

ONTARIO ENERGY BOARD

IN THE MATTER OF THE *Ontario Energy Board Act*, S.O. 1998, C.15, Schedule B, and in particular Section 21(2) thereof;

AND IN THE MATTER OF the *Assessment Act*, R.S.O. 1990, c.A31, and in particular Section 25(3) thereof;

AND IN THE MATTER OF an Application by Tribute Resources Inc. for an Order determining whether or not the natural gas pipelines owned and operated by Tribute Resources Inc. in Norfolk County, the Municipality of Bayham and the Municipality of Malahide are gas transmission pipelines

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1. Application dated June 19, 2015
2. Pre-Filed Evidence of Jane E. Lowrie, Jennifer A. Lewis and William Blake on behalf of Tribute Resources Inc.:
 - Schedule “A” Map –Gathering Pipeline Sysem
 - Schedule “B” MPAC Property Assessment Notices for 2014-2016 Property Tax Years (for the County of Norfolk, Municipality of Bayham and the Municipality of Malahide)
 - Schedule “C” Except from the CSA Standard Z662-11 entitled “Oil and Gas Pipeline Systems”
 - Schedule “D” Oil and Gas Pipeline Systems Code Adoption Document and Amendment dated August 31, 2012

TAB 1

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APPLICATION

1. Tribute Resources Inc. (the “Applicant” or “Tribute”) hereby applies to the Ontario Energy Board (the “Board”) pursuant to Section 25(3) of the *Assessment Act*, R.S.O. 1990, c.A31, as amended (the “Assessment Act”) for an order declaring that the natural gas pipelines owned by Tribute in the County of Norfolk, the Municipality of Bayham and the Municipality of Malahide are not gas transmission pipelines now and were not gas transmission pipelines at any time from and after January 1, 2012.
2. Attached hereto as Schedule “A” is a map showing the general location of the natural gas pipelines owned by Tribute in the County of Norfolk, the Municipality of Bayham and the Municipality of Malahide. It is the position of the Applicant that these pipelines were, at all material times, and remain exclusively gathering pipelines used in the private production of natural gas. Tribute is not in the business of gas transmission or distribution, nor does it possess a Certificate of Public Convenience or hold any franchise for gas transmission or distribution.

3. The parties affected by this Application are Tribute, Municipal Property Assessment Corporation ("MPAC"), the Corporation of the County of Norfolk, the Corporation of the Municipality of Bayham and the Corporation of the Municipality of Malahide.

The address for service for Tribute is:
309 Commissioners Road West
Unit D
London, Ontario
N6J 1Y4

Attention: Jennifer Lewis, Chief Financial Officer

Telephone: 519-657-2151
Facsimile: 519-657-4296

and

McKenzie Lake Lawyers LLP
Barristers and Solicitors
1800-140 Fullarton Street
London, Ontario
N6A 5P2

Attention: Christopher A. Lewis

Telephone: 519-672-5666
Facsimile: 519-672-2674

4. Tribute respectfully requests that the Board hold a written hearing in this matter under Section 32 of the Board's Rules of Practice and Procedure.

DATED June 19, 2015.

Tribute Resources Inc.

