

# **KENT FEDERATION OF AGRICULTURE**

*farmers working for farmers*

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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: [kent@ofa.on.ca](mailto:kent@ofa.on.ca)

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

April 11, 2011

Attention: Ms. Kirsten Walli  
Email [boardsec@ontarioenergyboard.ca](mailto: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](mailto:harry.lawson@rogers.com)

CC: Mark Murray, Union Gas Ltd. [UNIONregulatoryproceedings@uniongas.com](mailto:UNIONregulatoryproceedings@uniongas.com)  
Dan Jones, Union Gas Ltd. [dxjones1@uniongas.com](mailto:dxjones1@uniongas.com)  
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James Murphy, Invenenergy Canada [JMurphy2@invenenergyllc.com](mailto:JMurphy2@invenenergyllc.com)  
Harry Lawson, Kent Federation of Agriculture [harry.lawson@rogers.com](mailto:harry.lawson@rogers.com)

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27<sup>th</sup> Floor  
2300 Yonge St.,  
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April 11, 2011

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## **ONTARIO ENERGY BOARD**

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**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

### **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.

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](http://www.sacnaturalgas.com) Website printouts are included in this submission.

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.



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Form 8

Operator Name: Clearwood Resources Inc.	Well Name: Bayfield UOA	Licence #:	Field/Pool: Bayfield Reef - Unit Operation Agreement
Address: Unit E - 309 Commissioners Rd. W., London, ON, N6J 1Y4	Township: Stanley	Tract: 7 & 8	Well Status - Mode: Gas Producer - Active

Indicate whether E

for wells which did not produce any oil or gas during the reporting year, but these wells must be reported on Form 3.

☐ Single well report ☒ Group/Commingle Well Report

Part A

PRODUCTION VOLUMES					PRESSURE 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.)	Days
Jan	0	14.82	0	0			30
Feb	0	26.91	0	0			28
Mar	0	32.67	0	0			31
Apr	0	22.30	0	0			27
May	0	19.13	0	0			31
June	0	15.22	0	0			30
July	0	13.79	0	0			31
Aug	0	10.46	0	0			31
Sep	0	14.03	0	0			30
Oct	0	19.14	0	0			31
Nov	0	24.51	0	0			30
Dec	0	26.84	0	0			31
TOTALS	0	239.82	0	0			361

\* Wellhead Shut-in Pressure

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 fuel	0	\$ -	0	\$ -	0	\$ -	\$ -	Gas	239.82	\$0.135 per 1000 m <sup>3</sup>	\$ 32.38
Sales	0	\$ -	239.82	\$ 73,738.77	0	\$ -	\$ 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>	\$ -
Total	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

(OVER)



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EB-2011-0013\0014\0015

Section 3 - Schedule 13

**Jacob Pool Production History**

Date	Cumulative Production (10 <sup>3</sup> m <sup>3</sup> )	Bottom Hole Pressure		P <sub>o</sub> /Z (kPaa/Z)	Well
		(kPag)	(kPaa)		
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

### Part D Summary of Commingled Wells

Stanley 40A

[illegible]

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

Name: per: Jane Lowrie

Signature: 

**Position Held:** President

Date: 01.Feb.07

Form 8

Page 1 of 2

Operator Name: Clearwood Resources Inc.		Well Name: Stanley UOA		Licence #:		Field/Pool: Stanley Reef - Unit Operation Agreement	
Address: Unit E - 309 Commissioners Rd. W., London, ON, N6J 1Y4		Township: Stanley		Tract Lot 7		Con. 11	
						Well Status - Mode: Gas Producer - Capped	

Indicate whether E  
for wells which did not produce any oil or gas during the reporting year, but these wells must be reported on Form 3.

