



OMLP

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August 24, 2017

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON
M4P 1E4

Dear Ms. Walli:

Re: Application by OM Limited Partnership for a Limited Certificate of Public Convenience and Necessity, pursuant to section 8 of the *Municipal Franchises Act*, R.S.O. 1990, c. M. 55.

Please find enclosed a copy of the Application from On-Energy Corp. and Maricann Group Inc. ("OM Limited Partnership") for a Limited Certificate of Public Convenience and Necessity, restricted for PT LT 2 CON 7 NORTH WALSINGHAM AS IN NR306706 SAVE AND EXCEPT PT 1 ON 37R10232. We look forward to receiving a file number from the Board.

Thank you. Should you have any questions, please contact me.

Yours truly,

Jane Lowrie
President, On-Energy Corp.

Cc (by email): peterbbudd@rogers.com

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 an Application by OM Limited Partnership for a certificate of public convenience and necessity, pursuant to section 8 of the *Municipal Franchises Act*, R.S.O. 1990, c. M. 55.

Pre-Filed Evidence of the Applicant OM Limited Partnership

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Section 1 – Overview and Purpose of the Application

On-Energy Corp. (“ON”) and Maricann Group Inc. (“Maricann”) have formed a limited partnership, OM Limited Partnership (“OMLP”) for the purposes of supplying the Maricann Langton Facility with local natural gas.

The OMLP seeks a geographically limited Certificate of Public Convenience and Necessity (“Certificate”) under section 8(1) of the Municipal Franchises Act to construct works to supply gas to the Maricann Langton Facility located on the north half of Lot 2, Concession 7, Norfolk County (geographic Township of North Walsingham), with a municipal address of 138 8th Concession Road, Langton Ontario, N0E 1G0. The Property is owned by Maricann Inc. Specifically, in respect of servicing the Maricann Langton Facility with natural gas, OMLP will need to construct a Tie-in System as described in Appendix 7 (the “Tie-in System”). The granting of a Certificate is in the public interest as the economics favour the granting of the Certificate, there are no adverse environmental impacts, no outstanding landowner issues as the land is owned by Maricann, no adverse impact on other ratepayers, and OMLP is a competent builder and operator of the proposed gas supply works. The public interest considerations are set out in more detail in Section 9 of this application.

OMLP requests that the application be heard in writing and on an expedited basis in light of the anticipated construction schedule and needs of the Maricann Langton Facility as described in more detail in Sections 3, 6 & 7.

Background

ON is an Ontario oil and natural gas production company which forms a part of the Clearbeach Resources Inc. group of companies (“Clearbeach Group”). Clearbeach Group is a third generation oil and natural gas production group in Ontario and have been in operation for over 30 years. The Clearbeach Group is the second largest oil and natural gas producer in Ontario. The Clearbeach Group owns and operates over 400 oil and natural gas wells in Ontario which produce approximately 1,200 gigajoules (“GJ”) and approximately 140 barrels of oil equivalent per day. Certain natural gas wells owned by the Clearbeach Group and located in east Elgin and Norfolk counties will be rolled into the OMLP as part of ON’s contribution to the joint venture with Maricann.

Maricann is a publicly traded and vertically integrated producer and distributor of marijuana for medical purposes founded in 2013 and based in Langton Ontario. Maricann, which has federal licences to cultivate, process and distribute cannabis, services a patient base with more than 8,000 total registered patients since inception. Maricann is currently expanding its cultivation, extraction, analytics and production facilities to elevate offerings and prepare for growth into the adult-use cannabis market in Canada, and ultimately into mature and developing cannabis markets worldwide. The current 44,000 square foot Langton facility is being replaced with a 217,500 square foot facility on an adjacent property with the first phase of this expansion being

completed and operational by February 1st 2018. Maricann will require significant volumes of natural gas to fuel its greenhouse operations and production facility.

The OMLP will hold natural gas assets in Elgin and Norfolk Counties for the purpose of supplying the new Maricann Langton facility with local natural gas. Through the OMLP, ON will roll in natural gas production assets which will consist of approximately 150 natural gas producing wells and over 300km of pipeline with current production capabilities of approximately 600 GJ per day. The OMLP will be jointly owned by both ON and Maricann as further described in Section 2 below. Through the OMLP joint venture, Maricann will receive locally produced natural gas to fuel their new Langton Facility. The OMLP will sell its natural gas directly to Maricann for its sole use at the new Langton facility. Both ON and Maricann will benefit from the OMLP joint venture and this joint venture will enable both companies to move forward profitably for years into the future.

