



RP-2003-0253
EB-2003-0314
EB-2003-0315
EB-2003-0316
EB-2003-0317

IN THE MATTER OF the *Ontario Energy Board Act, 1998*;

AND IN THE MATTER OF an application by Tribute Resources Inc. and Tipperary Gas Corp. for an order designating a gas storage area;

AND IN THE MATTER OF an application by Tribute Resources Inc. and Tipperary Gas Corp. for an order authorizing the injection of gas into, storage of gas in, and removal of gas from a gas storage area;

AND IN THE MATTER OF an application by Tribute Resources Inc. and Tipperary Gas Corp. for an order granting leave to drill three wells in the proposed designated storage area;

AND IN THE MATTER OF an application by Tribute Resources Inc. and Tipperary Gas Corp. for an order approving or fixing just and reasonable rates for the storage of gas.

BEFORE: Bob Betts
Presiding Member

Paul Sommerville
Member

Pamela Nowina
Member

DECISION WITH REASONS TO FOLLOW

June 17, 2005

The Application

Tribute Resources Inc. (“Tribute”) and Tipperary Gas Corp. (“Tipperary”), collectively (the “Applicants”) filed an Application dated December 24, 2003 which was amended February 5, 2004 and further amended August 10, 2004, with the Ontario Energy Board requesting the following:

- An order Designating the Tipperary North pool in the Township of Central Huron area as a gas storage area under s. 36.1 of the *Ontario Energy Board Act, 1998* (the “Act”);
- An order Authorizing Tipperary to inject, store and withdraw gas under s. 38(1) of the *Act* (the “Injection and Withdrawal Order”);
- An order Setting compensation for landowners in the proposed designated area under s.38 (3) of the *Act* (the “Compensation Order”);
- An order Fixing rates for the sale of gas storage services under s.36 of the *Act* (the “Rate Order”);and
- A report to the Minister of Natural Resources (the “MNR”) recommending approval of the Applicants’ applications to drill wells under s. 40 of the *Act* (the “Report”).

Collectively, the orders and report sought by the Applicants will support the conversion of the existing Tipperary North pool in the Township of Central Huron from production of gas to storage of gas.

The Intervenors in this proceeding are Ms. Marilyn R. Broadfoot, Mr. Lenus Yeo, the Tipperary Storage Landowners’ Association (TSLA), Huron County Federation of Agriculture (HCFA), Northern Cross Energy Limited, Union Gas

Limited, the Ministry of Natural Resources (MNR) and Market Hub Partners Canada L.P.

Proceeding and the Evidence

The proceeding has been conducted in three phases due to the complexity and number of issues relevant to the multiple applications. The Board believes that it is important to advise the parties of its decision without further delay. The Board will issue reasons for this decision in due course. Details of the proceeding will be provided as an appendix to reasons that will follow this decision.

A brief description of the issues and the Orders issued by the Board in each of the phases of the proceeding is summarized below:

In Phase 1 the Board granted an order designating the gas storage area and reported favorably to the Minister of Natural Resources on the need to drill three horizontal wells within the designated storage area.

With respect to the Injection and Withdrawal Order, the Board directed that the Applicants file additional evidence, including a five-year business plan, for the proposed storage operation and on the committed capital for the development and operation of the proposed storage business ("Additional Information").

In Phase 2 of the proceeding the Applicant filed Additional Information, part of which carried a claim of confidentiality. On February 14, 2005 the Board by way of oral decision adopted the Settlement Agreement on landowner compensation. The Board issued an order reflecting the Settlement Agreement pursuant to section 38 (2) on May 31, 2005.

Phase 3 of the proceeding dealt with the two outstanding applications, namely the application for authorization to operate the storage area under s. 38(1) and the application to determine storage services rates under section 36. The Board had determined in Phases 1 and 2 that it had heard sufficient evidence to support

the rate application. The Board also determined that it required additional evidence with respect to the implications, if any, of Union's applicable M16 transportation rate on the Applicants' business plan and the financial viability of the project. Union had been required by another Panel of the Board to present evidence respecting the appropriate design and quantum of its M16 transportation rate. In separate proceedings the Board considered Union's revised M16 rate proposal. On May 19, 2005, the Board issued its decision on Union's M16 rate application. On May 26, 2005 the Applicants filed a confidential and a redacted version of its revised business plan incorporating the newly approved M16 rates in the schedules.

An oral hearing was conducted on June 2 and June 3, 2005 in Toronto. Part of the hearing was held "in camera" to deal with the confidential information contained in the revised business plan evidence.

In the oral hearing, Tipperary Storage Landowners' Association, Huron County Federation of Agriculture raised the issue of appropriate insurance coverage for environmental and other risks and potential impacts of the proposed gas storage operation in the Tipperary Pool.