☐ Single well report
☒ Group/Commingled Well Report

Part A

PRODUCTION VOLUMES					PRESSURE 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	0	0	0	0				0
Feb	0	0	0	0				0
Mar	0	0	0	0				0
Apr	0	0	0	0				0
May	0	0	0	0				0
June	0	0	0	0				0
July	0	0	0	0				0
Aug	0	0	0	0				0
Sep	0	0	0	0				0
Oct	0	0	0	0				0
Nov	0	0	0	0				0
Dec	0	0	0	0				0
TOTALS	0	0	0	0				0

\*Wellhead Shut-in Pressure

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 fuel	0	\$ -	0	\$ -	0	\$ -	\$ -	Gas	0.00	\$0.135 per 1000 m <sup>3</sup>	\$ -
Sales	0	\$ -	0.00	\$ -	0	\$ -	\$ -	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	\$ -	0.00	\$ -	0	\$ -	\$ -	Total			\$ -

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

(OVER)





Oil, Gas and Salt Resources Act  
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Form 8

Page 1 of 2

Operator Name:	Lagasco Inc.	Well Name:	Union Dawn 67			Licence #:	T008864	Field/Pool:	Dawn		
Address:	309 Commissioners Rd., London, Ont	Township:	Dawn	Tract	7	Lot	24	Con.	9	Well Status - Mode:	Gas Producer - Active

Indicate whether the report represents a single well report or an approved reporting of commingled field or pool production. Commingled wells shall be listed on the reverse side in the space provided in Part D. It is not necessary to complete this form

for wells which did not produce any oil or gas during the reporting year, but these wells must be reported on Form 3.

☒ Single well report ☐ Group/Commingled Well Report

Part A

PRODUCTION VOLUMES					PRESSURE 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		4.00						31
Feb		2.00						28
Mar		0.00						31
Apr		4.00						30
May		4.00						31
June		1.40						30
July		1.60						31
Aug		1.40						31
Sep		1.40						30
Oct		1.50						31
Nov		0.00						30
Dec		0.00			235 kpa	48 hr	Dec 5, 2010	31
TOTALS	0.0000	21.30	0	0.00				365

\*Wellhead Shut-in Pressure

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 fuel	0	\$ -	2	\$ -	0	\$ -	\$ -	Gas	23.3	\$0.135 per 1000 m <sup>3</sup>	\$ 3.15
Sales	0.0000		21.3	\$ 3,831.00	0	\$ -	\$ 3,831.00	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	\$ -	23.3	\$ 3,831.00	0	\$ -	\$ 3,831.00	Total			\$ 3.15

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

(OVER)

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

Date: Feb 8, 2011



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Form 8

Operator Name:	Lagasco Inc.	Well Name:	Union Dawn 69	Licence #:	T008914	Field/Pool:	Dawn				
Address:	309 Commissioners Rd., London, Ont	Township:	Dawn	Tract:	3	Lot:	24	Con.	5	Well Status - Mode:	Gas Producer - Active

Indicate whether the report represents a single well report or an approved reporting of commingled field or pool production. Commingled wells shall be listed on the reverse side in the space provided in Part D. It is not necessary to complete this form

for wells which did not produce any oil or gas during the reporting year, but these wells must be reported on Form 3.

☒

Single well report

☐

Group/Commingled Well Report

Part A

PRODUCTION VOLUMES					PRESSURE 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		4.00						31
Feb		2.00						28
Mar		0.00						31
Apr		4.00						30
May		4.00						31
June		4.00						30
July		5.00						31
Aug		3.00						31
Sep		3.00						30
Oct		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

\*Wellhead Shut-in Pressure

Part B

	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 fuel	0	\$ -	3	\$ -	0	\$ -	\$ -	Gas	34.3	\$0.135 per 1000 m <sup>3</sup>	\$ 4.63
Sales	0.0000		31.3	\$ 5,540.00	0	\$ -	\$ 5,540.00	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	\$ -	34.3	\$ 5,540.00	0	\$ -	\$ 5,540.00	Total			\$ 4.63

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

(OVER)







Oil, Gas and Salt Resources Act  
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Operator Name:	Lagasco Inc.	Well Name:	Union Zone # 40	Licence #:	8872	Field/Pool:	Zone Pool
Address:	309 Commissioners Rd., London, Ont	Township:	Zone Tract Lot 11 Con. VII	Well Status - Mode:	Gas Producer - Active		

Indicate whether the report represents a single well report or an approved reporting of commingled field or pool production. Commingled wells shall be listed on the reverse side in the space provided in Part D. It is not necessary to complete this form

for wells which did not produce any oil or gas during the reporting year, but these wells must be reported on Form 3.