Union Gas Limited ("Union") is currently servicing Maricann's old facility located on a property leased by Maricann in the north half of Lot 2, Concession 7, geographic Township of North Walsingham. Union does not have a Certificate for the north half of lot 2, Concession 7, geographic Township of North Walsingham. Maricann's new facility is being built on lands owned by Maricann in the north half of Lot 2, Concession 7, geographic Township of North Walsingham. The property currently has no gas supply infrastructure on it. Upon completion of the new facility, Maricann will abandon it's old facility on leased land being serviced by Union.

MaricannThe gas costs charged by Union to Maricann for natural gas supplied are higher than will be charged through the OMLP. Through the OMLP proposed arrangement there will be a significant financial advantage to both Maricann and ON. In addition local landowners will receive increased royalties paid on local gas produced.

The OMLP joint venture will have no negative effects on Ontario ratepayers and will benefit the municipality and result in more environmentally responsible natural gas use as opposed to purchasing gas that has originated in foreign jurisdictions. Firstly, the transportation of gas over long distances requires compression fuel and results in line losses and some wasted gas. Secondly, the OMLP natural gas wells are all conventional wells without the use of high volume hydraulic fracturing and the environmental concerns associated with this unconventional method of extracting natural gas from shale formations outside of Ontario.

Section 2 – Corporate Structure

The Applicant, OMLP, will be the sole owner of all of the existing natural gas production assets and related pipeline infrastructure from which the natural gas production will be supplied to Maricann in addition to the proposed Tie-in System. The OMLP is an Ontario limited partnership with ON and Maricann being the only two limited partners. It is anticipated that ON will own a majority of the limited partnership units with Maricann holding a minority position of up to 25%. The OMLP intends to draw on the Clearbeach Group's significant experience in the natural gas production business and the operation, maintenance and construction of both the natural gas wells and the related pipeline infrastructure. The OMLP will be controlled by ON GP, its general partner which will be wholly owned by ON.

Other than a certificate of public convenience and necessity, the OMLP will have all requisite approvals required under all applicable laws to construct the entire project and facilitate the sale of gas directly from the OMLP to Maricann. These approvals include those required from the Ministry of Natural Resources and Forestry (MNRF), Technical Standards and Safety Authority (TSSA), Measurement Canada Weights and Measures and Norfolk County.

OMLP's team currently includes 4 senior level corporate executives with significant finance experience, 2 professional geologists, 1 professional engineer, 3 oil and natural gas production workers, as well as qualified construction supervisors and licensed trades persons who have the requisite knowledge, experience and skill to undertake the design, construction and operation of the OMLP existing production and pipeline system as well as the proposed Tie-in System and have completed similar projects in the past.

The OMLP, through its limited partners, has available the financial resources necessary to complete construction of, and to operate, the OMLP including committed equity financing to construct the proposed Tie-in System.

Section 3 – The ON Existing Natural Gas Wells and Pipeline Infrastructure

The ON group owns and operates approximately 150 natural gas wells and over 300 kms of existing pipeline infrastructure. This includes production previously operated by Tribute Resources Inc. (“Tribute”) and since assigned to ON in Norfolk county which Tribute acquired from Magnum Gas Corp. in 2014. The production from these 150 natural gas wells is currently sold into Union’s distribution system at three different locations. Approximately half of the production is sold through Union’s Maybees station number 11F103-91-CHK and Union’s Charlotteville station 12T503-01. Due to the lack of market in the south by these two stations, Union requires ON to sell the remaining 50% of production at Union station 12S403-01, located near Tillsonburg Ontario. The OMLP joint venture allows natural gas production from 118 of these wells currently delivered to the Maybees and Tillsonburg stations to be supplied to Maricann eliminating the need to treat and transport gas up to the Tillsonburg Union site. It is anticipated that the Charlotteville gas could be directed to the facility at a later date.

Maricann’s existing facility is located on a leased property. Upon completion of Maricann’s new production facility on lands owned by Maricann, their existing facility will be decommissioned and Maricann will no longer require natural gas supply at this siteMaricann. Their new production facility will be supplied with natural gas by the OMLP as there is no current gas supply to this property.

A map showing the location of the wells and pipeline facilities that will be transferred to the OMLP is found at Appendix 1.

Section 4 – The Maricann Langton Facility

a) Location

The Maricann Langton facility is located at 138 8th Concession Road, Langton Ontario in the geographical township of North Walsingham, in Norfolk County.

The legal description is: PT LT 2 CON 7 NORTH WALSINGHAM AS IN NR306706 SAVE & EXCEPT PT 1 ON 37R10232

Maps showing the location of the Maricann Langton facility is found at Appendix 2.

A site plan of the Maricann Langton facility which is currently under construction is found at Appendix 3.

