

File No. 1606
Board Order # 1606-1

September 16, 2008

MEDIATION AND ARBITRATION BOARD

**IN THE MATTER OF THE PETROLEUM AND NATURAL GAS
ACT, R.S.B.C., C. 361 AS AMENDED**

**AND IN THE MATTER OF The North West ¼ of Section 6, Township 77, Range
17, West of the 6th Meridian, Peace River District**

(The "Lands")

BETWEEN:

Huron Energy Corporation

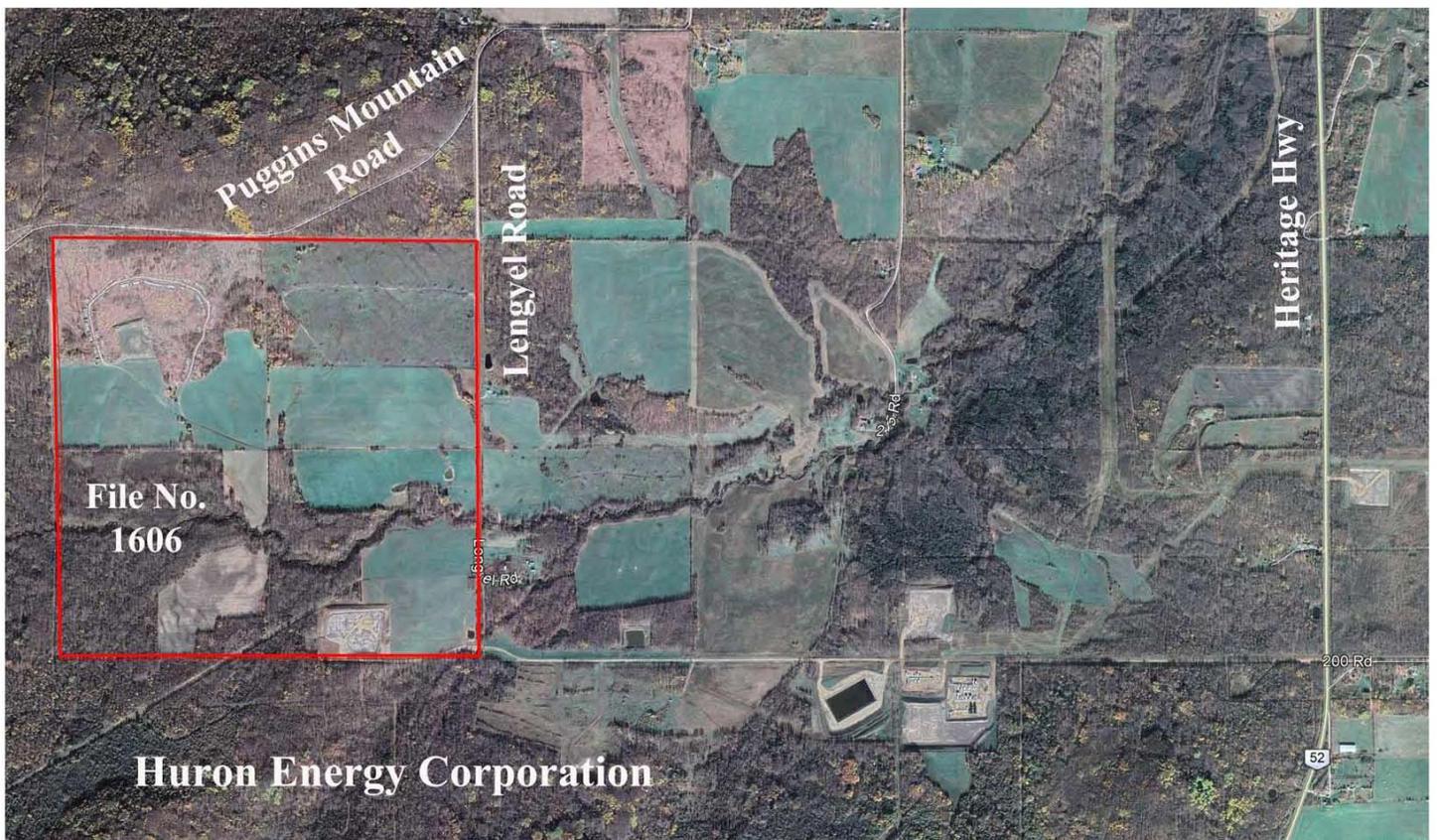
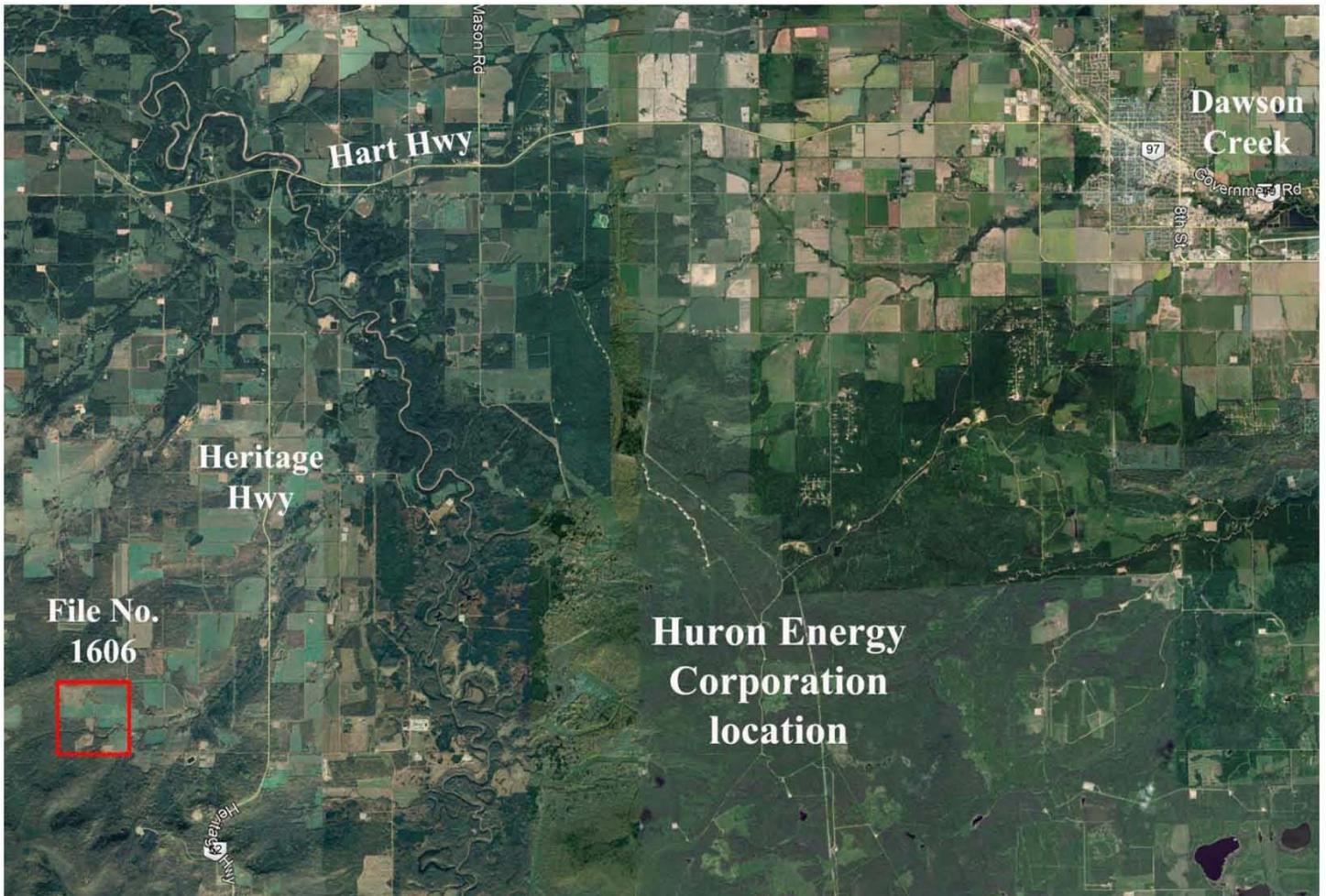
(APPLICANT)

