| File No. 1232<br>Board Order # 209A-amo |  |  |
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| January 10, 2012                        |  |  |

# **SURFACE RIGHTS 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 WEST ½ OF SECTION 36 TOWNSHIP 85 RANGE 20 WEST OF THE 6<sup>TH</sup>
MERIDIAN PEACE RIVER DISTRICT

(The "Lands")

|          | BOARD ORDER          |
|----------|----------------------|
|          | (RESPONDENT)         |
|          | Paul Bryan Cowger    |
| AND:     |                      |
|          | (APPLICANT)          |
|          | Progress Energy Ltd. |
| BETWEEN: |                      |

By Order dated October 11, 1985 (attached to this Order as Appendix "A"), as mended by Order dated September 26, 1986 (attached to this Order as Appendix "B") the Mediation and Arbitration Board (now the Surface Rights Board) granted Husky Oil Operations Ltd. right of entry to the Lands to construct and operate a wellsite and for access thereto, and by Order dated April 16, 1987 (attached to this Order as Appendix "C"), the Board confirmed the right of entry and determined the compensation payable. Husky Oil Operations Ltd. constructed the wellsite and on the Lands as contemplated by the Right of Entry Order.

Progress Energy Ltd. is the successor to Husky Oil Operations Ltd. The wellsite on the Lands is currently operated by Progress Energy Ltd. The Lands are currently owned by Paul Bryan Cowger.

The Surface Rights Board orders as follows:

- Orders 209M, 209M-1 and 209A are amended to change Husky Oil Operations Ltd. to Progress Energy Ltd. and to delete Francis Joseph Cowger as a Respondent.
- 2. Progress Energy Ltd. has the right to enter, occupy and use that portion of the Lands shown on the Individual Ownership Plan attached as Appendix "D" for the purpose of operating a wellsite and for access thereto as permitted by the Oil and Gas Commission.
- 3. Nothing in this order operates as consent, approval, permission or authorization of matters within the jurisdiction of the Oil and Gas Commission.

Dated January 10, 2012

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FOR THE BOARD

Cheryl Vickers

Chair

APPENDIX"A" 209A and

File No. 1232

Board Order No. 209M

FRIDAY THE 11th DAY OF OCTOBER, A.D. 1985

BEFORE THE MEDIATOR:

IN THE MATTER OF THE PETROLEUM AND NATURAL GAS ACT, 1979, BEING CHAPTER 323 OF THE REVISED STATUTES OF BRITISH COLUMBIA, 1979 AND AMENDMENTS THERETO; THE ACT:

AND IN THE MATTER OF A PORTION OF L.S.D. TWELVE (12), WEST 1/2 OF SECTION THIRTY-SIX (36), TOWNSHIP EIGHTY-FIVE (85), RANGE TWENTY (20), WEST OF THE 6th MERIDIAN (W6M), PEACE RIVER DISTRICT.

BETWEEN:

HUSKY OIL OPERATIONS LTD. P.O. BOX 6525, STATION "D" CALGARY, ALBERTA T2P 3G7

APPLICANT

AND:

FRANCIS JOSEPH COWGER
P.O. BOX 13,
NORTH PINE, B.C.
and
PAUL BRYAN COWGER
P.O. BOX 39,
MONTNEY, B.C.

RESPONDENTS

This is an application by Husky Oil Operations Ltd., under the entry, occupation or use provisions of the Petroleum and Natural Gas Act, 1979, for an order of the Mediator under Section 19 of "The Act".

The Applicant having applied for an Order permitting it to enter part of the above described land for the purpose of constructing a wellsite and access thereto and the Mediator having inspected the above described land.

And whereas the Respondents have verbally agreed to Entry by way of a Board Order.

And whereas it appears that issues inhibiting an immediate completion of a Lease Agreement satisfactory to both parties are not resolved and the Mediator being of the opinion that the Applicant's request for Right of Entry, should be granted forthwith.