A photo of the production facility under construction is found at Appendix 4.

Section 5 – The Maricann Langton Facility Fuel Requirements

a) Peak Gas Consumption

The existing Maricann facility will be decommissioned and abandoned upon completion of the new facilities described herein as Phase 1 and Phase 2. The new Maricann Langton Facility will be a large consumer of natural gas and will be built in two phases of construction. Phase 1 will consist of a greenhouse growing operation and production facility. Phase 2 will consist of an additional greenhouse. Upon completion of phase 2 of the expansion and under peak operating conditions, the Maricann Langton Facility will require as much as 67 GJ per hour of natural gas. The OMLP Tie-in System will be sized to meet this peak hourly gas flow requirement.

The existing pipelines and proposed Tie-in System which will form a part of the OMLP assets has sufficient physical gas transportation capacity to meet this requirement. ON's existing production pipeline network consists of approximately 300 kms of pipelines spanning over 800 square kms in the geographic townships of Bayham, Houghton, Middleton, Charlotteville, North Walsingham and South Walsingham. The Elgin and Norfolk County pipeline network connects to Union's high volume transmission system near Tillsonburg Ontario.

b) Total Gas Use

The Maricann Langton Production Facility will consume natural gas for heating water boilers and future generators to service greenhouse process and envelope operations. Maricann gas consumption will vary both hourly and daily, dependent on exterior environmental conditions, greenhouse process operational set points and power requirements. At peak capacity with natural gas fired generators, total annual gas use is expected to be in the range of approximately 300,000 GJ to 350,000 GJ.

c) Required Delivery Pressure

The Maricann Langton Production Facility will use natural gas as fuel for conventional water heating boilers and internal combustion engines which drive generators. These facilities only require natural gas supply pressure of 11 to 20 psi. As such, the OMLP natural gas entering the Maricann Langton Production Facility will be designed with a minimum 11 psi delivery pressure. The OMLP pipeline network that collects and transports natural gas from the individual wells to the Tie-in System can operate at pressures as high as 100 psi. Any excess pressure in the OMLP system will be reduced at the Tie-in System to match the Maricann Langton Production Facility pressure requirements as it varies.

Section 6 – Upgrades to Existing Pipeline Systems and the Tie-in System

The total capital cost of the Tie-in System to allow suitable quantities of gas to be delivered to the Maricann Langton Facility is estimated to be \$205,000.

The Tie-in System will require a meter site on Maricann's Property, for which OMLP is seeking the Certificate of Public Convenience and Necessity, which will include the following:

- Installation of a separator/dehydrator to remove excess moisture from the gas
- Installation of a gas odourizer.
- Installation of a gas meter to measure the volume of gas being delivered to the production facility.
- Piping, valves and regulators at the meter site.

Meter site plot plan can be found at Appendix 5.

Piping and instrumentation diagram can be found at Appendix 6.

The proposed Tie-in System diagram is shown at Appendix 7.

Upgrades to the existing pipeline system will include the installation of approximately 3.7 kms of new 4" high density polyethylene pipeline within the road allowance of North Walsingham County Road #8 from West Quarter Town Line to Norfolk County Road #23.

Section 7 – Construction Schedule

Construction of the Maricann Langton Facility is over 20% complete with the following construction schedule:

- Phase I closed in October 1st, 2017
- Phase I Operational February 1st, 2018
- Phase II operational April-May 2018

The expanded Maricann Langton Facility has a need for the natural gas produced by OMLP in early 2018. As such, it would be preferable for the upgrades to the existing pipeline system and the Tie-in System described to be completed by November 30, 2017 at the latest to meet this requirement. Upgrades to the existing pipeline system are planned to run from August – October 2017. The proposed Tie-in System construction of works to supply gas to the Maricann Langton Facility is scheduled to commence in October and be completed in November 2017. This construction timeline is subject to the OEB approval of the Limited Franchise Certificate Application contained herein. If the OEB is unable to deal with this matter on an expedited basis it may be necessary for OMLP to arrange for compressed natural gas delivery to Maricann

Section 8 – Ownership and Operation

The OMLP assets which will include the existing ON wells and pipeline infrastructure as well as the proposed Tie-in System will be owned by both Maricann and ON in partnership. The assets and Tie-in system will be operated by OMLP operations staff with the full Clearbeach Group team of industry professionals being available as required and expert consultants being utilized as necessary. These operations staff will be the same employees who currently service the ON wells and are very familiar with the infrastructure and operations.