☒

Single well report

☐

Group/Commingled Well Report

Part A

PRODUCTION VOLUMES					PRESSURE 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.)	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
Oct		27.80		5.00			31
Nov		26.10		5.00			30
Dec		22.40		5.00			31
TOTALS	0.0000	284.80	0	45.00			365

\*Wellhead Shut-in Pressure

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 fuel	0	\$ -	28	\$ -	0	\$ -	\$ -	Gas 312.8	\$0.135 per 1000 m <sup>3</sup>	\$ 42.23
Sales	0.0000		284.8	\$ 50,791.00	0	\$ -	\$ 50,791.00	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	\$ -	312.8	\$ 50,791.00	0	\$ -	\$ 50,791.00	Total		\$ 42.23

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

(OVER)





Oil, Gas and Salt Resources Act  
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Operator Name:	Lagasco Inc.	Well Name:	Union Zone # 84	Licence #:	8855	Field/Pool:	Zone Pool
Address:	309 Commissioners Rd., London, Ont	Township:	Zone Tract 8 Lot 11	Con.	VII	Well Status - Mode:	Gas Producer - Active

Indicate whether the report represents a single well report or an approved reporting of commingled field or pool production. Commingled wells shall be listed on the reverse side in the space provided in Part D. It is not necessary to complete this form

for wells which did not produce any oil or gas during the reporting year, but these wells must be reported on Form 3.

☒

Single well report

☐

Group/Commingled Well Report

Part A

PRODUCTION VOLUMES					PRESSURE 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.)	Days
Jan							31
Feb							28
Mar							31
Apr							30
May							31
June		3.80					30
July		3.90					31
Aug		3.50					31
Sep		3.30			288 kpa	24 hrs	30
Oct		3.98					31
Nov		4.20					30
Dec		3.60					31
TOTALS	0.0000	26.28	0	0.00			365

\*Wellhead Shut-in Pressure

Part B

	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 fuel	0	\$ -	2.6	\$ -	0	\$ -	\$ -	Gas	28.88	\$0.135 per 1000 m <sup>3</sup>	\$ 3.90
Sales	0.0000		26.28	\$ 4,417.00	0	\$ -	\$ 4,417.00	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	\$ -	28.88	\$ 4,417.00	0	\$ -	\$ 4,417.00	Total			\$ 3.90

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

(OVER)

Date: 08 Feb 11



Oil, Gas and Salt Resources Act  
Annual Report of Monthly Oil and Gas PRODUCTION  
for the year 2010

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Form 8

Page 1 of 2

Operator Name:	Lagasco Inc.	Well Name:	Union Zone # 85	Licence #:	8882	Field/Pool:	Zone Pool
Address:	309 Commissioners Rd., London, Ont	Township:	Zone Tract 2 Lot 9	Con.	VI	Well Status - Mode:	Gas Producer - Active

Indicate whether the report represents a single well report or an approved reporting of commingled field or pool production. Commingled wells shall be listed on the reverse side in the space provided in Part D. If it is not necessary to complete this form for wells which did not produce any oil or gas during the reporting year, but these wells must be reported on Form 3.

☒

Single well report

☐

Group/Commingled Well Report

Part A

PRODUCTION VOLUMES					PRESSURE 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.)	Days
Jan		7.00					31
Feb		6.50					28
Mar		6.85					31
Apr		6.85					30
May		6.50					31
June		6.50					30
July		6.70					31
Aug		6.70					31
Sep		6.70			126 kpa	24 hrs	30
Oct		6.90					31
Nov		7.50					30
Dec		6.40					31
TOTALS	0.0000	81.10	0	0.00			365

\*Wellhead Shut-in Pressure

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 fuel	0	\$ -	8	\$ -	0	\$ -	\$ -	Gas	89.1	\$0.135 per 1000 m <sup>3</sup>	\$ 12.03
Sales	0.0000		81.1	\$ 14,557.00	0	\$ -	\$ 14,557.00	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	\$ -	89.1	\$ 14,557.00	0	\$ -	\$ 14,557.00	Total			\$ 12.03

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

(OVER)



Oil, Gas and Salt Resources Act  
Annual Report of Monthly Oil and Gas PRODUCTION  
for the year 2010

8

Form 8

Page 1 of 2

Operator Name:	Lagasco Inc.	Well Name:	Zone field	Licence #:		Field/Pool:	Zone
Address:	309 Commissioners Rd., London, Ont	Township:	Tract Lot	Con.		Well Status - Mode:	Gas Producer - Active

Indicate whether the report represents a single well report or an approved reporting of commingled field or pool production. Commingled wells shall be listed on the reverse side in the space provided in Part D. If it is not necessary to complete this form for wells which did not produce any oil or gas during the reporting year, but these wells must be reported on Form 3.