#### IT IS HEREBY ORDERED THAT:

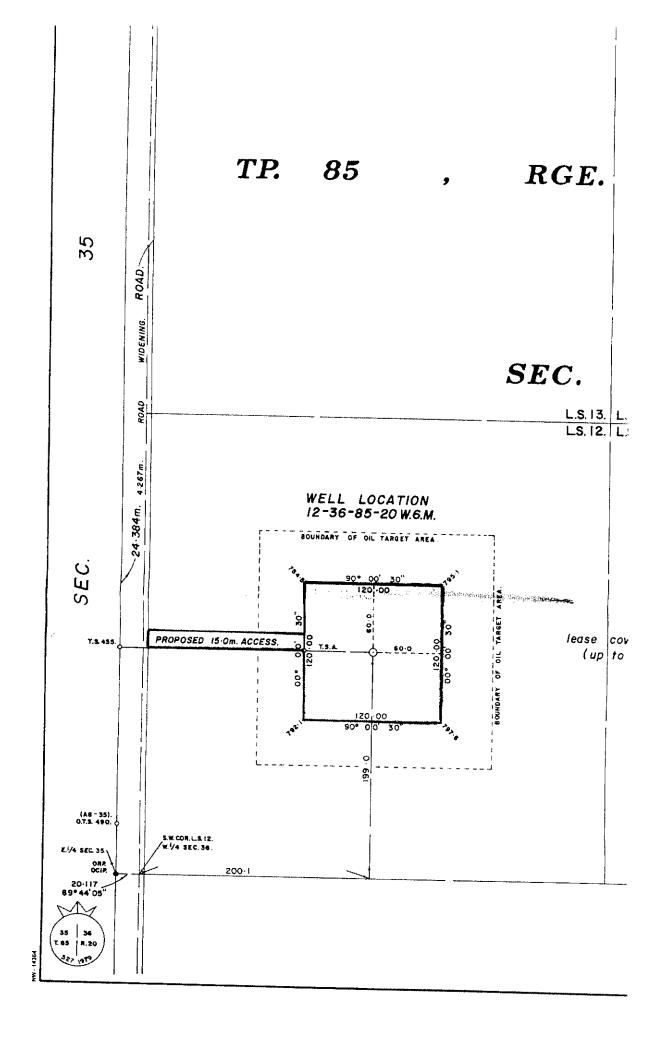
- 1. Further Mediation on the matter be adjourned sine die.
- The Applicant deposit with the Board a security deposit in the amount of \$500 payable to the Minister of Finance, Province of Bristish Columbia.
- 3. (1) The Applicant pay the Respondents a sum of two thousand dollars (\$2,000) by causing a cheque in that amount of be forwarded by Registered Mail to Francis J. Cowger and Paul B. Cowger, c/o Paul B. Cowger P.O. Box 39, Montney, B.C., which cheque will be accompanied by a copy of this Order or,
  - (11) By delivering the aforesaid cheque together with a copy of this Order to the Respondent, Paul B. Cowger.
  - 4. The Applicant further notify the Respondents and all other interested persons of this Order by causing its servants or agents when entering upon the property herein before described, to have with them and to produce upon request of any person thereon a True Copy of this Order.
  - 5. Following completion of 2,3, and 4, the Applicant shall be permitted to enter that area outlined in red on the Plan of Survey attached hereto as Schedule "A" for the purposes of exploring for, developing or producing Petroleum and Natural Gas or for any purpose connected with or incidental to that purpose.

Dated at the City of Fort St. John, Province of British Columbia, this 11th day of October, A.D. 1985.

MEDIATION AND ARBITRATION BOARD UNDER THE

PETROLEUM AND NATURAL GAS ACT

MEDIATOR



FRIDAY THE 11th DAY OF OCTOBER, A.D. 1985

#### BEFORE THE MEDIATOR:

IN THE MATTER OF THE PETOLEUM AND NATURAL GAS ACT, 1979, BEING CHAPTER 323 OF THE REVISED STATUTES OF BRITISH COLUMBIA, 1979 AND AMENDMENTS THERETO: THE ACT:

AND IN THE MATTER OF A PORTION OF L.S.D. TWELVE (12), WEST 1/2 OF SECTION THIRTY-SIX (36), TOWNSHIP EIGHTY-FIVE (85), RANGE TWENTY (20), WEST OF THE 6th MERIDIAN (W6M), PEACE RIVER DISTRICT.

