

Court File No. 5186/2011

ONTARIO
SUPERIOR COURT OF JUSTICE

BETWEEN:

TRIBUTE RESOURCES INC.

Applicant

-and-

2195002 ONTARIO INC.

Respondent

NOTICE OF APPLICATION

TO THE RESPONDENT

A LEGAL PROCEEDING HAS BEEN COMMENCED by the applicant. The claim made by the applicant appears on the following page.

THIS APPLICATION will come on for a hearing on Tuesday, October 4, 2011 at 10:00 o'clock in the morning at 80 Dundas Street, London, Ontario.

IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with any documents in the application, you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the Rules of Civil Procedure, serve it on the applicant's lawyer or, where the applicant does not have a lawyer, serve it on the applicant, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the applicant's lawyer or, where the applicant does not have a lawyer, serve it on the applicant, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but at least four days before the hearing.

IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO OPPOSE THIS APPLICATION BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

D. SIMPSON

Date: SEP 21 2011 Issued by
Local registrar

Address of
court office: 80 Dundas Street
London, Ontario, N6A 2P3

TO 2195002 ONTARIO INC.
c/o Chinneck Law Professional Corporation
Attn: William D. Mitches
37 Ridout Street South
London, Ontario, N6C 3W7

APPLICATION

1. The Applicant makes application for:

- (a) An Order declaring that this Honourable Court does not have jurisdiction to grant the relief sought by the Respondent, 2195002 Ontario Inc. ("McKinley") in its Application brought in this Court on September 1, 2011 (Court File Number 5041/2011) (the "McKinley Storage Rights Application") and that the McKinley Storage Rights Application should therefore be dismissed;
- (b) An Order declaring that the Ontario Energy Board ("OEB") has exclusive jurisdiction in respect of the relief being sought by McKinley in connection with the McKinley Storage Rights Application;
- (c) An Order that the Applicant's, Tribute Resources Inc. ("Tribute") costs of this Application on a substantial indemnity basis fixed in the amount of Twenty Thousand (\$20,000.00) Dollars shall be payable forthwith by McKinley; and
- (d) Such further and other relief as to this Honourable Court may seem just.

2. The grounds for the application are:

- (a) Rule 14.05(3)(d) and (h) and Rule 38 of the *Rules of Civil Procedure*;
- (b) Sections 19(1), 19(6), 20, 21(2), 36 to 39 inclusive and Section 128 of the *Ontario Energy Board Act*, 1998, S.O. 1998, c.15, Schedule B (the “Act”);
- (c) Tribute has pending before the OEB Applications (the “Tribute Applications”) that raise the same issues that have been raised by McKinley in the McKinley Storage Rights Application. The Tribute Applications were commenced before the McKinley Storage Rights Application;
- (d) Pursuant to sections 19(1) and 19(6) of the Act, the OEB has exclusive jurisdiction in all matters dealing with the storage of gas and, in connection with all such matters, the OEB has the authority to hear and determine all questions of law and of fact, including the interpretation of gas storage contracts;
- (e) If the OEB has jurisdiction to interpret the storage provisions in the Tribute Oil and Gas Lease and the McKinley Storage Lease, then this jurisdiction is exclusive to the OEB. Accordingly, there can be no issue of concurrent jurisdiction in this Court and the OEB.
- (f) Section 19 of the Act provides that, in the exercise of its jurisdiction, the OEB has “*in all matters within its jurisdiction authority to hear and determine all questions of fact and law*”. This generous and expansive conferral of jurisdiction ensures that the OEB has the

requisite power to hear and decide all questions of fact and law arising in connection with the claims and other matters that are properly before it. This includes, *inter alia*, the power to rule on the validity of relevant contracts and to deal with other substantive legal issues.

- (g) The OEB is a speciality board having considerable knowledge and experience in the interpretation of storage provisions in contracts; and
- (h) The interpretation of the Tribute Oil and Gas Lease and the storage provisions contained in that lease, is only one of the several issues involving storage to be determined by the OEB in the Tribute Applications before it.

3. The following documentary evidence will be used at the hearing of the application:

- (a) Affidavit of Jane Elizabeth Lowrie and accompanying exhibits;
- (b) Application Record of 2195002 Ontario Inc. in its companion Application (Court File Number 5041/2011); and

(c) such further and other evidence as counsel may advise.

September 21, 2011

GIFFEN & PARTNERS
Barristers and Solicitors
465 Waterloo Street
London, ON N6B 2P4

Christopher A. Lewis
LSUC No. 23361A
Tel: (519) 679-4700
Fax: (519) 432-8003
E-mail: lewis@giffens.com

Solicitors for the Applicant

TRIBUTE RESOURCES INC.

v.

MCKINLEY FARMS LTD.

Applicant

Respondent

Court File No. 5186/2011

ONTARIO

SUPERIOR COURT OF JUSTICE

Proceeding commenced at LONDON

NOTICE OF APPLICATION

GIFFEN & PARTNERS
Barristers & Solicitors
465 Waterloo Street
London, Ontario N6B 2P4

Christopher A. Lewis
LSUC # 23361A
E-mail: lewis@giffens.com
Tel: (519) 679-4700
Fax: (519) 432-8003

Solicitors for the Applicant
Tribute Resources Inc.

Ontario
SUPERIOR COURT OF JUSTICE

BETWEEN:

TRIBUTE RESOURCES INC.

Applicant

- and -

2195002 ONTARIO INC.

Respondent

AFFIDAVIT OF JANE ELIZABETH LOWRIE
SWORN SEPTEMBER 26, 2011

1. I, JANE ELIZABETH LOWRIE, of the City of London, in the Province of Ontario,
MAKE OATH AND SAY AS FOLLOWS:

2. I am the president of the Applicant, Tribute Resources Inc. ("Tribute"). Accordingly, I
have personal knowledge of the matters hereinafter referred to save and except where my
knowledge is indicated to be based on information and belief and where so stated I verily
believe same to be true.

3. Tribute, and its wholly owned subsidiary, Bayfield Resources Inc. as general partner of the Huron Bayfield Limited Partnership, are in the business of developing renewable energy projects in Ontario including the development of natural gas storage pools as designated gas storage areas.
4. Tribute, through another subsidiary, has developed a designated gas storage area in the County of Huron known as the Tipperary Storage Pool which was designated by the Ontario Energy Board ("OEB") in 2008.
5. As an extension of the Tipperary Gas Storage project, Tribute has applied to the OEB to develop two additional designated gas storage areas, one known as the Bayfield Gas Storage Pool (the "Bayfield Pool") and the second known as the Stanley Gas Storage Pool (the "Stanley Pool").
6. Attached hereto and marked as Exhibit "A" to this my Affidavit is a true copy of Tribute's Application dated April 20th, 2011 filed with the OEB. In this Application, which was given OEB file numbers EB-2011-0076, EB-2011-0077 and EB-2011-0078, Tribute has asked the OEB for several orders in respect of the designation and development of the Stanley Pool, including the determination by the OEB pursuant to section 38(3) of the *Ontario Energy Board Act*, 1998, S.O. 1990 c.15, Schedule B (the "Act") of any compensation payable by Tribute to any owner of gas storage rights within the proposed designated storage area with whom Tribute does not have an agreement.