AND:

J. R. Rodeo Company Ltd.

(RESPONDENT)

BOARD ORDER



Appearances:

- Kevin Carroll (Huron Energy Corporation) and John Hagen (Prospect Land Services (BC) Ltd.) on behalf of the Applicant
- No one on behalf of the Respondent

[1] On September 12, 2008, I conducted a pre-hearing telephone conference to discuss Huron Energy Corporation's application for Mediation and Arbitration Services. The Board notified the Applicant (c/o Mr. Kevin Carroll), the Applicant's agent (Prospect Land Services (BC) Ltd c/o Mr. John Hagen), the occupier (Mr. Murray Minor), the Respondent (J. R. Rodeo c/o Ms. Rhonda Smith), and the Respondent's last know legal representative (Mr. Jams A. Dent). Huron Energy Corporation stated they made diligent efforts to contact Ms. Smith prior to the telephone conference, but without success. I searched available sources and could not find a telephone number for Ms. Smith. The Board sent Ms. Smith's notice via courier, who reported repeated attempts to deliver the notice but without success. The courier's office is very close to the only address the Board has for Ms. Smith (from Mr. Dent's correspondence of August 7, 2008). The Board scheduled the conference to begin at 2:00 p.m., and I waited until 2:15 p.m. to allow participants to attend. Participation was by dial-in, so a party could attend from any location.

[2] I was satisfied that the Board served or made reasonable efforts to serve all the parties with the notice and all parties had the opportunity to participate. Mr. Minor informed Mr. Hagen that he was away on business and might not attend. I proceeded with the conference in the absence of representation for the Respondent. At the culmination of the conference, I again took a roll call, and found only Huron Energy Corporation in attendance.

[3] The Applicant, Huron Energy Corporation ("Huron") has applied to the Board for mediation and arbitration respecting right of entry to the Lands owned by the Respondent ("J. R. Rodeo") Huron wants access to the Lands for the purpose of surveying, construction, operation and maintenance of a wellsite. J. R. Rodeo has neither granted nor refused entry.

[4] In British Columbia, the holder of rights to develop a subsurface resource has the right to surface access to lands for the purpose of exploring for, developing and producing the subsurface resource. The development, exploration and production must conform with various regulatory requirements, and owners of the land are entitled to compensation for the entry and for any damages that result from the entry.

[5] Regulation of the oil and gas industry is the responsibility of the Oil and Gas Commission ("OGC"). The OGC must be satisfied that any proposed development meets the regulatory requirements.

[6] In order for Huron to initiate an application to the OGC, thus enabling the OGC to engage with J. R. Rodeo to try and resolve any concerns with respect to the impact of the proposed development on them and the Lands, Huron needs to be able to access the Lands for the purpose of surveying, soil sampling, conducting an archaeological assessment, and for any other technical surveys or assessments required to file a Well Application to the OGC. As the holders of the rights to the subsurface resource, Huron is entitled to this access.

[7] I am satisfied that Huron holds subsurface tenure pursuant to a Petroleum and Natural Gas Lease and needs access to the Lands, at this time, for the limited purpose of surveying, soil sampling, archaeological assessment and any other technical assessment that may be required to initiate an application to the OGC for the purpose exploring for, developing or producing petroleum or natural gas including but not limited to a survey for a well site, a well site access road and a survey for a proposed flow line. I make the following Order pursuant to section 18(2) and section 19 of the *Petroleum and Natural Gas Act*.