BETWEEN:

HUSKY OIL OPERATIONS LTD. P.O. BOX 6525, STATION "D" CALGARY, ALBERTA T2P 3G7

APPLICANT

AND:

FRANCIS JOSEPH COWGER
P.O. BOX 13
NORTH PINE, B.C.
and
PAUL BRYAN COWGER
P.O. BOX 39,
MONTNEY, B.C.

RESPONDENTS

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File No. 1232

Board Order No. 209M-1

FRIDAY THE 26 DAY OF SPETEMBER, A.D., 1986

BEFORE THE MEDIATOR

IN THE MATTER OF THE PETROLEUM AND NATURAL GAS ACT, 1979, BEING CHAPTER 323 OF THE REVISED STATUTES OF BRITISH COLUMBIA, 1979 AND AMENDMENTS THERETO: THE ACT:

AND IN THE MATTER OF A PORTION OF L.S.D. TWELVE (12), WEST HALF (%) OF SECTION THIRTY-SIX (36), TOWNSHIP EIGHTY-FIVE (85), RANGE TWENTY (20), WEST OF THE SIXTH MERIDIAN (W6M), PEACE RIVER DIST.

BETWEEN:

HUSKY OIL PRODUCTIONS LTD. P.O. BOX 6525, STATION "D" CALGARY, ALBERTA T2P 3G7

APPLICANT

AND:

FRANCIS JOSEPH COWGER P.O. BOX 13 NORTH PINE, B.C.

AND

PAUL BRYAN COWGER P.O. BOX 39 MONTNEY, B.C.

RESPONDENTS

This is an Application by Husky Oil Operations Ltd., under the entry, occupation or use provisions of "THE ACT" for an Amending Order of the Mediator under Section 19, of the said Act.

THE APPLICANT having applied for an Order permitting it to enter part of the above described land for the purpose of constructing a wellsite and access thereto.

AND WHEREAS the preliminary survey plan referred to as Schedule "A" in Order 209M has been replaced by Plan 31684.

AND WHEREAS a copy of Plan 31684 is appended hereto.

IT IS HEREBY ORDERED THAT:

Board Order 209M is hereby amended by deleting therefrom the Preliminary Plan attached thereto and substituting therefor Plan 31684 as Schedule  $^{\rm h}A^{\rm m}$ .