7. At the request of the OEB, Tribute's Application dated April 20, 2011 in respect of the Stanley Pool, was resubmitted to the OEB together with certain pre-filed evidence in support of such Application for a determination of compensation pursuant to section 38(3) of the Act. This amended Application was given OEB file number EB-2011-0285 and was filed with the OEB on August 24, 2011 together with pre-filed evidence in support of such Application. Attached hereto and marked as Exhibit "B" to this my Affidavit is a true copy Tribute's amended Application in respect of the determination of compensation dated August 22nd, 2011. Attached hereto and marked as Exhibit "C" to this my Affidavit is a true copy of Tribute's pre-field evidence in support of such amended Application (excluding Schedules). This amended Application and the pre-filed evidence filed in support of the same is contained in Binder No. 5 which is approximately three inches thick.
8. The balance of the pre-filed evidence relating to Tribute's pending Applications to the OEB for related storage orders is contained in four additional binders, each approximately four inches thick and labelled as follows:

Binder No. 1 – Huron Bayfield Gas Storage Project – Administrative Binder

Binder No. 2 – Huron Bayfield Gas Storage Project – Stanley 4-7-XI Pool

Binder No. 3 – Huron Bayfield Gas Storage Project – Bayfield Pool

Binder No. 4 – Huron Bayfield Gas Storage Project – Leave to Construct

9. Tribute's pending Applications before the OEB as outlined above involve several intervenors, including the Respondent, 2195002 Ontario Inc. ("McKinley"). A list of these intervenors in these pending Applications is as follows:

INTERVENORS

McKinley Farms Ltd.
P.O. Box 1900
St. Marys, ON N4X 1C2
Attn: Al Corneil
Email: acorneil@ttc.on.ca

2195002 Ontario Inc.
P.O. Box 1900
St. Marys, ON N4X 1C2
Attn: Al Corneil
Email: acorneil@ttc.on.ca

Howard and Judith Daniel
25573 Nairn Road
R.R. #3
Denfield, ON NOM 1PO
Email: abbeydaniel@aol.com

Huron County Federation of Agriculture (HCFA)
P.O. Box 429
Clinton, ON NOM 1LO
Attn: Paul Nairn, OFA Member Service Representative
Email: paul.nairn@ofa.on.ca

Mary Erb
R.R. #1
Bayfield, ON NOM 1GO

Ministry of Natural Resources
Legal Services Branch
Room 3420
99 Wellesley Street West
Toronto, ON M7A 2S9
Attn: Phillip John Polten
Email: phil.pothen@ontario.ca

Municipality of Bluewater
P.O. Box 250
14 Mill Avenue
Zurich, ON NOM 1G0
Attn: Lori Wolfe, Chief Administrative Officer
Email: planninginfo@town.bluewater.on.ca

Stanley Bayfield Landowners Group
37869 Mill Road
R.R. #1
Bayfield, ON NOM 1G0
Attn: Marni Van Aaken
Email: vanaaken@tcc.on.ca

TransCanada Pipelines Ltd.
450 - 1 Street S.W.
Calgary, AB T2P 5H1
Attn: Patrick M. Keys, Senior Regulatory Counsel
Email: patrick_keys@transcanada.com
Attn: James Bartlett, Manager, Regulatory Research & Analysis
Email: jim_bartlett@transcanada.com
Attn: Nadine Berge, Senior Legal Counsel
Email: Nadine_berge@transcanada.com

TransCanada Pipelines Ltd.
200 Bay Street, Royal Bank Plaza
24th Floor, South Tower
Toronto, ON M5J 2J1
Attn: Murray Ross
Email: murray_ross@transcanada.com

Union Gas Limited
P.O. Box 2001
50 Keil Drive North
Chatham, ON N7M 5M1
Attn: Mark Murray, Manager Regulatory Projects & Lands Acquisition
Email: mmurray@uniongas.com

Zurich Landowners Association
P.O. Box 304
Zurich, ON NOM 2T0
Attn: Heather Redick, Chair Executive Committee
Email: zurichlandowner@hay.net

10. The facts set forth in Tribute's pre-filed evidence set out at Exhibit "C" to this my Affidavit, are hereby repeated and adopted as being true and correct. They in part outline the extensive litigation that has taken place between Tribute and McKinley Farms Ltd. relating to the storage rights and oil and gas rights in respect of the lands in Lots 7 and 8, Concession 11, Geographic Township of Stanley, in the Municipality of Huron owned by McKinley Farms Ltd. (the "McKinley Farms Lands") which are part of the Stanley Pool. McKinley Farms Ltd. and 2195002 Ontario Inc. are related corporations. Catherine McKinley is an authorized signing officer for each of these two corporations.
11. In Tribute's pending Applications before the OEB, it has squarely raised the issue of the interpretation of its Oil and Gas Lease covering the McKinley Farms Lands registered on November 17, 1977 as Instrument Number 160688, as amended by the Unit Operation Agreement registered on February 11, 1985 as Instrument Number 215978 (collectively the "Tribute Oil and Gas Lease"). Tribute states in its pre-filed evidence as follows:

"In this Application, Tribute continues to assert the storage rights enshrined in the PNG Lease. Tribute is asking the Board to recognize and confirm Tribute as the legal owner of the storage rights in the Stanley Pool. If, for whatever reasons, the Board does not uphold the PNG Lease and storage provisions as valid, then Tribute is asking the Board to alternatively require McKinley Farms and its new numbered company, 2195002 Ontario Inc., to enter into a gas storage lease with Tribute on similar terms and conditions, including compensation, as the other landowners in the Stanley pool, pursuant to section 38 of the Ontario Energy Board Act. If the Board finds that Tribute is somehow obligated to pay McKinley Farms and/or 2195002 Ontario Inc. any additional compensation, then Tribute is asking the Board to set the additional compensation at the same rate that McKinley Farms is charging 2195002 Ontario Inc."

12. On or about September 2, 2011, McKinley served Tribute with an Application Record, including a Notice of Application, claiming certain declaratory relief in regards to the gas storage rights under the McKinley Farms Lands. Attached hereto and marked as Exhibit "D" to this my Affidavit is a true copy of the Notice of Application (the "McKinley Storage Rights Application") of McKinley issued by the Ontario Superior Court of Justice in London on September 1, 2011. The issues raised in that Application are the same issues that are before the OEB pursuant Tribute's pending Applications described above.
13. By letter dated January 21, 2011 addressed to the OEB, McKinley's solicitors threatened to bring a court application for a declaration that Tribute has no right to store gas under the McKinley Farms Lands pursuant to the provisions of the Tribute Oil and Gas Lease because there are no "*gas sands*" under the McKinley Farms Lands and that McKinley holds the only valid gas storage lease in respect of the McKinley Farms Lands. Attached hereto and marked as Exhibit "E" to this my Affidavit is a true copy of that letter.
14. McKinley did not commence the McKinley Storage Rights Application until after the issues raised in that application were squarely before the OEB in connection with Tribute's pending Applications described above.
15. In the context of Tribute's pending Applications before the OEB for the designation of the Stanley Pool as a designated gas storage area and other related relief, Tribute proposes to put forward expert evidence regarding the Stanley Pool, including

engineering evidence, geological evidence, environmental evidence and land evidence. Contrary to the ascertains made by McKinley, the McKinley Farms Lands comprise approximately 54% of the Stanley Pool and not 76.4% as stated by McKinley. Tribute's position in this regard is supported by the Ontario Ministry of Natural Resources, Petroleum Resources Section which has reviewed and agreed with Tribute's interpretation of the Stanley Pool and the proposed designated gas storage area.

16. Attached hereto and marked as Exhibit "F" to this my Affidavit, is a true copy of a Letter of Direction dated September 2nd, 2011 sent by the OEB to Tribute together with the attached Amended Notice of Applications referred to therein. In accordance with the OEB direction, on September 16, 2011, Tribute caused a Notice to be published in the London Free Press newspaper, a true copy of which is attached hereto and marked as Exhibit "G" to this my Affidavit. As can be seen, the OEB is seized of the storage issue relating to the McKinley Farms Lands which is squarely before it.

17. I make this Affidavit for no improper purpose.

SWORN BEFORE ME)

at the City of London)

in the County of Middlesex)

this 26th day of September, 2011)

Jane Elizabeth Lowrie

A COMMISSIONER ETC.

Court File No. 5186/2011

Ontario
SUPERIOR COURT OF JUSTICE

BETWEEN:

TRIBUTE RESOURCES INC.