Board Findings

1. The Board finds that the Applicants have provided sufficient evidence to support the granting of an authorization pursuant to Section 38(1) of the Act, subject to certain conditions which are stipulated in Appendix "A" to this decision. In the Board's view it is in the public interest to grant the requested order to inject, store, and withdraw gas from the Designated Storage Area described in our previous order of RP-2003-0253/EB-2003-0314 dated October 25, 2004.
2. Regarding the application under section 36 for a storage service rate order the Board finds it reasonable to approve the Applicants' proposal that the

Applicants adopt Union's C1 range rate schedule. The Applicants are directed to file a draft rate schedule modeled after Union's current rate C1 as reflected in OEB Order RP-2003-0063. The Board shall issue the required rate order upon receipt of the stipulated rate schedule. This rate order effective date shall coincide with the date upon which the Applicants commence offering the storage services associated with the operation of the Tipperary designated storage pool.

As indicated earlier, the Board will issue Written Reasons at a later date that will explain rationale for Board's decision presented in this Decision with Reasons to Follow.

The Applicants shall pay the Board's costs upon receipt of the Board's invoice.

ONTARIO ENERGY BOARD

Original signed by

Peter H. O'Dell
Assistant Board Secretary

APPENDIX A

June 17, 2005

Order

RP-2003-0253/EB-2003-0315



RP-2003-0253
EB-2003-0315

IN THE MATTER OF the *Ontario Energy Board Act, 1998*;

AND IN THE MATTER OF an application by Tribute Resources Inc. and Tipperary Gas Corp. for an order authorizing the injection of gas into, storage of gas in, and removal of gas from a gas storage area.

BEFORE: Bob Betts
Presiding Member

Paul Sommerville
Member

Pamela Nowina
Member

ORDER

Tribute Resources Inc. ("Tribute") and Tipperary Gas Corp. ("Tipperary"), collectively (the "Applicants") filed an Application with the Ontario Energy Board (the Board) dated December 24, 2003 which was amended February 5, 2004 and further amended August 10, 2004, pursuant to section 38(1) of the *Ontario Energy Board Act, 1998* (the Act) for an order for authorization to inject gas into, store gas in and remove gas from a designated storage area known as Tipperary Pool in the geographic Township of Goderich, Municipality of Central Huron, Province of Ontario. The Board assigned the Application for an order to designate gas storage area File No. RP-2003-0253/EB-2003-0315.

The Board issued a Notice of Application dated February 25, 2004. The Applicants served and published this Notice according to the Board's Letter of Direction. The Board has issued seven Procedural Orders in connection with the Application. The Board held 10

days of oral hearings in 3 Phases in August 2004, February 2005 and June 2005. Argument was completed on June 3, 2005.

THE BOARD ORDERS THAT:

1. Tipperary Gas Corp. is authorized to inject gas into, store gas in and remove gas from the area known as Tipperary Pool in the geographic Township of Goderich, Municipality of Central Huron, Province of Ontario, which has been designated as a gas storage area by OEB Order RP-2003-0253/EB-2003-0314 and to enter into and upon the land in the area for such purposes, subject to Conditions of Approval set forth in Appendix "A" to this Order.

DATED at Toronto, June 17, 2005

ONTARIO ENERGY BOARD

Original signed by

Peter H. O'Dell
Assistant Board Secretary

APPENDIX A
CONDITIONS OF APPROVAL
RP-2003-0253/EB-2003-0315
JUNE 17, 2005

Tipperary Gas Corp.
Tipperary Pool Development Project
RP-2003-0253/EB-2003-315
Conditions of Approval
Authorization to Inject, Store and Remove Gas

1. Operation of the Tipperary Pool
 - 1.1 Tipperary Gas Corp. ("Tipperary") shall adhere to the evidence filed with the Board and the undertakings given to the Board and comply with applicable laws, regulations and codes to the satisfaction of the responsible agency pertaining to the construction, operation and maintenance of the proposed project and, without limiting the generality of the foregoing, Tipperary shall comply with the following specific requirements:
 - 1.1.1 Prior to commencement of any injection, storage or withdrawal operations, Tipperary shall conduct and file with the Board, Ministry of Natural Resources and any party or intervener to these proceedings, a thorough evaluation of all subsurface activities and their potential impact on the integrity of storage facility as required by Section 7.1 of the CSA Z341.1-02, including assessment of:
 - a) existing or abandoned wells within 1km of the subsurface perimeter of the storage zone, including activities within those wells, such as fracture treatments;
 - b) existing operations within 5km radius of the proposed storage scheme, including operation, and minimum and maximum operating pressures; and
 - c) for any existing wellbore penetrating the storage zone, the integrity of the well, including casing inspections, cement inspections, and hydraulic isolation of the storage zone from any overlying porous zones;. provided that, should such evaluation identify any risk and / or specify necessary remedial work, Tipperary agrees to implement, complete, and maintain such works prior to commencement of any injection, storage, or withdrawal.
 - 1.1.2 Prior to commencement of any injection, storage or withdrawal operations, Tipperary shall complete and file with the Board, the Ministry of Natural Resources, and all parties and interveners of these proceedings, the following plans and procedures as required by CSA 341.1-02:
 - 1.1.2.1 Operations and Maintenance Procedures (s 10.1.1)

1.1.2.2 Emergency Response Plan (s. 10.1.2)

and thereafter comply with any and all on-going obligations as required in respect of such procedures and plans pursuant to CSA Z341. 1-02 or any successor version thereto.