[8] Huron Energy acknowledges that Mr. Murray Minor is the occupier of some or all of the Lands, and although he is not a party to this application, they regard him as the steward of the Lands, will conduct their operations in consultation with him and will work with him to address any of his concerns.

[9] The Mediation and Arbitration Board orders:

1. Upon payment to the Board within seven (7) days of the issuance of the amount set out in paragraphs 3, Huron shall have the right of entry to and access across the Lands for a period of sixty five days (65) days from September 12, 2008 for the purpose of surveying, soil sampling, conducting an archaeological assessment, and for any other technical surveys or assessments required to file a Well Application to the Oil and Gas Commission, including but not limited to a survey for a well site, a well site access road and a survey for a proposed flow line.
2. Entry to the Lands for the purpose of surveying, soil sampling and archaeological assessment shall be subject to the scope of work set out in Appendix "A".
3. Huron shall deposit with the Mediation and Arbitration Board security in the amount of \$2,500.00. All or part of the security deposit may be

deposit may be returned to Huron or paid to J. R. Rodeo upon the agreement of the parties or as ordered by the Board.

4. J. R. Rodeo is free to apply to the Board to reopen this application as it relates to compensation and damages.
5. Huron shall serve J. R. Rodeo or the Occupier with a copy of this Order prior to entry onto the Lands.
6. The application as it relates to right of entry to the Lands for the purpose of construction, operation and maintenance of a wellsite is adjourned. The Board retains jurisdiction with respect to this application and to determine compensation payable to J. R. Rodeo for any further right of entry granted in connection with this application or for any damages incurred by J. R. Rodeo as a result of the entry.
7. Nothing in this order operates as consent, permission, approval or authorization of matters within the jurisdiction of the Oil and Gas Commission.

Dated: September 16, 2008

FOR THE BOARD



Rob Fraser

Member – Mediation and Arbitration Board

APPENDIX A

Right of entry to the Lands for surveying, soil sampling, archaeological assessment or any other technical assessment required for the purpose of making an application to the Oil and Gas Commission is subject to the following scope of work:

1. Survey

The first phase of the assessment is the survey. Huron proposes to conduct a survey on the land to obtain the information required to determine a proposed access route and the position of the proposed wellsite, along with a suitable flowline route. Proposed survey methods are as follows:

- Focus Surveys will conduct the survey. They will be accompanied by two of Huron's Construction Consultants (one for the wellsite and access and one for the flowline). The occupant, Murray Miner would be contacted by the surveyor prior to their entry and will be given the opportunity to participate in the access route, flowline route, and wellsite location selection.
- The surveyors will use quads and foot access to complete the survey.
- The surveyors will minimize the number of survey stakes used. Any stakes required can be removed if need be after the soils assessment and archaeological assessment have been completed.
- The surveyors will only cut trees in areas where the underbrush is too dense for sight lines.
- Any trees cut down will be disposed of in a manner that is acceptable to the occupant.
- It is anticipated that the field survey should take about 4-5 days.
- Survey plans must then be prepared in the office and completed prior to the next phase. This may take up to 4 weeks.

2. Soil Assessment

The next phase is the "Schedule A" soil assessment. The soil assessment is very important; as the report that is prepared as a result of the assessment documents topsoil depth and general soil conditions, and provides guidance for topsoil handling and conservation during construction within the area of the proposed wellsite, access road, and flowline. In the future, once the wellsite is abandoned, the area of the wellsite and access must be reclaimed so that it is capable of the same crop production as existed prior to the entry. The soil over top of the flowline must also be reclaimed; this is usually done within 1-2 years of construction. Proposed assessment methods are as follows:

- Sharp (Muskeg) Environmental will conduct the soil assessment. The occupant will be contacted by Muskeg prior to their entry.