Applicant

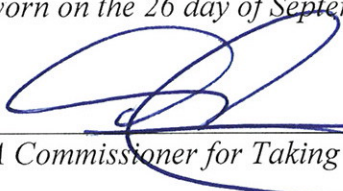
- and -

2195002 ONTARIO INC.

Respondent

EXHIBITS

*Exhibits "A" through "G" to the
Affidavit of Jane Elizabeth Lowrie
sworn on the 26 day of September, 2011*



A Commissioner for Taking Affidavits

EXHIBIT "A"
TO THE AFFIDAVIT OF JANE ELIZABETH LOWRIE

ONTARIO ENERGY BOARD

IN THE MATTER OF the Ontario Energy Board Act, 1998, S.O. 1998, c.15, Schedule B; and in particular sections 36.1(1), 38(1), 38(3), 40(1) and 90(1), thereof;

AND IN THE MATTER OF an Application by Tribute Resources Inc. and Bayfield Resources Inc., on behalf of Huron Bayfield Limited Partnership, for an Order designating the area known as the Stanley 4-7-XI Pool, in the Geographic Township of Stanley, Municipality of Bluewater, County of Huron, as a gas storage area (the "DSA");

AND IN THE MATTER OF an Application by Tribute Resources Inc. and Bayfield Resources Inc., on behalf of Huron Bayfield Limited Partnership, for authority to inject gas into, store gas in and remove gas from the DSA, and to enter into and upon the lands in the said DSA and use the said lands for such purposes;

AND IN THE MATTER OF an Application by Tribute Resources Inc. and Bayfield Resources Inc., on behalf of Huron Bayfield Limited Partnership, to the Ministry of Natural Resources for a license to drill four wells within the DSA;

AND IN THE MATTER OF an Application by Tribute Resources Inc. and Bayfield Resources Inc., on behalf of Huron Bayfield Limited Partnership, for the determination of just and equitable compensation payable to any owner of any gas or oil rights or the right to store gas within the DSA with whom the applicant does not have an agreement and to any owner of any land in the DSA, with whom the Applicant does not have an agreement for compensation for damage necessarily resulting from the exercise of the authority given by the order sought under section 38(1) of the said Act.

APPLICATION - Huron Bayfield Gas Storage Project - Stanley 4-7-XI Pool

1. Tribute Resources Inc. and Bayfield Resources Inc., on behalf of Huron Bayfield Limited Partnership, a limited partnership formed under the laws of Ontario (hereinafter referred to as the "Applicant") seeks to designate and develop a natural gas reservoir as a natural gas storage pool for service commencing at the latest planned in-service date in 2016 in order to meet market demand for underground natural gas storage.

2. The Applicant hereby applies to the Ontario Energy Board (hereinafter referred to as the "Board") pursuant to section 36.1(1) of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Schedule B (hereinafter referred to as the "Act"), for an Order designating the area containing a gas reservoir known as the Stanley 4-7-XI Pool located in Lots 6,7 and 8, Concession 11; and Lots 6, 7 and 8, Concession 12, in the geographic Township of Stanley, in the Municipality of Bluewater, in the County of Huron, as a designated gas storage area (hereinafter referred to as the "DSA").
3. The Applicant further applies to the Board pursuant to section 38(1) of the Act for authority to inject gas into, store gas in and remove gas from the DSA, and enter into and upon the lands in the area for such purposes.
4. Pursuant to section 40(1) of the Act, the Applicant seeks a favourable report from the Board to the Ministry of Natural Resources to whom application has been made for licenses to drill four (4) injection/withdrawal wells within the DSA.
5. The Applicant hereby applies, if necessary, pursuant to section 38(3) of the Act for an order determining the compensation payable by the Applicant to any owner of any gas or oil rights or any right to store gas in the DSA with whom the Applicant does not have an agreement and for an order determining the compensation payable to the owner of any land in the DSA for any damage necessarily resulting from the exercise of the authority given to the Applicant under section 38(1) of the Act where the Applicant does not have an agreement with such owner in respect of such compensation.
6. The Applicant requests such further or other related relief as the Applicant may request or as the Board may deem appropriate pursuant to the Act.
7. Attached hereto as Schedule A is the Metes and Bounds Description of the Proposed Boundary of the DSA for which designation is sought.
8. Attached hereto as Schedule B-1 is a map entitled Huron Bayfield Storage Project showing the general location of the proposed Stanley 4-7-XI Pool DSA. Schedules B-2 and B-3 are maps showing the Petroleum and Natural Gas Leases and the Gas Storage Leases, respectively within the Stanley 4-7-XI Pool. The Proposed well locations are shown on Schedule B-4 titled Stanley Well Bores.
9. Attached hereto as Schedule C, is a list of the parties who are affected by the Application for designation and development of the Stanley Pool, including the owners of property within the proposed Stanley 4-7-XI Pool DSA and owners of property adjacent to the proposed Stanley 4-7-XI Pool DSA.

Dated at the City of London, Ontario this 20th day of April, 2011.

On behalf of Tribute Resources Inc and Bayfield Resources Inc.

Jane Lowrie
President

Comments and communications respecting this Application should be directed to:

Mr. Peter Budd, LLB
Budd Energy Inc.
166 High Park Ave.,
Toronto, Ontario
M6P 2S4
e-mail: peterbbudd@rogers.com
Telephone: (416) 948-1334
Facsimile: (519) 657-4296

Mr. William Blake, Vice President - Operations
Tribute Resources Inc.
309-D Commissioners Road West
London, Ontario
N6J 1Y4
e-mail: wblake@tributerresources.com
Telephone: (519) 519-657-2151
Facsimile: (519) 657-4296

Mr. C. A. Lewis
Giffen and Partners
465 Waterloo Street
London, Ontario N6B 1Z4
e-mail: lewis@giffens.com
Telephone: (519)679-4700
Facsimile: (519) 432-8003

EXHIBIT "B"
TO THE AFFIDAVIT OF JANE ELIZABETH LOWRIE

ONTARIO ENERGY BOARD

IN THE MATTER OF the Ontario Energy Board Act, 1998, S.O. 1998, c.15, Schedule B ("Act"); and in particular sections 36.1(1), 38(1), 38(3), 40(1) and 90(1), thereof;

AND IN THE MATTER OF an Application by Tribute Resources Inc. and Bayfield Resources Inc., on behalf of Huron Bayfield Limited Partnership, for the determination of just and equitable compensation payable to any owner of any gas or oil rights or the right to store gas within the DSA with whom the applicant does not have an agreement and to any owner of any land in the DSA, with whom the Applicant does not have an agreement for compensation for damage necessarily resulting from the exercise of the authority given by the order sought under sections 38(1) and 38(3) of the said Act.

APPLICATION - Huron Bayfield Gas Storage Project - Determination of Amount of Compensation

1. Tribute Resources Inc. and Bayfield Resources Inc., on behalf of Huron Bayfield Limited Partnership, a limited partnership formed under the laws of Ontario (hereinafter referred to as the "Applicant") seeks to designate and develop a natural gas reservoir as a natural gas storage pool located in the geographic township of Stanley in the Municipality of Bluewater, County of Huron ("DSA") for service commencing at the latest planned in-service date in 2016 in order to meet market demand for underground natural gas storage.
2. The Applicant further applies to the Board pursuant to section 38(1) of the Act for authority to inject gas into, store gas in and remove gas from the DSA, and enter into and upon the lands in the area for such purposes.
3. The Applicant hereby applies, if necessary, pursuant to section 38(3) of the Act for an order determining the just and equitable compensation payable by the Applicant to any owner of any gas or oil rights or any right to store gas in the DSA with whom the Applicant does not have an agreement and for an order determining the just and equitable compensation payable to the owner of any land in the DSA for any damage necessarily resulting from the exercise of the authority given to the Applicant under section 38(1) of the Act where the Applicant does not have an agreement with such owner in respect of such compensation.

4. The Applicant requests such further or other related relief as the Applicant may request or as the Board may deem appropriate pursuant to the Act.
5. Attached as schedule A is the metes and bounds description of the Proposed DSA. Attached hereto as Schedule B-1 is a map entitled Huron Bayfield Storage Project showing the general location of the proposed DSA. Schedules B-2 and B-3 are maps showing the Petroleum and Natural Gas Leases and the Gas Storage Leases, respectively within the proposed DSA.