☐ Single well report ☒ Group/Commingled Well Report

Part A

PRODUCTION VOLUMES					PRESSURE 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		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
July		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		15.70		3.00				31
TOTALS	0.0000	260.05	0	41.50				365

\*Wellhead Shut-in Pressure

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 fuel	0	\$ -	26	\$ -	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

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

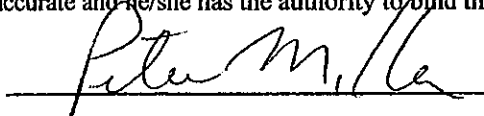
(OVER)

Part D Summary of Commingled Wells

Licence No.	Well Name	Township, Tract - Lot - Concession	Field/Pool	Remarks
T008884	Union Zone # 21	Twp: Zone , Tr: 2, Lot: 12, Con: 6	Zone	SI pressure 700 Kpa
T008877	Union Zone # 29	Twp: Zone , Tr: 7, Lot: 12, Con: 8	Zone	SI pressure 1316Kpa
T008840	Union Zone # 31	Twp: Zone , Tr: 7, Lot: 10, Con: 6 Huska b4 R2	Zone	SI pressure 384 Kpa
T008870	Union Zone # 34	Twp: Zone , Tr: 5, Lot: 10, Con: 6 Huska 1052	Zone	SI pressure 91 Kpa
F003460 8504	Union Zone # 38	Twp: Zone , Tr: 8, Lot: 10, Con: 7	Zone	SI pressure 234 Kpa
T008866	Union Zone # 42	Twp: Zone , Tr: 1, Lot: 9, Con: 7	Zone	SI pressure 595 Kpa
T008868	Union Zone # 43	Twp: Zone , Tr: 6, Lot: 10. Con: 7	Zone	SI pressure 147 Kpa
T008867	Union Zone # 45	Twp: Zone , Tr: 3, Lot: 10. Con: 7	Zone	SI pressure 490 Kpa
T008925	Union Zone # 49	Twp: Zone , Tr: 4, Lot: 11. Con: 7	Zone	SI pressure 336 Kpa
T008924	Union Zone # 50	Twp: Zone , Tr: 1, Lot: 9. Con: 6	Zone	SI pressure 546 Kpa
T008923	Union Zone # 51	Twp: Zone , Tr: 6, Lot: 12. Con: 6	Zone	SI pressure 350 Kpa
T008871	Union Zone # 54	Twp: Zone , Tr: 7, Lot: 13. Con: 6	Zone	SI pressure 434 Kpa
T00897 8897	Union Zone # 62	Twp: Zone , Tr: 1, Lot: 9. Con: 7	Zone	SI pressure 1890 Kpa
T008885	Union Zone # 69	Twp: Zone , Tr: 5, Lot: 11. Con: 8	Zone	SI pressure 1001 Kpa
T008869	Union Zone # 72	Twp: Zone , Tr: 4, Lot: 13. Con: 8	Zone	SI pressure 14 Kpa
T008887	Union Zone # 73	Twp: Zone , Tr: 4, Lot: 14. Con: 8	Zone	SI pressure 1057 Kpa
T008855	Union Zone # 84	Twp: Zone , Tr: 8, Lot: 11. Con: 7	Zone	SI pressure 280 Kpa
T008882	Union Zone # 85	Twp: Zone , Tr: 2, Lot: 9. Con: 6	Zone	SI pressure 126 Kpa
T008880	Union Zone # 91 D Jones	Twp: Zone , Tr: 5, Lot: 10. Con: 6	Zone	SI pressure 707 Kpa
T008935	Union Zone No. 12, Zone 4-12-VI	Twp: Zone , Tr: 4, Lot: 12. Con: 6	Zone	SI pressure 245 Kpa

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



WELL STATUS REPORT

For Year 2010

Form 3

Page 5

v. 1999-03-30

Lagasco Inc

Address: 309 Commissioners Rd. W., London, Ont. N6J 1Y4

Tel. #: (519) 657-2151

Fax #: (519) 657-4296

Please attach list in same format if more space is required. All unplugged wells must be reported and well which were plugged, sold or purchased during the calendar year must be reported.