- Personnel will use quads and foot access to complete the assessment.
- Soil samples will be taken with a hand held soil probe at 250 metre intervals along the middle of the proposed access, and along the flowline.
- At least 12 soil samples will be taken in a grid within the wellsite area. Additional samples will be taken around the wellsite for control purposes.
- The assessment will take approximately 3-4 days.
- Report preparation will take 7-10 days.
- The occupant will be provided with a copy of the soil assessment reports.

3. Archaeological Assessment

The last phase is the Archaeological Assessment. This is a requirement under the Heritage Conservation Act. The purpose of the assessment is to ensure that the proposed wellsite, access road, and flowline do not impact Heritage Resources (archaeological artifacts).

- Heritage North will conduct the archaeological assessment. The occupant will be contacted by Heritage North prior to their entry.
- The assessment can take place at or near the same time as the soil assessment.
- Personnel will use quads and / or foot access to complete the assessment.
- The bulk of the assessment is completed with an archaeologist walking along the proposed access, flowline, and within the wellsite area. Ground disturbance (shovel testing) will only occur if the archaeologist sees areas of "high potential". These areas are usually knolls or along the banks of watercourses.
- The assessment should take 3-4 days, but this could be longer if many areas of high archaeological potential are encountered.

It is possible that other activities such as geotechnical assessments (slope stability) or fish habitat assessments (stream crossing where culverts are desired instead of bridges) may be required however it is difficult to determine this without a survey. If any other work is required in conjunction with what is currently proposed the occupant will be consulted regarding the proposed activity.

File No. 1606
Board Order # 1606-2

December 5, 2008

MEDIATION AND ARBITRATION BOARD

IN THE MATTER OF THE PETROLEUM AND NATURAL GAS
ACT, R.S.B.C., C. 361 AS AMENDED

AND IN THE MATTER OF The North West ¼ of Section 6, Township 77, Range
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BETWEEN:

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BOARD ORDER

Appearances:

- Kevin Carroll (Huron Energy Corporation) and John Hagen (Prospect Land Services (BC) Ltd.) on behalf of the Applicant
- Murray Minor and Rosanna Laloge (Occupiers)
- No one on behalf of the Respondent

On December 5, 2008, I conducted a pre-hearing telephone conference to discuss Huron Energy Corporation's application for Mediation and Arbitration Services. The Board notified the Applicant (c/o Mr. Kevin Carroll), the Applicant's agent (Prospect Land Services (BC) Ltd c/o Mr. John Hagen), the Occupiers (Mr. Murray Minor and Ms. Rosanna Laloge), and the Respondent (J. R. Rodeo c/o Ms. Rhonda Smith). The Board sent Ms. Smith's notice via courier as the Board has no other contact information.

Huron has not been able to contact any representative of J. R. Rodeo to discuss their desire to construct a well on the Respondent's land. This situation is the same as occurred for the mediation resulting in the Board's Order 1606-1, where after exercising every possible resource the Board was unable to locate a representative for J. R. Rodeo.

The Board scheduled the conference to begin at 9:00 a.m., and I waited until 9:10 a.m. to begin substantive discussions to allow time for all participants to attend. Participation was by dial-in, so a party could attend from any location. No one participated on behalf of the Respondent.

I am satisfied that the Board served or made reasonable efforts to serve all the parties with the notice and all parties had the opportunity to participate.

[1] The Applicant, Huron Energy Corporation ("Huron") has applied to the Board for mediation and arbitration respecting right of entry to the Lands owned by the Respondent ("J. R. Rodeo") Huron wants access to the Lands to construct, drill, complete, operate and produce a well. J. R. Rodeo has neither granted nor refused entry.

[2] In British Columbia, the holder of rights to develop a subsurface resource has the right to surface access to lands for the purpose of exploring for, developing and producing the subsurface resource. The development, exploration and production must conform with various regulatory requirements, and owners of the

land are entitled to compensation for the entry and for any damages that result from the entry.