Dated at the City of London, Ontario this 22nd day of August, 2011.

On behalf of Tribute Resources Inc and Bayfield Resources Inc.

Jack Schoenmakers
President

Comments and communications respecting this Application should be directed to:

Mr. Peter Budd, LLB
Budd Energy Inc.
166 High Park Ave.,
Toronto, Ontario
M6P 2S4
e-mail: peterbbudd@rogers.com
Telephone: (416) 948-1334
Facsimile: (519) 657-4296

Mr. William Blake, Vice President - Operations
Tribute Resources Inc.
309-D Commissioners Road West
London, Ontario
N6J 1Y4
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Facsimile: (519) 657-4296

Mr. C. A. Lewis
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London, Ontario N6B 1Z4
e-mail: lewis@giffens.com
Telephone: (519) 679-4700
Facsimile: (519) 432-8003

**Metes and Bounds Description of the Proposed Boundary of the Stanley 4-7-XI Pool
Designated Storage Area in the Geographic Township of Stanley, in the Municipality of
Bluewater, in the County of Huron**

ALL AND SINGULAR that certain parcel or tract of land in the geographic Township of Stanley, in the Municipality of Bluewater, in the County of Huron, Province of Ontario, being composed of part of Lots 6, 7 and 8, Concessions 11, and part of Lots 6, 7 and 8 of Concession 12, which may be more particularly described as follows:

COMMENCING at the Southwest angle of Lot 6, Concession 11, (also being the Southeast angle of Lot 6, Concession 12);

THENCE: Easterly along the Southerly limit of Lot 6, Concession 11, to the line dividing the Westerly Three-quarters and Easterly One-quarter of Lot 6, Concession 11;

THENCE: Northerly along the last mentioned limit of Lots 6, 7 and 8, Concession 11 to the Northerly limit of Lot 8, Concession 11;

THENCE: Westerly along the Northerly limit of Lot 8, Concession 11, to the Westerly limit of said Lot 8;

THENCE: Continuing Westerly along the Northerly limit of Lot 8, Concession 12, to the line dividing the Easterly One-quarter and Westerly Three-quarters of Lot 8, Concession 12;

THENCE: Southerly parallel to the Easterly limit of Lot 8, Concession 12, to the Northerly limit of Lot 7, Concession 12 ;

THENCE: Westerly along the Northerly limit of Lot 7, Concession 12, to the line dividing the Easterly Half and Westerly Half of Lot 7, Concession 12;

THENCE: Southerly along the last mentioned limit to the Southerly limit of Lot 7, Concession 12;

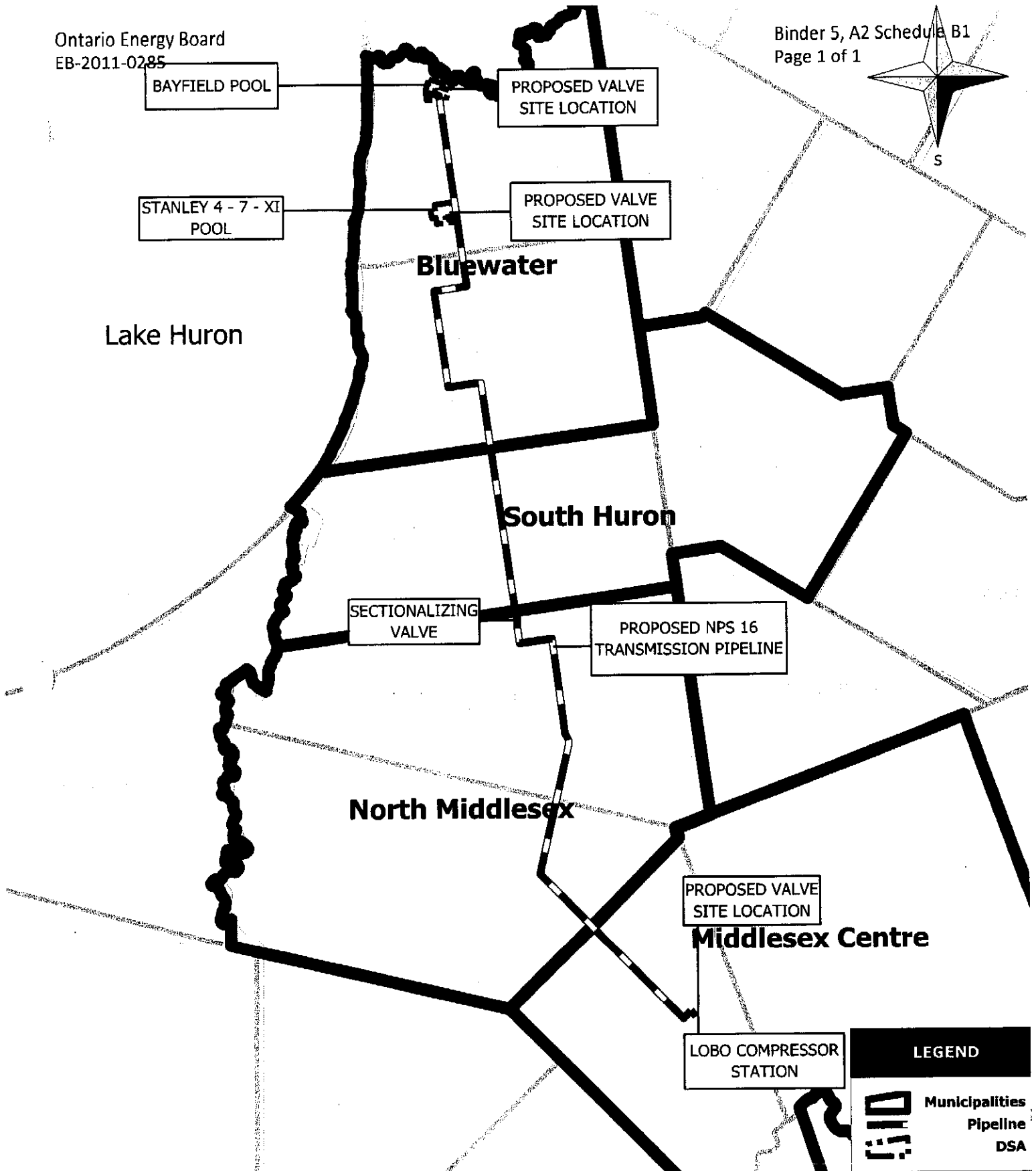
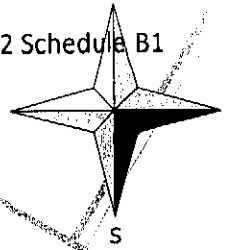
THENCE: Easterly along the Southerly limit of Lot 7, Concession 12, to the line dividing the Westerly Three-quarters and the Easterly One-quarter of Lot 6, Concession 12;

THENCE: Southerly along the last mentioned limit of Lot 6, Concession 12, to the Southerly limit of Lot 6, Concession 12;

THENCE: Easterly along the Southerly limit of Lot 6, Concession 12 to the point of commencement.