Well Name	Township, Tract - Lot - Concession						Licence #	Well Status - Type*	Well Status - Mode**	Status Change Date	Date Sold	Date Purchased
	Twp.		Tract	Lot	Con.							
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	POT ✓			
Union No. 29, Zone 7-12-VIII	Twp.	Zone	Tract 7	Lot 12	Con. 8		8877 ✓	GP	ACT ✓			
Union No. # 31, Zone 7-10-VI	Twp.	Zone	Tract 7	Lot 10	Con. 6		8840 ✓	GP	ACT ✓			
Union Zone No. 34, Zone 5-10-VI	Twp.	Zone	Tract 5	Lot 10	Con. 6		8870 ✓	GP	ACT ✓			
Union No. 38, Zone 2-8-10-VII	Twp.	Zone	Tract 8	Lot 10	Con. 7		9504 ✓	GP	ACT ✓			
Union Zone No. 40, Zone -11-VII	Twp.	Zone	Tract	Lot 11	Con. 7		8872 ✓	GP	ACT ✓			
Union Zone No. 42, Zone 1-9-VII	Twp.	Zone	Tract 1	Lot 9	Con. 7		8866 ✓	GP	ACT ✓			
Union Zone No. 43, Zone 6-10-VII	Twp.	Zone	Tract 6	Lot 10	Con. 7		8868 ✓	GP	ACT ✓			
Union No. 45, Zone 3-10-VII	Twp.	Zone	Tract 3	Lot 10	Con. 7		8867 ✓	GP	ACT ✓			
Union No. 49, Zone 4-11-VII	Twp.	Zone	Tract 4	Lot 11	Con. 7		8925 ✓	GP	ACT ✓			

\*Oil well (OP), natural gas well (GP), oil and gas well (OPGP), injection (INJ), natural gas storage (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:





WELL STATUS REPORT

For Year 2010

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Form 3

v. 1999-03-30

Page 6

Operator Name:	Lagasco Inc.	Address:	309 Commissioners Rd. W. London, Ont. N6J 1Y4	Tel. #:	519-657-2151	Fax #:	519-657-4296
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Please attach list in same format if more space is required. All unplugged wells must be reported and well which were plugged, sold or purchased during the calendar year must be reported.

Well Name	Township, Tract - Lot - Concession						Licence #	Well Status - Type*	Well Status - Mode**	Status Change Date	Date Sold	Date Purchased
Union No. 50, Zone 1-9-VI	Twp.	Zone	Tract	1	Lot	9	Con. 6	8924 ✓	GP	ACT ✓		
Union Zone No. 51, Zone 6-12-VI	Twp.	Zone	Tract	6	Lot	12	Con. 6	8923 ✓	GP	ACT ✓		
Union No. 54, Zone 7-13-VI	Twp.	Zone	Tract	7	Lot	13	Con. 6	8871 ✓	GP	ACT ✓		
Union No. 62, Zone , Zone 1-9-VII	Twp.	Zone	Tract	1	Lot	9	Con. 7	8897 ✓	GP	ACT ✓		
Union No. 69, zone 5-11-VIII	Twp.	Zone	Tract	5	Lot	11	Con. 8	8885 ✓	GP	ACT ✓		
UNION NO. 72, Zone 4-13-VIII	Twp.	Zone	Tract	4	Lot	13	Con. 8	8869 ✓	GP	SUSP -	Nov-08	
UNION NO. 73, Zone 4-14-VIII	Twp.	Zone	Tract	4	Lot	14	Con. 8	8887 ✓	GP	SUSP -	Nov-08	
Union No. 84, Zone 8-11-VII	Twp.	Zone	Tract	8	Lot	11	Con. 7	8855 ✓	GP	SUSP -	Nov-08	
Union Zone No. 85, Zone 2-9-VI	Twp.	Zone	Tract	2	Lot	9	Con. 6	8882 ✓	GP	ACT ✓		
Union Zone No. 87, Zone 8-11-V	Twp.	Zone	Tract	8	Lot	11	Con. 5	8883 ✓	GP	ACT ✓		
Union No. 91 Faubert No.1, Zone 5-10-VI	Twp.	Zone	Tract	5	Lot	10	Con. 6	8880 ✓	GP	ACT ✓		
	Twp.		Tract		Lot		Con.					
	Twp.		Tract		Lot		Con.					
	Twp.		Tract		Lot		Con.					