[3] Regulation of the oil and gas industry is the responsibility of the Oil and Gas Commission ("OGC"). The OGC must be satisfied that any proposed development meets the regulatory requirements.

[4] Board Order 1606-1 allowed Huron to access the lands in order to complete the investigations necessary to apply to the OGC for well authorization, permission to construct a wellsite, and access and cutting permit. On November 21, 2008, the OGC gave their approval to Huron's application for the wellsite know as Huron COP Sundown 13-06-077-17 (OCG File 9630437; Well Authorization 24979).

[5] Huron Energy acknowledges that Mr. Murray Minor and Rosanna Laloge are the Occupiers of some or all of the Lands, and although they are not a party to this application, they regard them as the steward of the Lands, will conduct their operations in consultation with them and will work with them to address any of their concerns.

[6] Huron will produce to the Board a copy of the lease and access road, when prepared.

[7] Huron acknowledges that the Respondent is entitled to compensation. However, since the Respondent chooses not to participate in this process, Huron cannot resolve this issue. Huron is particularly concerned since the Occupiers are impacted by the initial work and ongoing operation and ought to participate in any compensation paid.

[8] Huron will pay directly to the Occupiers the portion of the compensation that reflects their immediate involvement, being crop loss and nuisance and disturbance, and compensation for their efforts and time in acting as stewards of the Lands and representing the interests of J. R. Rodeo.

[9] Huron will pay the balance of their calculation of the first year's compensation to the Board to be held in trust until such time as J. R. Rodeo applies for its release.

[10] Huron retains the right to apply to the Board for an order to construct a flow line.

[11] Huron agrees to work with the Occupiers to erect gates and fencing as necessary and agreed upon.

[12] The Board retains jurisdiction to deal with the overall issue of compensation upon application by the Respondent.

[13] I am satisfied that Huron has the necessary authorization to complete and operate a wellsite on the lands. Therefore, I make the following Order pursuant section 19 of the *Petroleum and Natural Gas Act*.

[14] The Mediation and Arbitration Board orders:

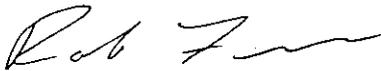
1. Upon execution of this Order, Huron is entitled to enter the lands and perform the work necessary to construct, drill, complete, operate and produce a well as set out in the OCG File 9630437.
2. Huron offers \$12,295 as first year compensation, based on amounts typical for the area.
3. Huron agrees to pay to the Occupiers a first year payment of \$5,150 prior to mobilization to construct the well.
4. Huron agrees to pay to the Board the balance of their estimate of the first year payment of \$7,775, to be held in trust for the Respondent, prior to mobilization to construct the well.
5. Huron agrees to pay directly to the Occupiers, to acknowledge crop loss and ongoing disturbance, an annual amount of \$1,825, beginning on the first anniversary of the issuance of the first year payment. Huron and the Occupiers acknowledge that this annual payment ought to be considered as part of the annual compensation due to J. R. Rodeo, but is paid to the Occupiers to compensate them for their direct loss of crops and quiet enjoyment of the Lands.
6. The annual payment of \$1,825 is limited to the current Occupiers and is not transferable to other Occupiers and will cease if the current Occupiers discontinue their occupation of the Lands.
7. Huron acknowledges that the Respondent is entitled to annual compensation payments.
8. J. R. Rodeo is free to apply to the Board to reopen this application as it relates to compensation and damages.
9. Huron shall serve J. R. Rodeo or the Occupier with a copy of this Order prior to entry onto the Lands.
10. The Board retains jurisdiction with respect to this application and to determine compensation payable to J. R. Rodeo for any further right of

entry granted in connection with this application or for any damages incurred by J. R. Rodeo as a result of the entry.

11. Nothing in this order operates as consent, permission, approval or authorization of matters within the jurisdiction of the Oil and Gas Commission.

Dated: December 5, 2008

FOR THE BOARD



Rob Fraser

Member – Mediation and Arbitration Board