- 1.1.3 Tipperary shall implement and comply with the schedules for pressuring of the designated storage area facility (delta pressuring) as set out in the document entitled North Pool Proposed Storage Schedule dated November 17, 2004.
- 1.1.4 Tipperary shall comply with the revised Proposed Reservoir Monitoring Program for Tipperary North Storage Operations (as originally proposed in the name of Tribute) as dated February 14, 2005.
- 1.2. Tipperary shall design, construct, operate, maintain and abandon the wells and facilities in accordance with the CSA Z341 Storage of Hydrocarbons in Underground Formations and in accordance with the Oil, Gas and Salt Resources Act and its regulations and operating standards.
- 1.3. Tipperary shall protect the integrity of the reservoir and ensure the safe operation of the Tipperary Pool by complying with the requirements of the Provincial Operating Standard, CSA Standard Z341 and any other applicable laws, regulations and codes.
- 1.4. Tipperary shall advise the Board's designated representative of any proposed material change or abnormal events in construction or restoration procedures that are reported to authorities. In the event of an emergency, the Board shall be informed immediately after the fact.
- 1.5. Tipperary shall not operate the Tipperary Pool above a maximum allowed operating pressure representing a pressure gradient of 0.7 psi per ft depth (15.8 kPa/m). Tipperary shall operate the Tipperary Pool at a pressure not greater than the discovery pressure 400 psig (2,750kPag), until the conditions of section 7.5.2. of CSA Z341 are satisfied and without the leave of the Board.
- 1.6 Tipperary shall ensure that the construction, operation and maintenance of the Tipperary Pool do not affect the quality or supply of potable water. Tipperary shall conduct a water well test prior to and after the first cycle of gas storage and implement a Water Well Monitoring Program using the baseline water quality data provided in the evidence and in accordance with paragraph 1.6.1 below. In the event that the quality of the potable water is impacted by the construction, operation and maintenance of the Tipperary Pool, Tipperary shall provide adequate fresh water supplies to

all affected landowners until the problem is rectified.

1.6.1 Tipperary shall, at Tipperary's sole expense, conduct water tests:

- (a) in accordance with the procedures and protocols mandated by Stantec; and
- (b) on water from each well in the DSA that was tested by Stantec in the spring of 2004; and
- (c) using tests conducted by individuals qualified to conduct such tests on samples of water collected by individuals qualified in the Province of Ontario to collect water samples; and
- (d) that provide analyses identical to the analyses conducted on the water samples taken by Stantec in the spring of 2004 within the DSA at the following times:
 - (i) before spudding each vertical well to be drilled by Tipperary in the DSA, and
 - (ii) during the drilling of the intermediate string of each vertical well, and
 - (iii) within sixty (60) days of the completion of each such vertical well by Tipperary in the DSA, and
 - (iv) annually in each of the five (5) years following the year in which Tipperary first injects gas into the geological reservoirs, or either of them, in the DSA (the "post first year injection tests")

provided that it is understood and agreed that:

- A. Tipperary shall forthwith and in any event within 45 days of receipt thereof by Tipperary, deliver to TSLA and to each of its members, full and complete copies of the water test results.
- B. With reference to the post first year injection tests, Tipperary shall:
 - 1. notify TSLA in writing when the gas injection cycle for each such year is complete, and

2. retain the services of a qualified water sampler and instruct the sampler to schedule the collection of water samples during the month requested in writing by TSLA, and
 3. instruct the qualified water sampler to notify each member of the TSLA not less than 48 hours of his intention to attend and take samples of water from that member's well.
- 1.7. Should Tipperary fail to inject sufficient gas to achieve a reservoir pressure of 320 psig (2,200 kPa) before December 31, 2006, Tipperary shall be required to apply to the Board for an extension of the authority granted under the Board's Order and will be required to submit evidence to show why such an extension shall be granted.
- 1.8. Tipperary shall, after the date on which the OEB grants an order pursuant to Section 38(1) of the OEB Act and before commencement of construction operations to use the DSA for storage, and thereafter while the DSA or any part thereof is being used for storage operations, obtain and maintain in full force and effect insurance coverage, including but not limited to, liability and pollution coverage, in the amount that is determined by an independent party with expertise in adequacy of insurance coverage for environmental and other risks and potential impacts of gas storage operations in southwestern Ontario. Tipperary shall select and retain an independent expert from a list of experts that is prepared by the Board and placed on public file.
2. General
 - 2.1. The authority granted under this Order to Tipperary is not transferable to another party, without leave of the Board.
 - 2.2. The Board's designated representative for the purpose of these conditions shall be the Manager, Licensing/Facilities.