

**Mediation and Arbitration Board
114, 10142 - 101 Avenue
Fort St. John, BC V1J 2B3**

Date: September 26th 2006

**FILE NO. P 1568
Board Order No. P 1568**

BEFORE THE MEDIATOR: IN THE MATTER OF THE PETROLEUM
AND NATURAL GAS ACT BEING CHAPTER
361 OF THE REVISED STATUTES OF
BRITISH COLUMBIA AND AMENDMENTS
THERE TO;

(THE ACT)

AND IN THE MATTER OF LAND TITLE
014-151-111
SECTION 8, TOWNSHIP 115, PEACE RIVER
DISTRICT EXCEPT THE MOST EASTERLY
80 FEET IN PARALLEL WIDTH THEREOF,

(THE LANDS)

BETWEEN: CHAMAELO EXPLORATION LTD.

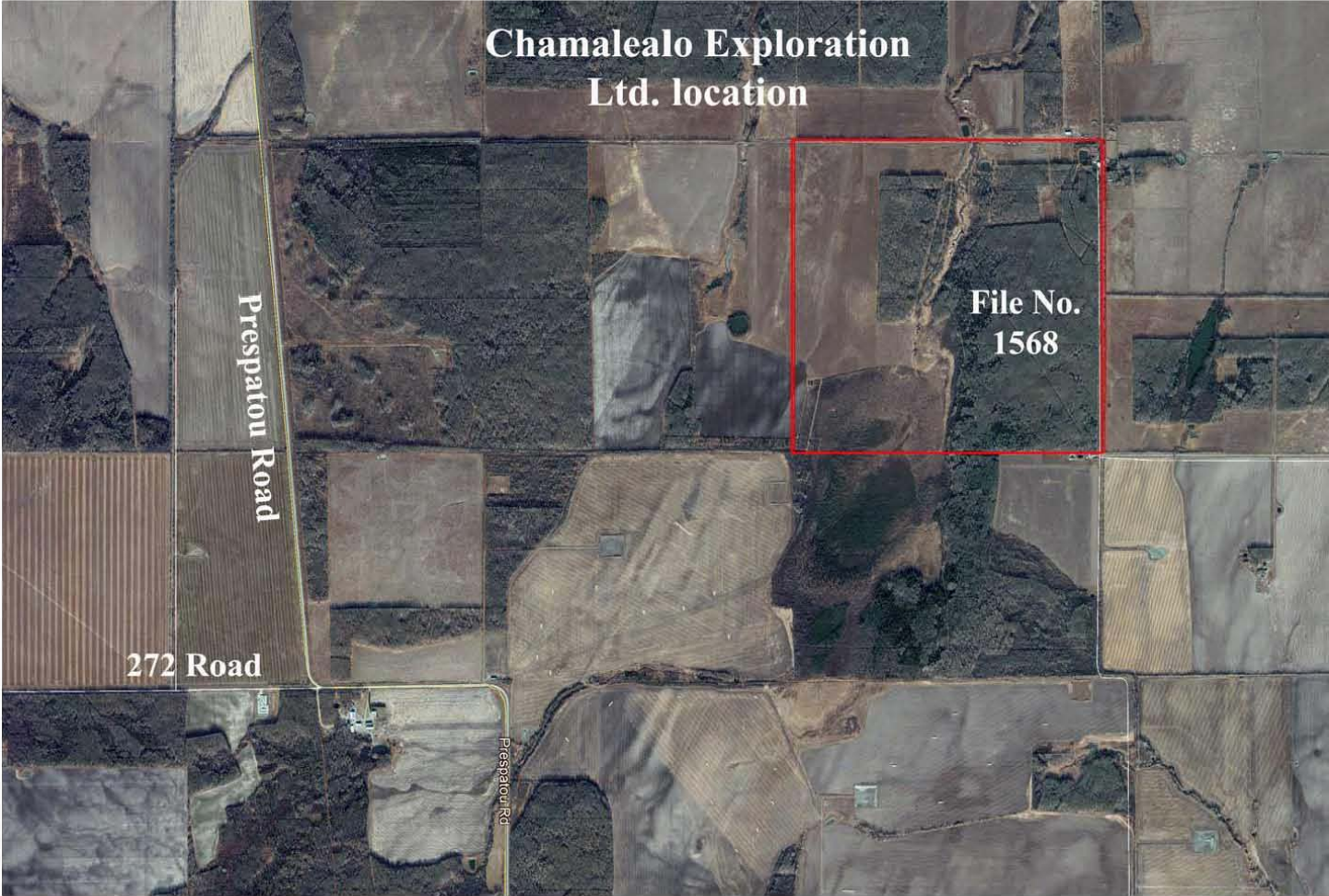
(APPLICANT)

AND: WALTER BERRESHEIM

(RESPONDENT)

MEDIATION ORDER

**Chamalealo Exploration
Ltd. location**



**File No.
1568**

Prespatou Road

272 Road

Prespatou Rd

FILE P 1568 Chamaelo Exploration Ltd.

BACKGROUND:

The Applicant, is the holder of tenure no. 57806 pursuant to the British Columbia *Petroleum and Natural Gas Act* and requires a right of entry, occupation and use order to access the private land holdings of the Respondent (the Lands) in order to construct an access road and well site for the proposed well location c-23-1, 94-A-10, as shown on the attached map (Exhibit "A").

The Applicant and the Respondent (collectively the "Parties") engaged in negotiations. While the parties reached a verbal agreement with respect to the terms of a right of entry order, they failed to execute any agreement. The Applicant subsequently applied to the Mediation and Arbitration Board ("The Board") under Section 16(1) of the *Petroleum and Natural Gas Act* for the purpose of obtaining access to the Lands.

