and the community been researched and calculated?

SNGS is committed to make an offer that is more than fair market value to all landowners whose property extends above the reservoir. The proposed offer far exceeds the appraised

fair market value by 417% for a typical neighborhood property. The Appraisal of fair market value (dated June 1, 2007) was made by the firm of Harold W. Bertholf, Inc., a well-respected appraisal, engineering, and geological company previously used by the City of Sacramento. The offer includes the following:

- > Every landowner will be paid at the same rate for their storage rights
- > Each landowner who voluntarily signs a lease will receive a "signing bonus"
- The amount of money that SNGS will pay for the storage rights will be a fixed percentage of the company's gross revenues which may increase over time
- Each landowner will receive a minimum annual payment of \$1,000 per acre but no less \$500 per parcel, no matter how small their parcel may be.

A comparison of three other Northern California natural gas storage facilities property owner compensation rates showed that the SNGS offer greatly exceeded the payments offered by comparable projects. The structure of this compensation package also allows Sacramento property owners to share in future, expected revenues.

### What portion on my property will be leased and will it effect my daily life?

The storage area to be leased is located nearly a mile below the surface of neighborhood properties. No surface property will be impacted in any way due to storage activities. Well-site activities will be conducted east of Power Inn Road in an industrial area and drilling will occur off site so as not to disturb any portion of the residential neighborhood. No SNGS work will occur on any properties owned by residents.

### Are lease payments considered taxable income?

Please consult a licensed tax advisor for verification of individual income tax obligations.

**NOTE:** SNGS does reserve the right to withdraw the present Offer as to any storage rights SNGS must acquire by eminent domain proceedings. In that event, the premium will no longer apply and SNGS will propose the Appraisal (or an update thereof) as just compensation for any such rights. The limited duration of the Offer is intended not only to reward landowners for early signup but also to share with the landowners the savings to SNGS against the time and expense involved in the eminent domain process. SNGS is not now authorized to use the power of eminent domain. If necessary, it will petition to obtain such power from the California Public Utilities Commission as set forth in answer to Question33 of the Community Q & A - (Located as a download on the community outreach page).