The O&M and compliance activities related to the OMLP and the proposed Tie-in System will include:

- a) developing and maintaining an Operations and Procedures Manual;
- b) developing and maintaining an Emergency Response Plan;
- c) developing and maintaining an Operator Qualification Program;
- d) developing and maintaining a Pipeline Integrity Management Program;
- e) completing and submitting reports to government agencies as required;
- f) insuring all provided personnel are qualified in the Operator Qualification Program;
- g) providing all equipment, transportation, material and supplies necessary to perform routine services;
- h) performing and documenting Leak Surveys;
- i) documenting and classifying any leaks discovered;
- j) performing and documenting all Cathodic Protection System inspections, tests, and surveys at required frequency;
- k) performing and documenting valve maintenance at required frequency;
- l) performing and documenting Over Pressure Protection testing at required frequency;
- m) providing a phone number for emergency notification;
- n) responding to and participating in all agency compliance audits and inspections; and
- o) providing labour and supervision for pipeline maintenance.

Tasks performed by service personnel will include:

- a) dehydration equipment operations or maintenance;
- b) communication equipment installation or maintenance;
- c) gas measurement equipment installation or maintenance;
- d) facility painting beyond routine spot painting;
- e) insuring all provided personnel are qualified in the Operator Qualification Program; and
- f) providing pipeline and meter station emergency response personnel.

Section 9 – Public Interest Considerations

The proposed OMLP will be formed as a joint venture partnership between two independent corporations. The partnership will benefit both companies and will have no impact on current or future Ontario natural gas users.

The OMLP joint venture will have several very positive and long-standing benefits to the local economy and to Ontarians:

Firstly, as discussed under Section 1 in more detail, the OMLP joint venture will result in more environmentally responsible natural gas. Local Ontario gas will be used at Maricann which does not require high volume hydraulic fracturing nor does this locally produced gas require transportation over long distances. This Ontario gas production also directly enriches the local economy through land lease payments and production royalties paid to landowners.

Secondly, the OMLP joint venture will allow Maricann access the volumes of gas it requires to expand and operate their Langton Facility. This expansion will create numerous jobs and other economic benefits to the local community. The OMLP Maricann service connection will operate independently and will have no impact on Union's current or future rate payers.

The OMLP joint venture, if granted a geographically limited certificate will have the capability of supplying Maricann with all required gas volumes, both pre- and post-expansion with existing Ontario gas well reserves, existing pipeline networks and the addition of the proposed Tie-in System.

Thirdly, through the OMLP joint venture, both Maricann and ON will be able to decrease costs and increase organizational effectiveness. This will result in more sustainable operations and local jobs as well as will result in increased taxation dollars to both the Ontario government and the local municipalities.

Fourthly, as set out in Section 8 above, OMLP is a competent builder and operator.

Section 10 – Order Sought

The Applicant seeks:

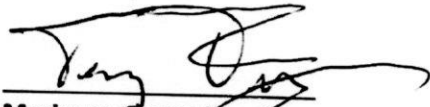
- (i) *a Certificate of Public Convenience and Necessity under section 8 of the Municipal Franchises Act limited in geographical scope to the lands known as PT LT 2 CON 7 NORTH WALSINGHAM AS IN NR306706 SAVE & EXCEPT PT 1 ON 37R10232 to allow the OMLP to sell gas from their well and pipeline system directly to Maricann and for the construction of the proposed Tie-in System.*

ALL OF WHICH IS RESPECTFULLY SUBMITTED BY



On-Energy Corp.

per: Jane Lowrie, President



Maricann Group Inc.