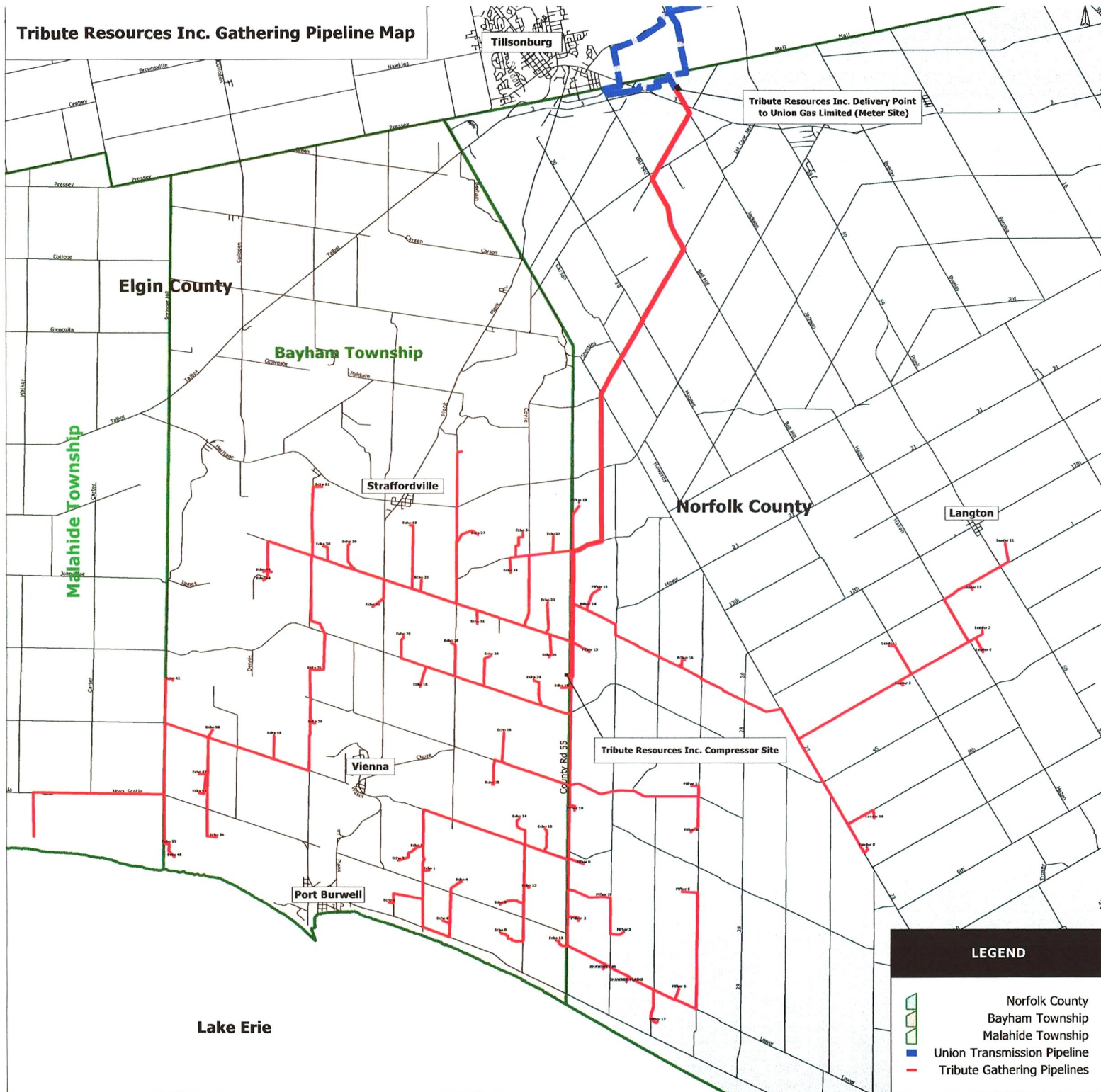
Per: _____

Jane E. Lowrie, President

(I have authority to bind the Corporation)

Tribute Resources Inc. Gathering Pipeline Map

SCHEDULE "A"



TAB 2

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PRE-FILED EVIDENCE OF JANE E. LOWRIE, JENNIFER A. LEWIS AND WILLIAM BLAKE ON BEHALF OF THE APPLICANT, TRIBUTE RESOURCES INC.

1. Jane E. Lowrie (“**Jane**”) is the President of Tribute Resources Inc. (the “**Applicant**” or “**Tribute**”) and received a Master’s Degree in Business Administration from the University of Western Ontario in 1981. Jane has been involved in the oil and gas business in Ontario for forty years.
2. Jennifer A. Lewis (“**Jennifer**”) is the Chief Financial Officer of Tribute and holds an Honour’s Degree in Business Administration from the University of Western Ontario and is a Chartered Professional Accountant. Jennifer has been involved in the oil and gas business in Ontario for seven years.
3. William Blake (“**Bill**”) is the Manager of Production Operations for Tribute and holds a Bachelor of Arts degree from the University of Western Ontario. Bill has been involved in the oil and gas industry in Ontario for forty years.
4. Tribute is a corporation incorporated under the laws of the Province of Alberta and is an extra-provincial corporation that has filed an initial return under the *Corporation’s*

Information Act (Ontario) permitting it to legally carry on business in the Province of Ontario.