\*Oil well (OP), natural gas well (GP), oil and gas well (OPGP), injection (INJ), natural gas storage (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:



RECEIVED

2 MAR 08 2011

ONTARIO ENERGY BOARD

20  
Korac

March 4, 2011

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

Dear Ms. Walli,

EB-2009-0338  
EB-2009-0339 / EP-2009-0340

OEB BOARD SECRETARY	
File No:	Subfile: 19
Page:	
Date:	Korac
Clear:	
00/04	

**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.



- 2 -

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



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

Vincent Redmond  
I support this project. I  
worked for the fire  
department over a 30-year  
period. I don't see it as  
unsafe as far as leaks and  
explosions.



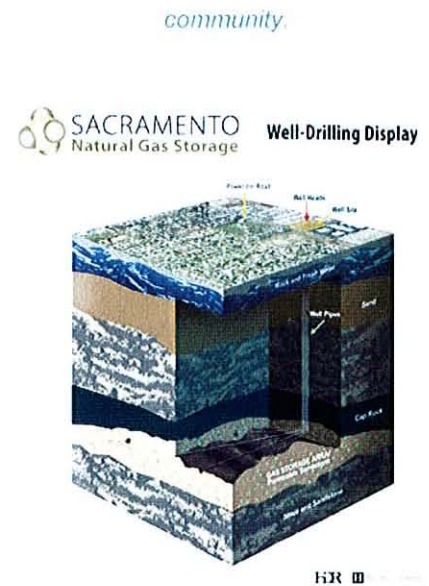
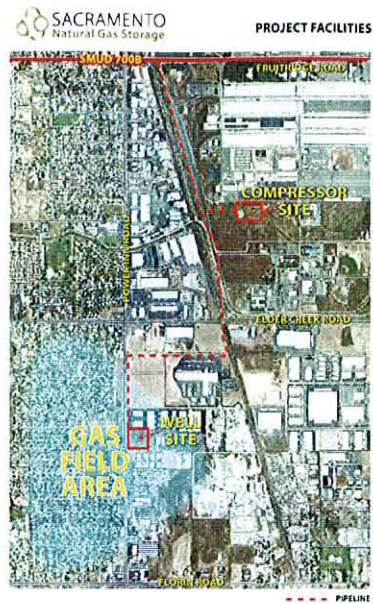
On Thursday, October 2, 2008, the Sacramento Municipal Utility District (SMUD) unanimously voted to approve a one-year extension for the contract agreement with the Sacramento Natural Gas Storage (SNGS) project. Board member Renda Taylor added that the SNGS project would "significantly benefit ratepayers."

- Creation of Community/Neighborhood Foundation and ongoing annual financial funding
- 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*





### Operational Facilities

### Natural Gas Storage Is Critical

For more information or to be added to the project mailing list, please contact Elizabeth Hughes at [elizabeth.hughes@sacnaturalgas.com](mailto:elizabeth.hughes@sacnaturalgas.com) or (916) 448-2440.

## PAYMENTS FOR ONE - ACRE OF STORAGE RIGHTS

COMPARISON OF "COMPARABLE" FACILITIES AND THE SNGS FACILITY

	<b>Wild Goose</b>	<b>Lodi</b>	<b>McDonald Island</b>	<b>SNGS</b>
<b>SIGNING BONUS</b>	\$-0-	Per Lease	\$-0-	\$1,000
<b>\$/ACRE/YEAR</b>				
Year 1	\$681	\$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
<b>California (SNGS)</b>	<b>\$2,610 **</b>	<b>Yes</b>

**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 no financial risk 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 Question 33 of the Community Q & A - (Located as a download on the community outreach page).*