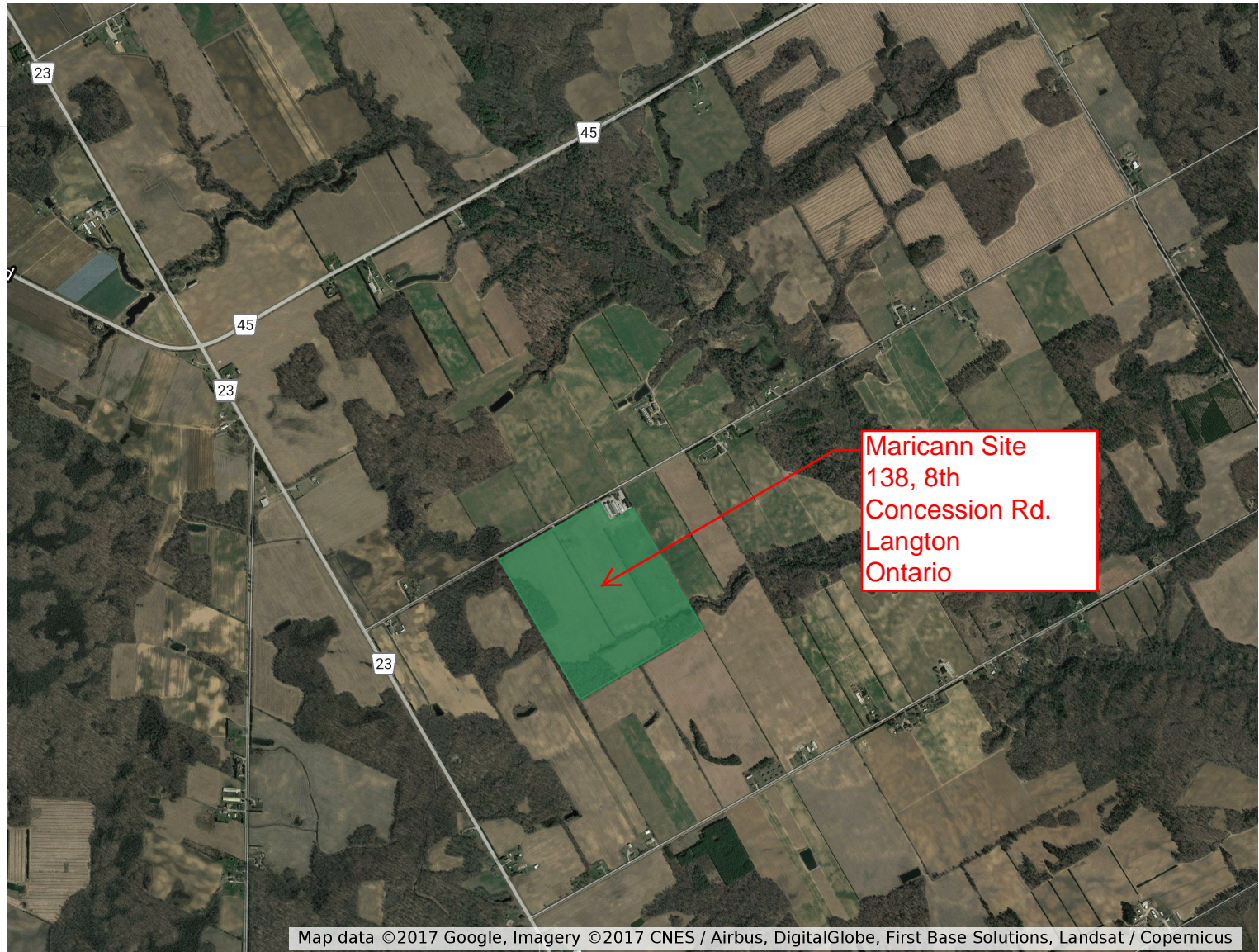
Per: TERRY FRETZ, PRESIDENT



Appendix 2

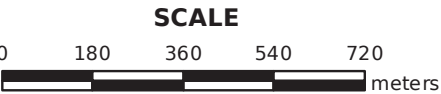
Part 1 of 2

Maricann Site Drawing





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PROPERTY INDEX MAP
NORFOLK(No. 37)

LEGEND	
FREEHOLD PROPERTY	
LEASEHOLD PROPERTY	
LIMITED INTEREST PROPERTY	
CONDOMINIUM PROPERTY	
RETIRED PIN (MAP UPDATE PENDING)	
PROPERTY NUMBER	0449
BLOCK NUMBER	08050
GEOGRAPHIC FABRIC	
EASEMENT	