Corresponding to the Ministry of Natural Resources tracts as described below:

Tract 2	Lot 7	Concession 12
Tract 1	Lots 6, 7 and 8	Concession 12
Tracts 2, 3 and 4	Lots 6, 7 and 8	Concession 11



REVISIONS

N	DATE	BY	APP'D	REMARKS

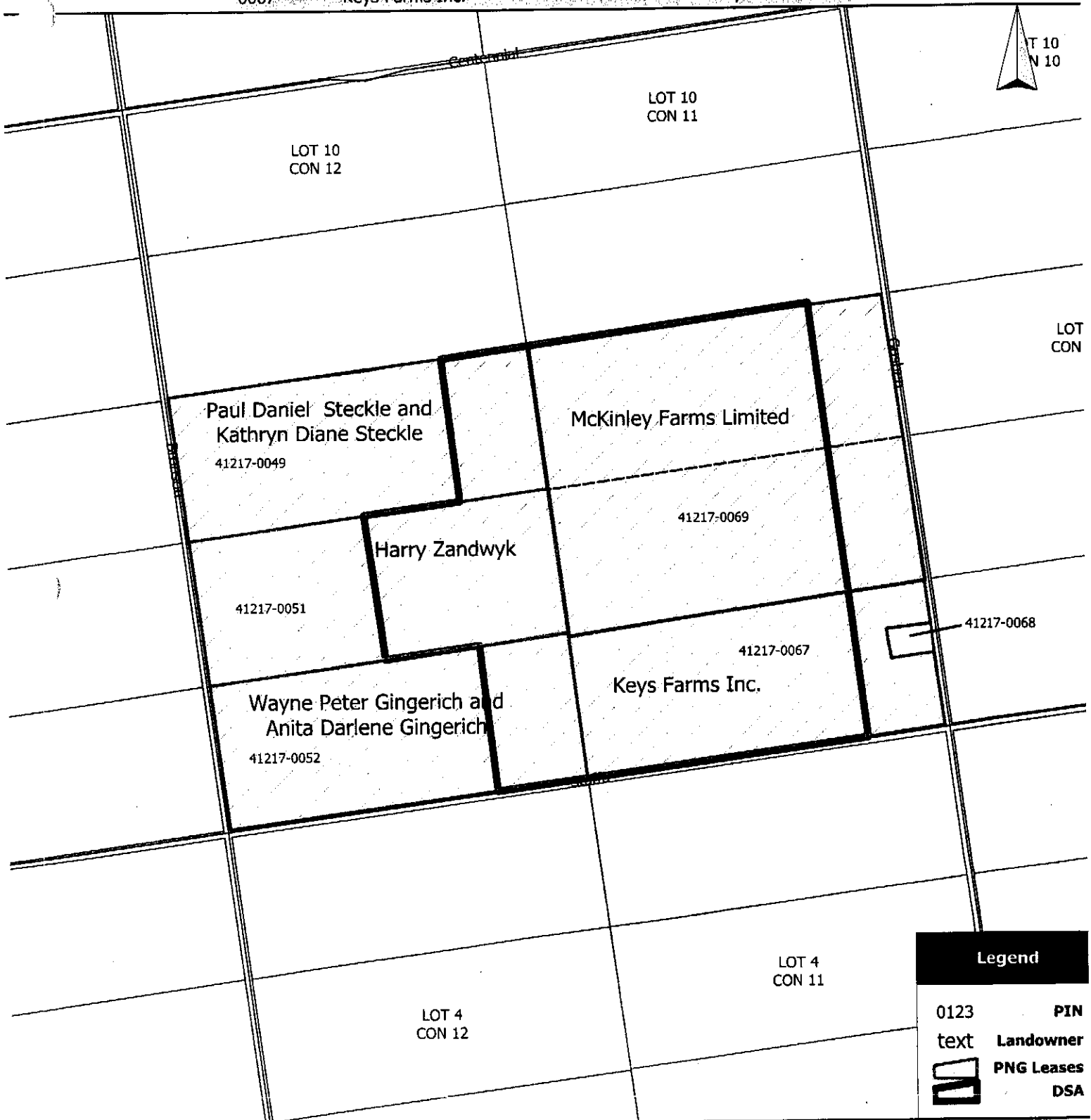
HURON BAYFIELD GAS STORAGE PROJECT

DRAWN BY	E. Funston	DATE	09/01/2009	SCALE	1:380,000
CHECKED BY		DATE			
APPROVED BY		DATE		SHEET	1 of 7

PIN
0049
0051
0052
0069
0067

LANDOWNER
Paul and Katheryn Steckle
Harry Zandwyk
Wayne and Anita Gingerich
Mckinley Farms Limited
Keys Farms Inc.

LOCATION
Stanley 8-XII
Stanley 7-XII
Stanley 6-XII
Stanley 7+8-XI
Stanley 6-XI



Legend

0123 PIN
text Landowner
PNG Leases
DSA

REVISIONS

N	DATE	BY	APP'D	REMARKS

STANLEY 4 - 7 - XI POOL PNG LEASES

DRAWN BY	E. Funston	DATE	09/09/2009	SCALE	1:15,000
CHECKED BY		DATE			
APPROVED BY		DATE		SHEET	1 of 1



PIN

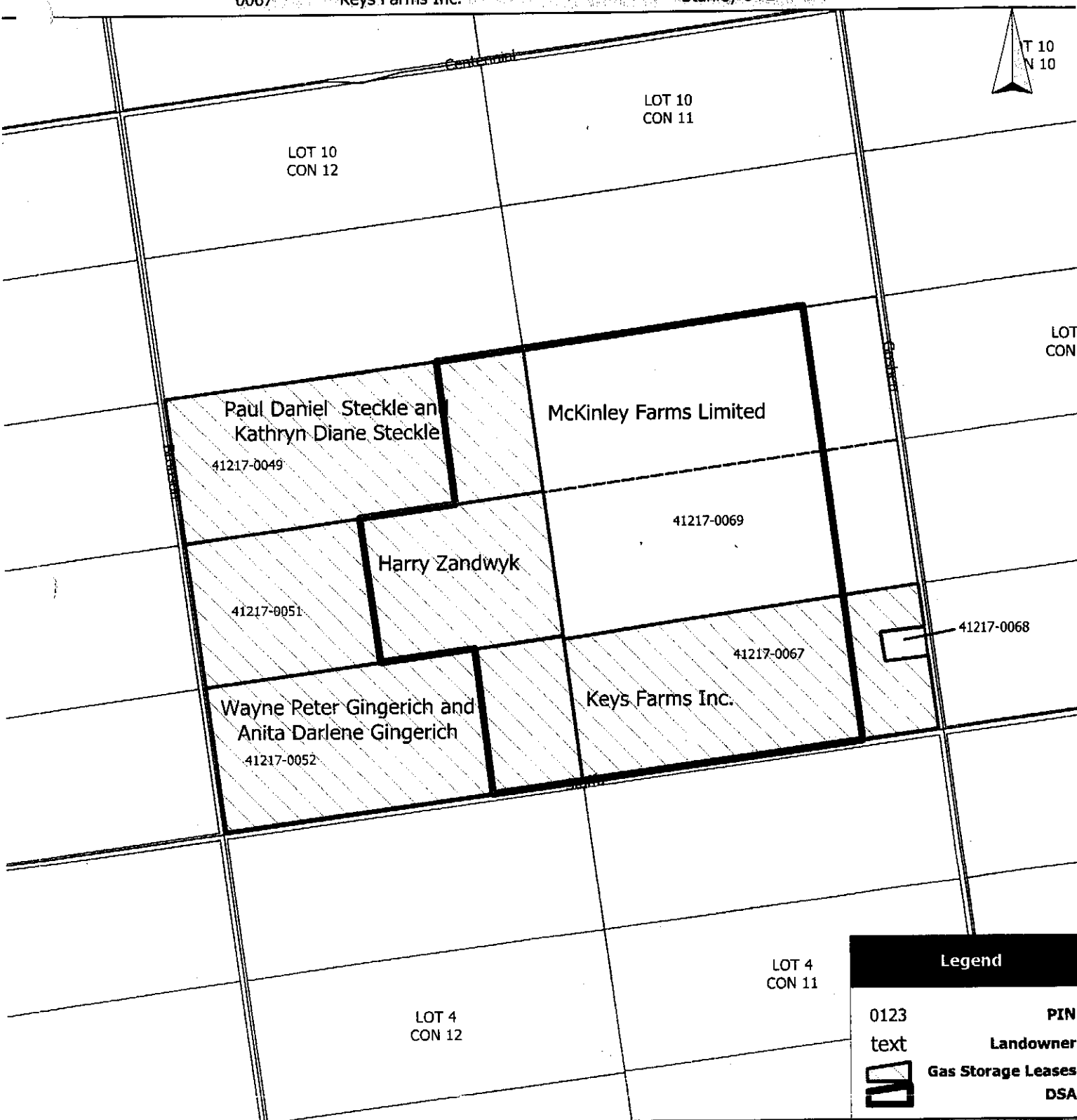
0049
0051
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0069
0067

LANDOWNER

Paul and Kathryn Steckle
Harry Zandwyk
Wayne and Anita Gingerich
Mckinley Farms Limited
Keys Farms Inc.