5. Tribute carries on a gas production business in Ontario.
6. On or about September 24, 2014 Tribute purchased substantially all of the assets owned by Magnum Gas Corp. (“**Magnum**”) and Echo Energy Canada Inc. (“**Echo**”). Included in the assets purchased by Tribute were certain gas pipelines previously owned and operated by Magnum and/or Echo, which gas pipelines are located in the County of Norfolk and the Municipalities of Bayham and Malahide and are more particularly illustrated on Schedule “A” attached hereto (collectively the “**Pipelines**” and any part of which is a “Pipeline”).
7. The effective date of the aforesaid asset purchase transaction was March 1, 2014 from and after which date Tribute became responsible for all liabilities respecting the Pipelines including municipal taxes.
8. The Pipelines constitute a natural gas gathering system used in the private production of natural gas. Part of this system consists of approximately seventy-one natural gas production wells (the “**Wells**”) which are owned and operated by Tribute. Each of the Wells is connected by underground Pipelines to Tribute’s main gathering Pipeline which in turn moves the natural gas produced by the Wells to a metering site (the “**Delivery Point**”) adjacent to Union Gas Limited’s (“**Union**”) transmission pipe line, all as illustrated on Schedule “A”. The Pipelines that are attached to each of the Wells are low pressure polyethylene lines of various diameters which connect to Tribute’s main gathering Pipeline at the compressor site.

9. The main gathering Pipeline forming part of Tribute's gathering Pipeline system is a four (4) inch NPS (nominal pipe size) steel Pipeline. The compressor located on this main gathering Pipeline increases the pressure of the gas flow to in excess of seven hundred psi (pounds per square inch) to enable the natural gas to be transferred and sold to Union at the Delivery Point.
10. Tribute sells the natural gas that it produces from the Wells to Union at the Delivery Point. The natural gas is then transported by Union to Dawn along Union's transmission pipe line system.
11. The Pipelines have essentially remained in their current location as depicted on Schedule "A" since 2004 and served as a natural gas Pipeline gathering system for Echo and Magnum since at least 2011 prior to its purchase by Tribute in September of 2014. The purpose of the Pipelines is to efficiently collect the natural gas produced by the Wells and deliver the same for sale to Union at the Delivery Point.
12. On or about November 15, 2013, Echo and Magnum received from Municipal Property Assessment Corporation ("MPAC") property assessment notices (the "Assessments") in respect of the Pipelines for the 2014 to 2016 taxation years. Attached hereto as Schedule "B" are true copies of the Assessments. Copies of the Assessments were provided to Tribute and its affiliate, On-Energy Corp., who appealed these Assessments to the Assessment Review Board on or about March 28, 2014.
13. Subsections 25(1), (2), (3) and (4) of the *Assessment Act*, R.S.O. 1990 c.A.31 as amended (the "**Act**") read as follows:

Pipe line

25. (1) *In this section,*

“gas” means natural gas, manufactured gas or propane or any mixture of any of them;

“oil” means crude oil or liquid hydrocarbons or any product or by-product thereof;

“pipe line” means a pipe line for the transportation or transmission of gas that is designated by the owner as a transmission pipe line and a pipe line for the transportation or transmission of oil, and includes,

(a) all valves, couplings, cathodic protection apparatus, protective coatings and casings,

(b) all haulage, labour, engineering and overheads in respect of such pipe line,

(c) any section, part or branch of any pipe line,

(d) any easement or right of way used by a pipe line company, and

(e) any franchise or franchise right,

but does not include a pipe line or lines situate wholly within an oil refinery, oil storage depot, oil bulk plant or oil pipe line terminal;

“pipe line company” means every person, firm, partnership, association or corporation owning or operating a pipe line all or any part of which is situate in Ontario. R.S.O. 1990, c. A.31, s. 25 (1).

Notice

(2) On or before March 1 of every year or such other date as the Minister may prescribe, the pipe line company shall notify the assessment corporation of the age, length and diameter of all of its transmission pipe lines located on January 1 of that year in each municipality and in non-municipal territory. 2004, c. 31, Sched. 3, s. 8; 2006, c. 33, Sched. A, s. 16 (1).

Disputes

(3) All disputes as to whether or not a gas pipe line is a transmission pipe line shall, on the application of any interested party, be decided by the Ontario Energy Board and its decision is final. R.S.O. 1990, c. A.31, s. 25 (3).

Assessment of pipe line

(4) Despite any other provisions of this Act, a pipe line shall be assessed for taxation purposes in accordance with the regulations. 1997, c.5, s.16(1)