THIS IS NOT A PLAN OF SURVEY

NOTES

**REVIEW THE TITLE RECORDS FOR COMPLETE
PROPERTY INFORMATION AS THIS MAP MAY
NOT REFLECT RECENT REGISTRATIONS**

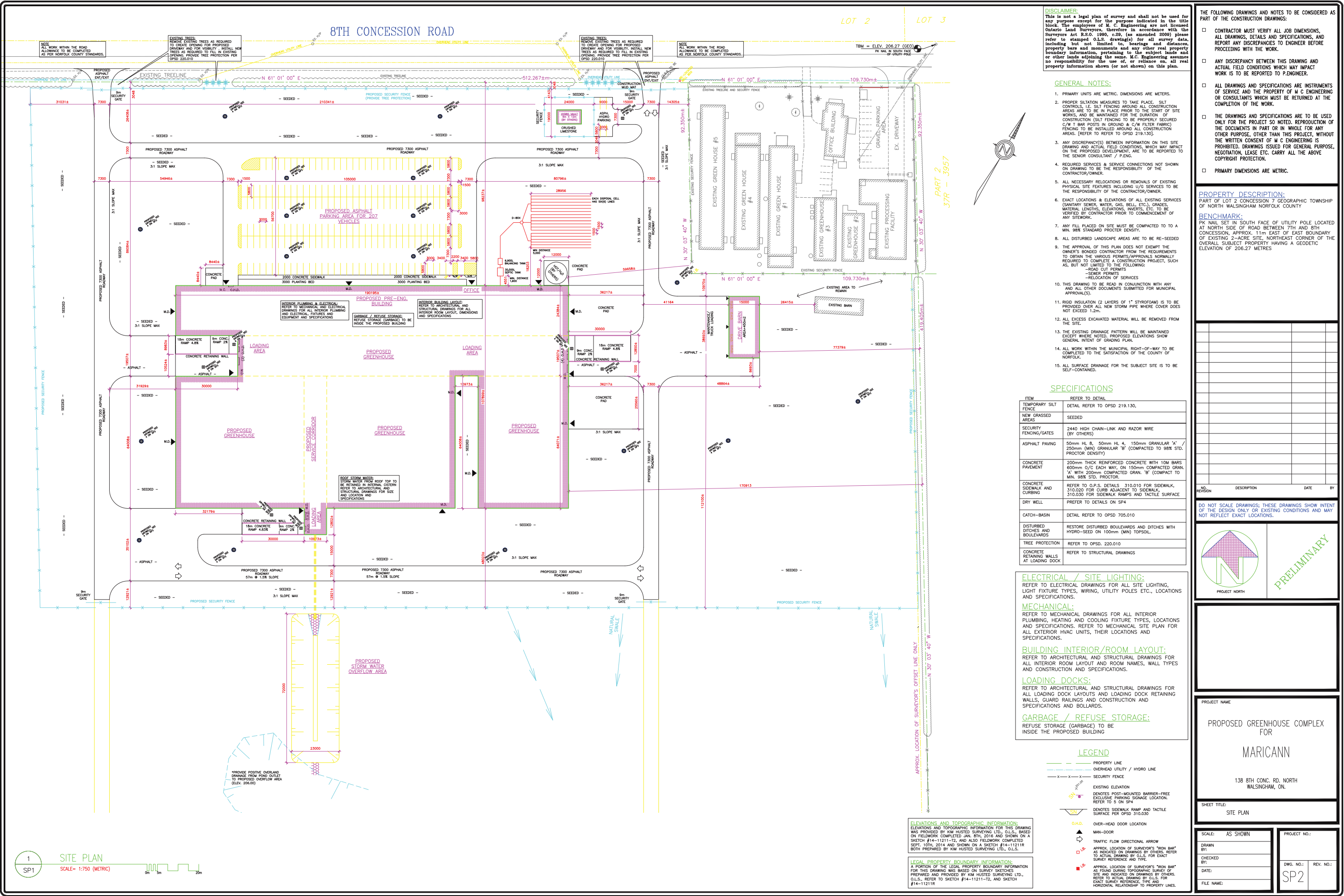
THIS MAP WAS COMPILED FROM PLANS AND
DOCUMENTS RECORDED IN THE LAND
REGISTRATION SYSTEM AND HAS BEEN PREPARED
FOR PROPERTY INDEXING PURPOSES ONLY