LOCATION

Stanley 8-XII
Stanley 7-XII
Stanley 6-XII
Stanley 7+8-XI
Stanley 6-XI



Legend

0123
text



PIN
Landowner
Gas Storage Leases
DSA

REVISIONS

N	DATE	BY	APP'D	REMARKS

STANLEY 4 - 7 - XI POOL GS LEASES

DRAWN BY	E. Funston	DATE	09/09/2009	SCALE	1:15,000
CHECKED BY		DATE			
APPROVED BY		DATE		SHEET	1 of 1

EXHIBIT "C"
TO THE AFFIDAVIT OF JANE ELIZABETH LOWRIE

Stanley 4-7-XI Pool - Request for Determination of Amount of Compensation

Tribute is asking the Board to determine just and equitable compensation to be paid to the owner(s) of the lands described as Lots 7 and 8, Concession 11, geographic township of Stanley, Municipality of Huron ("McKinley Farms lands") for the purposes of this application.

Chronology of Events Re: Applications Delay due to Litigation Proceedings

In response to a Board Staff request to outline the chronology of events with respect to the PNG and GS leases on the McKinley Farms lands, the following summary confirms (a) the validity of the PNG lease and (b) a decision by the courts that the expired GS lease was invalid:

2008

On or about October 27, 2008, Tribute received a legal opinion from its counsel, which legal opinion described the early termination provision in the McKinley Farms GS lease which had been signed ten years earlier.

On October 30, 2008, Tribute, through its land agent, provided McKinley Farms with an amendment to its GS lease amending the early termination provision by giving Tribute an extra year (i.e. until September 24, 2009) to commence its Application to the OEB for a designation of a gas storage area, including the McKinley Farms Lands.

By letter dated December 9, 2008, McKinley, through its solicitors, Chinneck Law, advised Tribute, through its solicitors, Giffen & Partners, that the McKinley Farms GS lease and the McKinley Farms PNG lease as amended by the Unit Operation Agreement (collectively the "McKinley Farms PNG lease") were both null and void.

By letter dated December 15, 2008, Tribute proposed a meeting with McKinley Farms to try and resolve the issues of the validity of the McKinley Farms GS lease and the McKinley Farms PNG lease. By letter dated December 16, 2008, McKinley Farms, through its counsel, declined to meet with Tribute and its counsel.

By letter dated December 17, 2008, Tribute, through its counsel, proposed a new GS lease and new PNG lease at the rate of \$2.00 per acre for storage rights and \$2.50 per acre for PNG rights, with all compensation to be increased on designation so as to be in keeping with the industry standard as established by the Lambton Landowners Storage Association and approved by the OEB. McKinley Farms refused this offer.

On December 18, 2008, Tribute commenced an Application in the Ontario Superior Court of Justice seeking a declaration that the McKinley Farms GS lease and the McKinley Farms PNG lease were valid and subsisting leases.

2009

On January 16, 2009, McKinley Farms commenced a Cross-Application in the Ontario Superior Court of Justice seeking a declaration that the McKinley Farms PNG lease and the McKinley Farms GS lease were null and void.

On March 4, 2009, McKinley Farms granted to 2195002 Ontario Inc. (a related corporation) a new PNG lease and a new GS lease which were registered against the McKinley Farms Lands as Instrument Numbers HC56299 and HC56300. Both of these leases were prepared by Chinneck Law, solicitors for McKinley Farms and 2195002 Ontario Inc.. Catherine McKinley is a director and officer of 2195002 Ontario Inc. and is also a director and the president of McKinley Farms Ltd..

Tribute's Application and McKinley Farms' Cross-Application were heard by Mr. Justice Little of the Ontario Superior Court of Justice on June 17 and June 18, 2009 and Judgment was granted in favour of McKinley Farms declaring both the McKinley Farms PNG lease and the McKinley Farms GS lease to be null and void with costs awarded to McKinley Farms in the total amount of \$81,135.37 payable by Tribute (the "Little Judgment").

In the summer of 2009, Tribute completed negotiations and compensation arrangements with all Bayfield and Stanley Storage Pool landowners with the exception of McKinley Farms.

In September of 2009, Tribute filed the Bayfield and Stanley Gas Storage Applications with the OEB (EB-2009-0338, EB-2009-0339).

In or about October of 2009, Tribute, in an effort to settle all differences with McKinley Farms including the on-going litigation, made an offer to settle to McKinley Farms whereby all litigation would be settled, Tribute would pay to McKinley Farms its costs awarded in the Little Judgment in the amount of \$81,135.37, McKinley Farms would grant to Tribute a new PNG lease and a new GS lease, Tribute would pay to McKinley Farms \$208,745.00 and McKinley Farms would enter into an amending agreement in the same form as the other landowners in the Stanley Pool that would provide McKinley Farms with further payments of approximately \$25,000.00 per year upon designation. McKinley Farms rejected Tribute's offer.

In November of 2009, Tribute filed the Leave to Construct Application for the connecting pipeline (EB-2009-0340).

1 Tribute appealed the Little Judgment to the Ontario Court of Appeal on three issues,
2 namely, the validity of the McKinley Farms PNG lease, the validity of the McKinley Farms
3 GS lease and the costs awarded to McKinley Farms.

4 **2010**

5 In February of 2010, the OEB placed Tribute's Applications in abeyance.

6 The Ontario Court of Appeal heard Tribute's appeal on June 2, 2010 and in a unanimous
7 Judgment, the Ontario Court of Appeal allowed Tribute's appeal on two issues, namely,
8 the Ontario Court of Appeal declared the McKinley Farms PNG lease as a valid and
9 subsisting lease and replaced the costs award in favour of McKinley Farms with an Order
10 of no costs before Mr. Justice Little and awarded Tribute costs in the amount of
11 \$15,000.00 on the appeal. The Ontario Court of Appeal upheld the Little decision that the
12 McKinley Farms GS lease was invalid.

13 In August of 2010, McKinley Farms brought an Application for leave to appeal to the
14 Supreme Court of Canada from the decision of the Ontario Court of Appeal.

15 On November 18, 2010, the Supreme Court of Canada dismissed McKinley Farms'
16 Application for leave to appeal with costs to Tribute.

17 On December 22, 2010, Tribute made another written offer to McKinley Farms to settle
18 all past differences and to facilitate a smooth hearing of Tribute's Applications. In this
19 offer, Tribute offered to pay to McKinley Farms \$234,610.00 in exchange for McKinley
20 Farms agreeing to cooperate with Tribute's Applications, granting to Tribute a new GS
21 lease and an amending agreement substantially in the same form as that signed by the
22 other Stanley Pool landowners which would provide McKinley Farms with additional
23 compensation on designation of approximately \$25,000.00 per year. McKinley Farms
24 refused Tribute's offer.

25 **2011**

26 On January 21, 2011, McKinley Farms and 2195002 Ontario Inc., through its solicitor,
27 Chinneck Law, threatened further litigation against Tribute.

28 On January 27, 2011, McKinley Farms and related parties, through its solicitor, Chinneck
29 Law, offered to settle all outstanding issues and disputes with Tribute and agreed to grant
30 to Tribute a new GS lease and to cooperate with Tribute's Applications upon receiving a
31 payment in an amount which cannot be disclosed due to the without prejudice nature of
32 the McKinley Farms offer letter. Tribute declined this offer.

