

Ministry of Natural Resources

Final Submissions

Tribute Resources Inc.

**Applications for Huron Bayfield Storage Project
Development**

EB-2011-0076

EB-2011-0077

EB-2011-0078

EB-2011-0258

November 5, 2012

Introduction:

The Ministry of Natural Resources ("MNR") offers these final submissions on the applications filed by Tribute Resources Inc. and Bayfield Resources Inc., on behalf of Huron Bayfield Limited Partnership and Bayfield Pipeline Corp. ("Tribute"), filed with the Ontario Energy Board (the "Board"), dated April 20, 2011, and amended August 4, 2011.

MNR has read the final submissions of Tribute, Board Staff and the Corporation of the County of Middlesex.

As was noted in Board Staff's submission, the Applications are organized into four Board files as follows:

- a) Development of the Stanley Pool (Board File No. EB-2011-0076)
- b) Development of the Bayfield Pool (Board File No. EB-2011-0077)
- c) Leave to Construct a Natural Gas Pipeline (Board File No. EB-2011-0078)
- d) Request for Determination of Compensation (Board File No. EB-2011-0258)

The MNR has a regulatory interest under the *Oil, Gas and Salt Resources Act* and O. Reg. 245/97 regarding storage wells and the activities associated with well licences. MNR requested Intervenor status on June 6, 2011 and was granted Intervenor status on June 14, 2011.

MNR served and filed written interrogatories on Tribute's pre-filed evidence in correspondence dated June 19, 2012. Tribute responded to all interrogatories on its pre-filed evidence, including MNR's, by way of correspondence dated July 5, 2012.

MNR chose not to file any evidence in this proceeding.

On October 17, 2012, the Honourable Madam Justice H. A. Rady of the Superior Court rendered her decision on the application for an interpretation of private lease agreements involving Tribute for oil and gas extraction and gas storage rights. These submissions by MNR do not address that Superior Court decision nor the issue of compensation more generally.

Positions of MNR on the Applications Before the Board:

The MNR takes no position on the issue of compensation (Application EB-2011-0258).

These submissions address the other three applications.

The MNR has no substantive concerns with regard to the designation of the proposed Pools (Applications EB-2011-0076 and EB-2011-0077), and therefore does not object to the Board's approval of those applications.

The geological evidence provided by Tribute, including a 3D seismic program and anhydrite cap rock testing, supports the proposed well locations and drilling programs.

Tribute has confirmed it will follow CSA Standard Z-341 requirements for drilling, operation, maintenance and abandonment for both proposed Pools.

With respect to the related application for leave to construct a natural gas pipeline (Application EB-2011-0078), MNR does not dispute Tribute's submission that it is a "necessary ancillary facility upon which the combined Bayfield and

Stanley pools are fully dependent for their operations and economic viability." (Page 13, 3rd paragraph, Tribute's final submission). However, as is discussed below, there is a concern with respect to Tribute's acknowledgement that there would be a delay in the proposed construction to 2015. MNR therefore does not make a "no objection" submission with respect to Application EB-2011-0078.

Clarifications:

MNR would like to clarify several of the assertions made in the final submissions made by Tribute:

At page 2, paragraph 3:

"Also central to this case is the clear understanding between the Ministry of Natural Resources and the Applicants as to the boundaries and estimated capacity of the two storage pools."

At Page 3, 1st Paragraph:

"The MNR staff approved the technical data and the proposed DSA boundary based on the data, and provided their approval in the form of a "Record of Technical Data Reviewed for a Proposed Designated Gas Storage Area." (Binder #2, B1-18, Page 29 of 31, Binder #3, B1-19, Page 30 of 32)."

And at Page 4, 3rd paragraph:

"McKinley Farms ("McKinley") has indicated that it believes that it has a larger ownership interest in the Stanley pool (76%) versus the

findings of the MNR and the results of the work undertaken by the Applicants (46%)."

MNR is not clear as to what "clear understanding" is being described. In each of the above quoted passages, if the suggestion is that MNR agrees with the Applicant's determination of relative ownership interests within the pool; that is not accurate. MNR has not reviewed any data or made any findings respecting relative ownership determinations.

That said MNR has reviewed the evidence concerning the suitability of the Pools for storage and the boundaries of the Pools. MNR has no objection on a technical, geological basis that the designations of the proposed Pools are appropriate, based on the evidence filed by Tribute.

Board Staff Draft Conditions of Approval:

Should the Board approve the Applications, Board Staff in its final submission has offered draft Conditions of Approval.

MNR has reviewed those Board Staff draft Conditions. MNR shares the concern of Board Staff with respect to Tribute's indication that the commencement of construction of the entire series of projects (well drilling, compressors station and pipeline construction) would not commence prior to 2015 (Response to Board Staff IR # 2b). In this respect and with respect to the Well Drilling Licences Application, draft Condition 1.2 indicates:

"Authorization for the issuance of the drilling licences is limited to 12 months from the date of the Board's Report to the Ministry of Natural Resources."

This standard condition is consistent with legislation – the following sections of O. Reg. 245/97 made under the *Oil, Gas and Salt Resources Act*, R.S.O. 1990, c. P.12, are relevant:

s. 3.(1) A well licence expires on the first anniversary of its date of issue, if the well was not spudded before that date.

s. 3.(2) The authority to drill that is granted in a well licence terminates on the earlier of,

(a) the TD date of the well; and

(b) the first anniversary of the date of issue of the licence.

ALL OF WHICH IS RESPECTFULLY SUBMITTED.

Dated at Toronto this the 5th day of November, 2012.

A handwritten signature in blue ink, consisting of a stylized, overlapping loop and a long, sweeping horizontal stroke extending to the right.

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