FOR DIMENSIONS OF PROPERTIES BOUNDARIES SEE
RECORDED PLANS AND DOCUMENTS

ONLY MAJOR EASEMENTS ARE SHOWN

REFERENCE PLANS UNDERLYING MORE RECENT
REFERENCE PLANS ARE NOT ILLUSTRATED





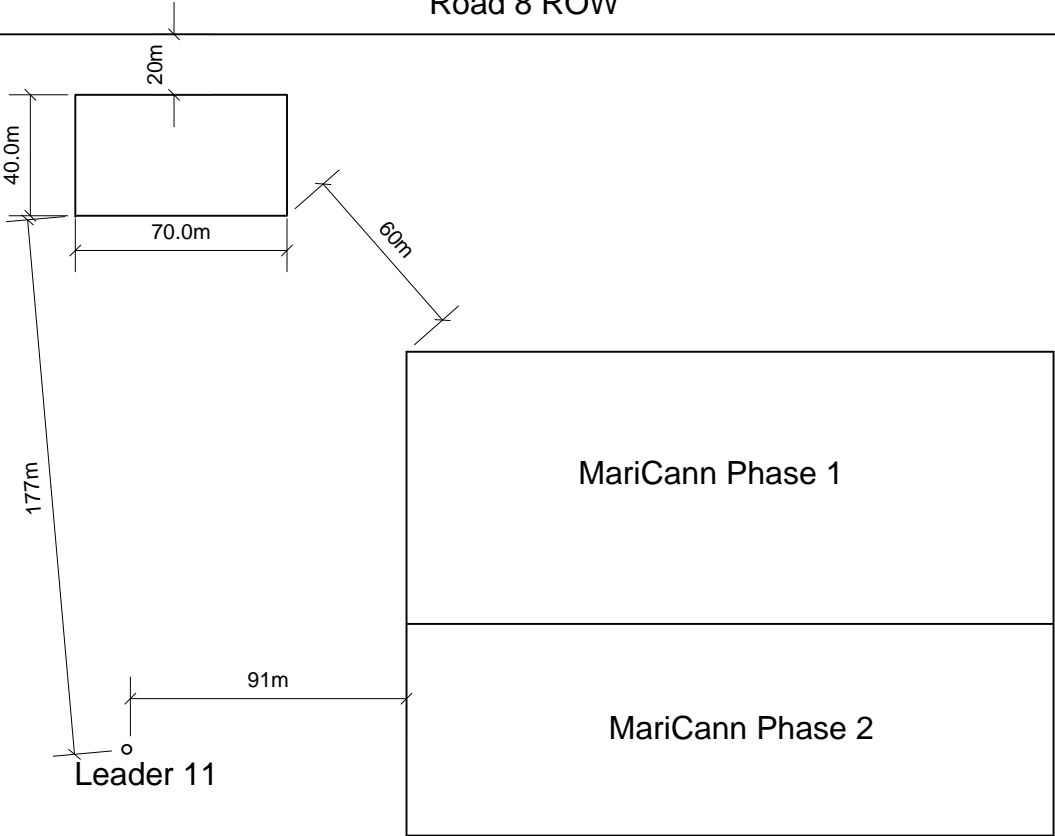
Appendix 4

Photo of the MariCann Langton Facility construction



Road 8 ROW

Lot
Line

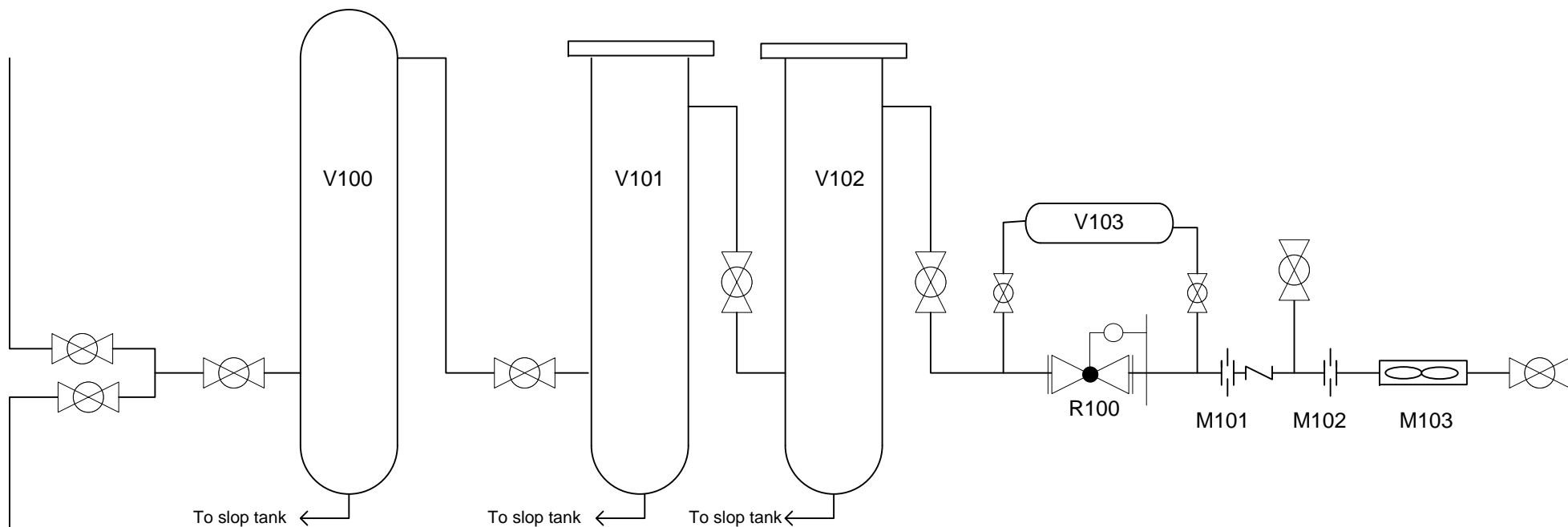


Existing House
& Greenhouse

Lot
Line

MARICANN LANGTON SITE
PLOT PLAN w/CUSTODY TRANSFER STATION

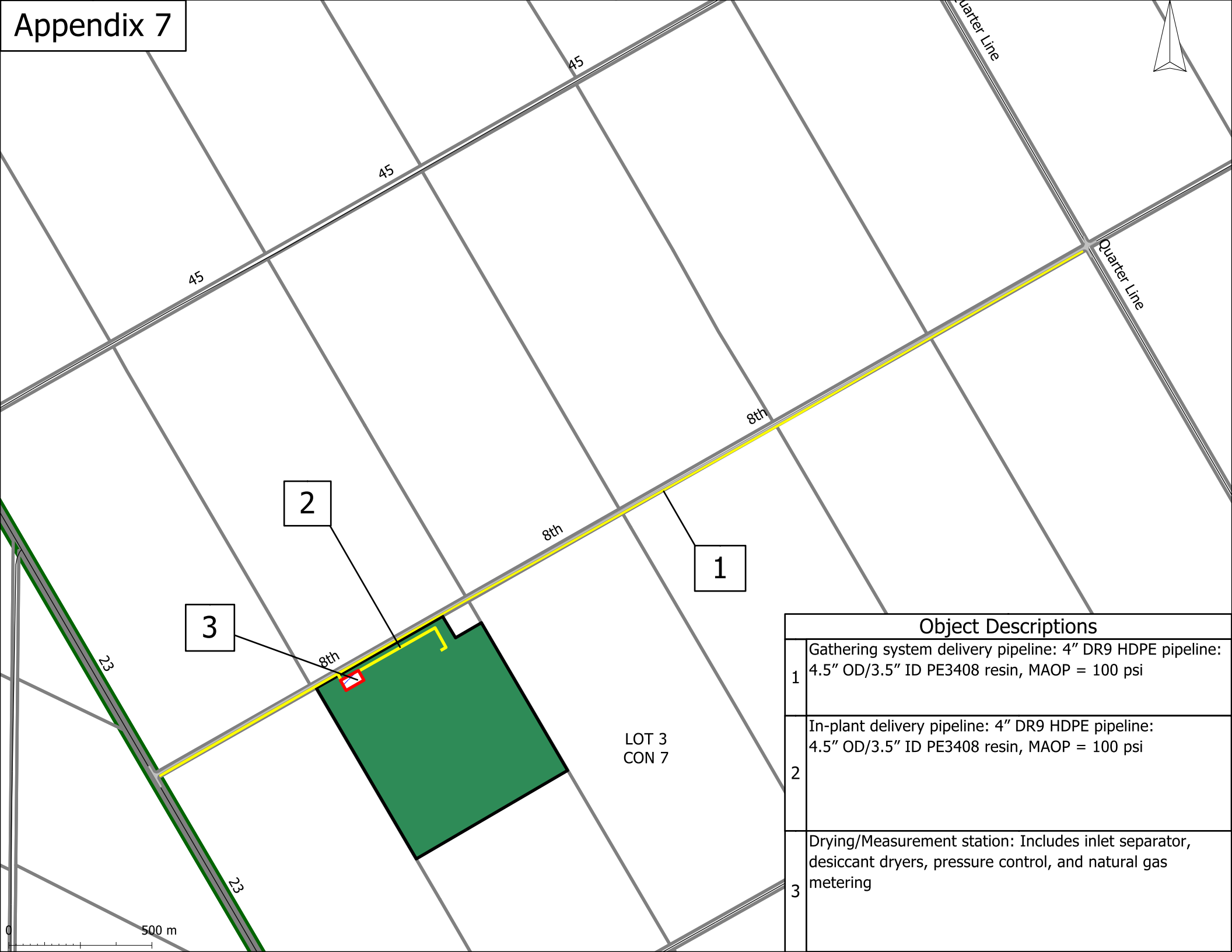
MARICANN TRANSFER STATION MAJOR EQUIPMENT P&ID



Equipment List

- V100 – Inlet Separator
- V101 – Van Air Rough Filter
- V102 – Van Air Polishing Filter
- V103 – Mercaptan Sweep Tank
- R100 – Main Pass Regulator
- T100 – On-site Slop Tank
- M101 – Production System Meter Run
- M102 – Production and CNG Meter Run
- M103 – Custody Transfer PD/Turbine Meter

Appendix 7



Object Descriptions	
1	Gathering system delivery pipeline: 4" DR9 HDPE pipeline: 4.5" OD/3.5" ID PE3408 resin, MAOP = 100 psi
2	In-plant delivery pipeline: 4" DR9 HDPE pipeline: 4.5" OD/3.5" ID PE3408 resin, MAOP = 100 psi
3	Drying/Measurement station: Includes inlet separator, desiccant dryers, pressure control, and natural gas metering