1 On April 20, 2011, Tribute filed updated Bayfield and Stanley Gas Storage and Leave to
2 Construct Applications with the OEB (EB-2011-0076, EB-2011-0077, EB-2011-0078):

3 On July 29, 2011, McKinley Farms and 2195002 Ontario Inc., through its solicitor,
4 Chinneck Law, again offered to settle all outstanding issues and disputes with Tribute and
5 agreed to grant to Tribute a new GS lease and to cooperate with Tribute's Applications in
6 the event Tribute agrees to pay the standard payment for landowners on terms identical
7 to the payments and terms payable to other landowners within the Stanley and Bayfield
8 DSA and upon receiving a lump sum payment or a per annum payment in perpetuity until
9 the use of the Reservoir for storage ceases forever, the details of which cannot be
10 disclosed due to the without prejudice nature of McKinley Farms' and the 2195002
11 Ontario Inc. offer letter.

12 **Tribute's Stanley Pool PNG Lease Confirms its Rights to Store Gas**

13 Tribute relies on the specific provisions of the Oil and Gas Lease registered as Instrument No.
14 160688 as amended by Unit Operation Agreement registered as Instrument No. 215978
15 referred to as the PNG lease (Schedules C3 and C4), which grants Tribute all the necessary
16 storage rights required in this application to store gas in the Stanley Pool, subject to receiving
17 all the necessary regulatory approvals. The recently confirmed as valid PNG lease provides in
18 part as follows:

19 ... and Land Owner also leases to Operator the exclusive right to ... store in any gas
20 sands on the premises and withdraw therefrom gas originally produced from other
21 lands...

22 If, at any time, prior to the termination of this lease, the Operator should decide to
23 utilize any underlying productive gas sand as a storage reservoir for gas originally
24 produced from other lands, Operator agrees to notify Land Owner of such utilization,
25 and thenceforth to pay Land Owner double the herein specified acreage rental amount
26 as full compensation for the storage rights herein granted and in lieu of all delay rental;
27 in event there is a productive well or wells on these lands at the date of said notification
28 the Operator subsequently shall pay, and the Land Owner agrees to accept, double the
29 last previous gas well royalty for each present well on these lands.

30 Tribute is asking the Board to rely on and find that it, as applicant in these proceedings, has the
31 authority to store gas in the Stanley Pool, pursuant to the above PNG lease provision, and
32 subject to obtaining the required regulatory designation, injection and withdrawal approvals
33 from the Board.

1 As further evidence of the clear intention of the parties, seven years later after production had
2 commenced, McKinley Farms entered into a Unit Operation Agreement ("UOA") for the Stanley
3 Pool dated November 30, 1984 and registered as Instrument No. 215978. That UOA mirrors,
4 supports and effectively reiterates the above PNG lease provisions in clause 12 as follows:

5 If, at any time prior to the termination of this Agreement, the Lessee should decide to
6 utilize the underlying productive gas sand as a storage reservoir for gas originally
7 produced from other lands, the Lessee agrees to notify the Lessor of such utilization,
8 and thenceforth to pay Lessor double the herein specified acreage rental amount as full
9 compensation for the storage rights herein granted and in lieu of all delay rental(; sic) in
10 event there is a productive well or wells on these lands at the date of said notification
11 the Lessee shall not commence utilization of the lands as a storage reservoir without
12 first entering into an agreement with the Lessor to settle the value of the Lessor's
13 royalty.

14 It is clear that at the time of execution of this PNG lease dated November 22, 1977, and the
15 subsequent execution of the UOA in 1984, that the parties fully anticipated that the unknown
16 rock formation (historically referred to as "gas sands" in many contemporary leases), might be
17 converted from gas production to a gas storage reservoir – irrespective of whatever rock type
18 the formation might be. If those gas sands could be developed and subsequently used, then at
19 the option of the Operator, the PNG lease and UOA provided that the Operator had a right to
20 use it as a gas storage pool.

21 Not only is the right to store gas conferred upon the Operator, but in this PNG lease for Tribute,
22 there is also a simple compensation formula accompanying the storage rights. The Operator is
23 required to pay the Land Owner double "the specified acreage rental amount as full
24 compensation for the storage rights" and in respect of residual gas (which is below 50 PSI), the
25 lease requires a payment "double the last previous gas well royalty for each present well on
26 these lands."

27 As noted above in this evidence, Tribute attempted negotiations with McKinley Farms to enter
28 into a more current version of a standard gas storage agreement and amending agreement,
29 using the Lambton Landowners Association rates as ongoing compensation in the proposed
30 new storage lease. Prior to the litigation and as a settlement incentive, Tribute had offered
31 additional lump sum compensation to McKinley Farms in an effort to avoid the litigation and
32 ancillary costs, which have now all been incurred. Tribute's offer to McKinley Farms for the
33 lump sum compensation was therefore withdrawn.

1 Even though Tribute does not require a new storage lease to assert its legal rights to develop
2 the storage pool, Tribute is willing to enter into a new storage lease with McKinley Farms and
3 make annual rental payments as it will with all the other Stanley and Bayfield Pool land owners.

4 Tribute recognizes that in the course of the litigation, McKinley Farms assumed incorrectly that
5 Tribute had no valid PNG lease and gas storage rights. Midway through the litigation, McKinley
6 Farms apparently proceeded to grant a new PNG lease and GS lease for 30 years, for the
7 storage rights it did not possess, to 2195002 Ontario Inc., a numbered company held by family
8 members. Annual compensation payable by 2195002 Ontario Inc. to McKinley Farms is set at
9 \$400/acre for the next 28 years, following which there is no fee established (Schedules C3 and
10 C5).

11 In this application, Tribute continues to assert the storage rights enshrined in the PNG lease.
12 Tribute is asking the Board to recognize and confirm Tribute as the legal owner of the storage
13 rights in the Stanley Pool. If, for whatever reason(s), the Board does not uphold the PNG lease
14 and storage provisions as valid, then Tribute is asking the Board to alternatively require
15 McKinley Farms and its new numbered company, 2195002 Ontario Inc., to enter into a gas
16 storage lease with Tribute on similar terms and conditions, including compensation, as the
17 other landowners in the Stanley Pool, pursuant to section 38 of the *Ontario Energy Board Act*.
18 If the Board finds that Tribute is somehow obligated to pay McKinley Farms and/or 2195002
19 Ontario Inc. any additional compensation, then Tribute is asking the Board to set the additional
20 compensation at the same rate that McKinley Farms is charging 2195002 Ontario Inc.

21 **Gas Storage Rights**

22 In 1989-91, Paragon (formerly PPC) obtained three GS leases; Tribute obtained GS leases on the
23 remaining two landowners in 1998 over the Stanley Pool.

24 Tribute currently holds GS leases for all properties within the proposed Stanley Pool DSA, with
25 two exceptions, Curvin lands as explained in the Stanley 4-7-XI Pool prefiled evidence (Binder 2,
26 E1) and McKinley Farms in respect of which Tribute has Storage rights under its PNG lease as
27 previously explained.

28 The McKinley Farms GS lease included a termination clause if the Lessee had not filed an
29 application for designation to the Ontario Energy Board before September 24, 2008. McKinley
30 Farms had been provided a supplementary document to amend the GS lease in order to extend
31 that specific provision, but the offer was refused. That issue is not subject to any current court
32 proceedings.

33 All payments required under the GS leases held by Tribute were made during the life of the GS
34 leases. As noted above, the McKinley Farms group have been offered on multiple occasions a

1 new GS lease, but unfortunately negotiations have been held without successful resolution.
2 Tribute is therefore asking the Board to recognise and confirm Tribute as the legal owner of the
3 storage rights in the Stanley Pool based on the rights granted to it within the McKinley Farms
4 PNG lease. If, for whatever reason(s), the Board does not uphold the McKinley Farms PNG
5 lease and storage provision as valid, then Tribute is requesting the Board to approve the
6 inclusion of the McKinley Farms lands in the Stanley Pool DSA along with a similar GS lease and
7 compensation arrangement as all the other landowners have executed for the Bayfield and
8 Stanley Pool DSAs.

EXHIBIT "D"
TO THE AFFIDAVIT OF JANE ELIZABETH LOWRIE

5041/2011

Court File No.