14. It is Tribute's position on the appeals of the Assessments that none of the Pipelines have been or is a natural gas transmission pipeline and accordingly are not "pipe lines" as defined in Section 25(1) of the Act. The Pipelines are therefore improperly assessed under the Act.
15. It is the position of MPAC that the Pipelines are natural gas transmission pipelines and are therefore properly the subject of assessment under Section 25(4) of the Act.
16. During the relevant taxation years (ie 2012 to 2015 inclusive) Tribute did not, nor did Magnum or Echo, notify MPAC under Section 25(2) of the Act in respect of the Pipelines. It is Tribute's position that the Pipelines are not and have never been natural gas transmission pipelines.
17. The only person or entity that owns a natural gas transmission pipeline in the vicinity of the Pipelines is Union.
18. The purchase price that Tribute paid to Magnum for the purchase of its assets, including the Pipelines, was \$2,550,750.00 (which included the assumption of municipal tax arrears relating to the Pipelines totalling \$375,275.00), of which \$440,000.00 of this purchase

price was allocated to the Pipelines and the Wells in the purchase and sale agreement between Tribute and Magnum. Tribute estimates that of this \$440,000.00 approximately \$200,000.00 would represent the value of the Pipelines. The value of the Pipelines will eventually be nil when all of the Wells are no longer capable of producing natural gas in paying quantities.

19. According to the Assessments, the value of the Pipelines in 2014 is \$6,041,500.00 with an increase in value of \$138,250.00 for each taxation year thereafter. It is Tribute's position that this value is totally unrealistic when compared with what Tribute paid for the Pipelines in 2014.
20. Property taxes paid by Tribute for 2014 in respect of the Pipelines totalled \$160,632.00. For a natural gas production company of Tribute's size, this annual expense is unreasonable and causes Tribute undue financial hardship.
21. Tribute is not in the regulated business of natural gas transmission or natural gas distribution in the Province of Ontario nor does it possess any Certificate of Public Convenience and Necessity or hold any franchise for natural gas transmission or distribution. None of the County of Norfolk, the Municipality of Bayham or the Municipality of Malahide has passed any by-law allowing Tribute to apply to the Board for a regulated franchise.
22. In 2014, Tribute and its predecessor, Magmun/Echo, delivered through the Pipelines to Union a total of 4,119,080 cubic meters of natural gas at the Delivery Point.

23. Attached hereto and marked as Schedule “C” is an excerpt from the CSA Standard Z662-11 (the “**CSA Standard**”) entitled, “*Oil and gas pipeline systems*”. Section 2.2 of the CSA Standard contains a definition of “*Gathering line*” and a definition of “*Transmission line*”. It is Tribute’s position that the Pipelines are gathering lines and not transmission lines. The CSA Standard covers the design, construction, operation and maintenance of oil and gas industry pipeline systems in Canada that convey substances including natural gas. Pursuant to an Oil and Gas Pipeline Systems Code Adoption Document Amendment dated August 31, 2012, a copy of which is attached hereto as Schedule “D”, Ontario Regulation 2010/01 entitled, “Oil and Gas Pipeline Systems” made under the *Technical Standards and Safety Act* 2000 S.O., 2000 c.16, adopted the CSA Standard with certain amendments that do not affect the definitions referred to above. The CSA Standard is therefore the law of the Province of Ontario.
24. Tribute, as an Ontario gas producer, is regulated by the *Oil, Gas and Salt Resources Act*, R.S.O. 1990, c.P.12, as amended (the “**OGS Act**”), the Regulations made thereunder and, in particular, Ontario Regulation 245/97 entitled, “Exploration, Drilling and Production” and the Provincial Standards, Version 2.0 approved by the Ministry of Natural Resources on March 27, 2002 (the “**Operating Standards**”).
25. The OGS Act defines “pipeline” in section 1(1) as follows:
- “pipeline” means a pipeline used for the collection of oil, gas or other substance produced from or injected into a well and transportation of the oil, gas or substance to a separating, processing or storage facility or to a distribution or transmission pipeline;*
26. Sections 5.7, 5.7.1 and 5.7.2 of the Operation Standards read as follows:

5.7 **Piping Systems**

Pipeline gathering lines shall be in accordance with CSA Z662-99 Oil and Gas Pipeline Systems. Process lines shall be in accordance with CSA B51-97 Boiler, Pressure Vessel and Pressure Piping Code.

5.7.1 **Pipeline Materials**

Materials used in the fabrication and installation of oil and gas pipeline systems shall meet the requirements CSA Z662-99 Oil and Gas Pipeline Systems.

5.7.2 **Pipeline Construction Supervision**

Where a pipeline to be used by an operator is installed, tested or replaced, the operator shall ensure that an Examiner who holds a certificate as a gas pipeline inspector or is a professional engineer licensed in the Province of Ontario certifies that the installation, testing or replacement of the pipeline has been made in accordance with this Part

The Operating Standards have not yet been up-dated to refer to the 2011 version of the CSA Standard.

27. The Pipelines are gathering lines and no part of the Pipelines is a transmission pipe line within the meaning of Section 25 of the Act.