Attendants at Pre- Hearing Conference held by telephone conference call on August 29th 2006 were:

Bruce McKnight:	Mediation and Arbitration Member 114 10142 - 101Ave Fort St. John BC V1J 2B3
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Jamie Lucas: and Raymond Fromme (briefly)	for Applicant Chamaelo Exploration Ltd. 700, 639 – 5 th Ave. SW, Calgary, Alberta T2P 0M9
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Darryl Carter:	for Respondent. Walter Berresheim Box 6214, Fort St. John, BC, V1J 4H7
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POSITION OF THE PARTIES:

At the Pre-Hearing Conference I introduced the process, outlined a proposed agenda and discussed the ground rules for the mediation which would follow to

try to resolve this dispute. The representatives for the Applicant and the Respondent both stated that they had met prior to the telephone conference to negotiate the conditions of a right of entry order and had reached an agreement and that no mediation was necessary. The Parties confirmed that they were satisfied with the terms set out in a document entitled “Agreement”, dated July 5th 2006, and signed by Chamaelo Exploration Ltd. provided they were included in the proposed right of entry order of the Board.

Decision:

THE MEDIATION AND ARBITRATION BOARD MAKES THE FOLLOWING ORDERS BY CONSENT:

1. Pursuant to Section 18(2) of the *Petroleum and Natural Gas Act*, further mediation is denied.
2. Pursuant to Section 19(2) of the *Petroleum and Natural Gas Act*, the Applicant must deposit with the Mediation and Arbitration Board a cheque payable to the “Minister of Finance and Corporate Affairs” in the amount of seven thousand, two hundred and fifty dollars (\$7,250.00) (the “Security Amount”). The Government of British Columbia shall hold the Security Amount in trust for the purpose of ensuring payment to the Respondent as set out in 3 (a) below. Once the payment to the Respondent has been made the Security Amount shall be returned to the Applicant together with such interest as may have accrued.
3. Upon payment of the Security Amount, set out in paragraph 2 of this Order pursuant to Section 19(1) of the *Petroleum and Natural Gas Act*, the Applicant shall have the right of entry to and access across the portion of the Lands shown in Appendix “A” for the purpose of constructing, operating and maintaining the access road and well site and constructing, operating, drilling and maintaining the well as shown on the map in Appendix “A” and subject to the conditions set out below:
 - a. The Applicant shall notify the Respondent prior to entry and lease construction and shall at that time pay to the Respondent Fourteen Thousand, Five Hundred Dollars (\$14,500.00), as compensation for time and inconveniences of the Respondent, initiation of the rental arrangement and annual rent including loss of use and severance, nuisance and disturbance of the portion of the Lands shown in Appendix “A”.
 - b. Commencing on the first anniversary of the payment made in accordance with Paragraph 3 (a) of this Order, the Applicant shall pay to the Respondent an annual rent of four thousand dollars (\$4,000.00)

and continuing for each year that the Applicant desires to maintain the right of entry. After 4 years of continuous entry, occupation and use of the Lands by the Applicant, either Party may make application for renegotiation of the rental terms in accordance with the provisions of Section 11(2) of the *Petroleum and Natural Gas Act*.

- c. The Applicant shall utilize the special drilling procedures laid out in Appendix "B" as the Respondent is a certified organic producer.
 - d. The Applicant shall use the utmost care, attention and co-operation to accommodate, within reason, the Respondent and his farming/ranching operations on the Lands.
 - e. The Applicant shall enlarge the existing dugout as per the Respondent's request.
 - f. The Applicant shall fence the wellsite during lease construction and drilling to standards satisfactory to the Respondent
 - g. The Applicant shall construct a double swing gate and cattle guard in consultation with the Respondent.
 - h. The Respondent shall retain all timber cut over four (4) inches in diameter.
 - i. The Applicant shall be responsible for removing its title charge from the Lands once the wellsite and access has been reclaimed.
4. Pursuant to Section 20 (1) of the *Petroleum and Natural Gas Act*, provided the Parties approve this Order, the right of entry, occupation and use order stands and no further action is necessary.

**MEDIATION AND ARBITRATION BOARD
UNDER THE PETROLEUM AND NATURAL
GAS ACT**

Dated this 26th day of September, 2006, Vancouver, British Columbia

Bruce McKnight
Mediator
Mediation and Arbitration Board

APPENDIX “B”

Requirements for Oil Field Well Drilling and Site Preparation on Certified Organic Land

- All equipment operating on the property must be clean and in good repair (no fuel, oil, anti-freeze or transmission leaks)
- Soil samples must be taken on site and in the areas around the site to ensure no contamination occurs. These tests must be done prior to operations and after completion. These tests must be done by an independent testing company and must be paid for by the oil field company. Soil testing depths: 0 to 6 inches and 6 to 12 inches

Site Preparation

- Top soil must be stripped off and left in an area where it is least likely to be contaminated
- The lease road must have ditches on either side and drainage must follow natural slopes
- The lease must have a raised berm which encircles the entire area

Rig Setup

- A plastic groundsheet must be laid under the rig matting and all rig components draining into the sump
- The outside perimeter must be trenched to contain any spills
- The use of a removable sump is required on the location to protect soil and ground water. A remote sump must also be used as no drilling fluid is to be left on the location.
- Rock cuttings may be stored on the site and then buried; however if the mud is petroleum based, all cuttings must be removed using a method of transportation which will not allow leakage.
- Cementing: When delivering bulk cement a dust sock must be used to control dust. After cementing, wash up in sump
- All fuelling must be done in a careful manner to eliminate spills.
- A spill containment kit must be on site. It must include absorbent materials, floor dry, etc.
- A “porta-potty” type of outhouse must be available for rig personnel. A garbage container must be on location site. Location site must be kept clean at all times.