ONTARIO
SUPERIOR COURT OF JUSTICE

BETWEEN:

2195002 ONTARIO INC.

Applicant

- and -

TRIBUTE RESOURCES INC.

Respondent

NOTICE OF APPLICATION

TO THE RESPONDENT

A LEGAL PROCEEDING HAS BEEN COMMENCED by the Applicant. The claim made by the Applicant appears on the following page.

THIS APPLICATION will come on for a hearing on Tuesday, September 20th, 2011, at 10:00 o'clock in the morning, at 80 Dundas Street, London, Ontario.

IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with any documents in the application, you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the *Rules of Civil Procedure*, serve it on the Applicant's lawyer or, where the Applicant does not have a lawyer, serve it on the Applicant, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the Applicant's lawyer or, where the Applicant does not have a lawyer, serve it on the Applicant, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but at least four days before the hearing.

IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO OPPOSE

THIS APPLICATION BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE:

DATE: SEP 01 2011

Issued by

Local Registrar

Address of Court Office:

TO: Tribute Resources Inc.
309 Commissioners Road West
Unit E
London, Ontario
N6J 1Y4

McKinley Farms Limited
P.O. Box 19
St. Marys, Ontario
N4X 1C2

APPLICATION

1. The Applicant makes application for:

- a. A declaration that there are no "gas sands" in, on or under the lands owned by McKinley Farms Limited identified by PIN No. 41217 – 0069 (LT) (the "**Lands**"); and
- b. An order declaring that a certain Oil and Gas Lease dated October 12, 1977 and registered on November 17, 1977 as instrument no. 160688 (the "**Tribute Oil and Gas Lease**") in the Land Registry of Huron County does not, by its terms, permit Tribute Resources Inc. to store gas in or under the Lands;
- c. An order declaring that a certain Gas Storage Lease dated March 3, 2009 and registered as instrument no. HC56300 in the Land Registry of Huron County on March 4, 2009 is the only instrument registered on title to the Lands permitting injection into, storage under or on, and withdrawal of gas from the Lands;

2. The grounds for the application are:

- a. Rule 14.05(d) & (h) and R. 38 of the *Rules of Civil Procedure*
- b. McKinley and Tribute Resources Inc. ("**Tribute**") are parties to an Oil and Gas Lease which was entered into for the purpose of producing natural gas from McKinley's Lands;
- c. McKinley and Tribute were parties to a separate Gas Storage Lease which provided that Tribute could use the McKinley Lands to store natural gas, produced elsewhere (the "**Tribute Gas Storage Lease**");
- d. The Tribute Gas Storage Lease was declared of no further force or effect by the Superior Court of Justice, which decision was affirmed on appeal to the Ontario Court of Appeal;
- e. The Tribute Oil and Gas Lease, which is primarily a production lease, provides that, in addition to producing, Tribute has the right to store gas in **any gas sands on the premises**;
- f. There are no "gas sands" on the premises;
- g. The terms of an oil and gas lease are to be given effect according to their plain and ordinary meaning;

4

- h. Oil and gas leases are to be construed strictly in favour of the lessor and the doctrine of contra proferentum applies;
- i. 2195002 Ontario Inc. holds the only valid Gas Storage Lease binding the Lands and is the only party entitled to all gas storage rights in, on and under the said Lands.

- 3. The following documentary evidence will be used at the hearing of the application:
 - 1. Affidavit of Michele Kremer, and accompanying exhibits.
 - 2. Affidavit of Steven Colquhoun, Certified Petroleum Geologist, and accompanying exhibits;

Date: September 1st, 2011

Jed M. Chinneck
Chinneck Law Professional Corporation
Barristers & Solicitors
37 Ridout Street South
London, Ontario N6C 3W7
(LSUC# 21375C)
Tel: (519) 679-6777
Fax: (519) 432-4811
Solicitors for the Applicant

2195002 ONTARIO INC.

Applicant

- and -

TRIBUTE RESOURCES INC.

Respondent

Court File No.

ONTARIO SUPERIOR COURT JUSTICE
Proceedings commenced at London

NOTICE OF APPLICATION

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jed@chinneck.ca
Solicitors for the Applicant

EXHIBIT "E"
TO THE AFFIDAVIT OF JANE ELIZABETH LOWRIE

CHINNECK LAW
professional corporation

info@chinneck.ca
www.chinneck.ca
Trade Mark Agent
Commissioner
Notary Public
Geologist
Lawyer

January 21, 2011
Matter #: 10-024
By Email - boardsec@oeb.gov.on.ca
By Regular Mail

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319, 26th Floor
2300 Yonge Street
Toronto, Ontario
M4P 1E4

Dear Ms. Walli:

**Re: Applications by Tribute Resources Inc. and Bayfield Resources Inc.,
On behalf of Huron Bayfield Limited Partnership (the "Applicants")
Board File Numbers: EB-2009-0338 / EB-2009-0339 / EB-2009-0340**

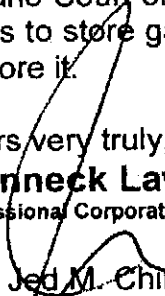
As you know, I act for McKinley Farms Ltd., the owners of lands overlying 76.441% of the Stanley Reef. I also act for 2195002 Ontario Inc., which holds a Petroleum and Natural Gas Lease ("PNG") and the only valid Gas Storage Lease ("GSL") on the McKinley Lands.

I am writing further to Mr. Lewis' letter to you dated December 16th, 2010 in respect of this matter.

Tribute's offer was not satisfactory. I have instructions to submit a counter-offer to Tribute with a request to meet with Tribute's new Chairman of the Board to attempt to negotiate a fair settlement of the issues.

If those negotiations do not take place or are not successful, I have instructions from 2195002 Ontario Inc. to proceed with a court application for a declaration that Tribute has no rights to store gas under the McKinley Lands. 2195002 Ontario Inc. holds the only valid GSL; not Tribute. The Ontario Court of Appeal declared Tribute's GSL to be terminated and ended. Further, Tribute has no rights to store gas under its PNG on the McKinley Lands because there are no "gas sands" in which to store it.

Yours very truly,
Chinneck Law
Professional Corporation

Per:  Jed M. Chinneck
JMC:mpk
jed@chinneck.ca
www.chinneck.ca

cc: Tribute Resources Ltd.
Attn: William Blake – wblake@tributeresources.com

Bayfield Pipeline Corp.
Attn: William Blake – wblake@tributeresources.com

Giffen & Partners
Attn: Christopher Lewis – lewis@giffens.com

All Intervenors
Zurich Landowners Association
Attn: Heather Redick – Zurichlandowner@hay.net

Union Gas Limited
Attn: Mark Murray – mmurray@uniongas.com

The Corporation of the City of Kitchener
Financial Services Department/Kitchener Utilities
Attn: James A. Gruenbauer, CMA – jim.gruenbauer@kitchener.ca

The Huron County Federation of Agriculture (HCFA)
Attn: Paul Nairn, OFA Member Service Representative – paul.nairn@ofa.on.ca

The Corporation of the Municipality of Bluewater
Attn: Lori Wolfe, C.A.O./Dave Johnston
c/o Arlene Parker – planninginfo@town.bluewater.on.ca

Stanley Bayfield Landowners Group
Attn: Bev Hill – bev.hillhill@tcc.on.ca

Petroleum Resources Centre
Attn: Dan Elliott, Manager – dan.elliott@ontario.ca

McKinley Farms Ltd.

TRIBUTE RESOURCES INC.

v.

MCKINLEY FARMS LTD.

Applicant

Respondent

Court File No. **

ONTARIO

SUPERIOR COURT OF JUSTICE

Proceeding commenced at LONDON

APPLICATION RECORD

GIFFEN & PARTNERS
Barristers & Solicitors
465 Waterloo Street
London, Ontario N6B 2P4

Christopher A. Lewis
LSUC # 23361A
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Tel: (519) 679-4700
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Solicitors for the Applicant
Tribute Resources Inc.