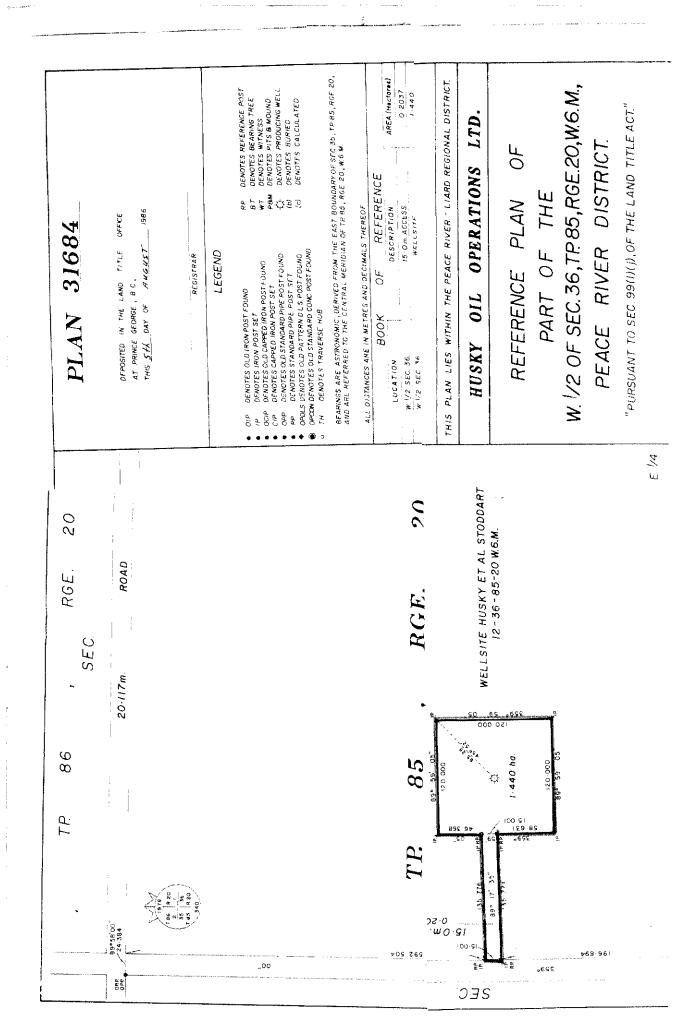
MEDIATION AND ARBITRATION BOARD

UNDER THE

PETROLEUM AND NATURAL GAS ACT

Mediator

DATE Reteler 1-1986



FRIDAY THE 26 DAY OF SEPTEMBER, A.D., 1986

BEFORE THE MEDIATOR

IN THE MATTER OF THE PETROLEUM AND NATURAL GAS ACT, 1979, BEING CHAPTER 323 OF THE REVISED STATUTES OF BRITISH COLUMBIA, 1979 AND AMENDMENTS THERETO; THE ACT:

AND IN THE MATTER OF A PORTION OF L.S.D. TWELVE (12), WEST HALF (1) OF SECTION THIRTY-SIX (36) TOWNSHIP EIGHTY-FIVE (85), RANGE TWENTY (20), WEST OF THE SIXTH MERIDIAN (W6M), PEACE RIVER DIST.

BETWEEN:

HUSKY OIL OPERATIONS LTD. P.O. BOX 6525, STATION "D" CALGARY, ALBERTA T2P 3G7

APPLICANT

AND:

FRANCIS JOSEPH COWGER P.O. BOX 13 NORTH PINE, B.C.

AND

PAUL BRYAN COWGER P.O. BOX 39 MONTNEY, B.C.

RESPONDENTS

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APPENDIX"C" 2094 and

File No. 1232

Board Order No. 209-A

THURSDAY, THE 16th DAY OF APRIL, A.D. 1987

BEFORE THE MEDIATION AND ARBITRATION BOARD: (THE BOARD)

IN THE MATTER OF THE PETROLEUM AND NATURAL GAS ACT, 1979, BEING CHAPTER 323 OF THE REVISED STATUTES OF BRITISH COLUMBIA, 1979 AND AMENDMENTS THERETO: (THE ACT)

AND IN THE MATTER OF A PORTION OF L.S.D. TWELVE (12), WEST HALF (W1) OF SECTION THIRTY-SIX (36), TOWNSHIP EIGHTY-FIVE (85), RANGE TWENTY (20), WEST OF THE SIXTH MERIDIAN (W6M), PEACE RIVER DISTRICT

BETWEEN:

HUSKY OIL OPERATIONS LTD. P.O. BOX 6525, STATION "D" CALGARY, ALBERTA T2P 3G7

APPLICANT

AND:

FRANCIS JOSEPH COWGER P.O. BOX 13 NORTH PINE, B.C.

AND

PAUL BRYAN COWGER P.O. BOX 39 MONTNEY, B.C.

RESPONDENTS

WHEREAS following an earlier postponement the interested parties were advised that an Arbitration Hearing concerning the Right-of-Entries covered by Board Orders 207-M, 208-M, 209-M dated the 11th day of October A.D. 1985 and 214-M, 215-M dated the 4th day of September A.D. 1985 would be held in the Boardroom, Execuplace, 10142 - 101st Avenue in the City of Fort St. John, British Columbia, commencing at 10:30 a.m.

AND WHEREAS the hearing was convened on the appointed day in the presence of L. Blair Scarratt, landman representing the Applicant and Mr. and Mrs. P. Cowger representing the Respondents, together with legal counsel Darryl Carter, L.L.B. There were also several other interested parties attending as observers.

AND WHEREAS the Board had reviewed the evidence adduced at the hearing and the arguments made in support thereof, and in matters where evidence is wanting or inconclusive drawn on its own knowledge and expertise.

AND WHERRAS before setting out the findings in this particular case the Board believes a recital of some of the principles adhered to in determining compensation should be set out for the benefit of the parties hereto, namely.

- 1. The Board recognizes the fact that the Crown Provincial, has issued two separate and distinct bundles of Rights respecting property.
  - a) The surface rights to an owner in fee sample.
  - b) The subsurface rights to a holder of the mineral rights including hydrocarbons.
- 2. The Board accepts the principle referred to by Justice Bouck of the Supreme Court of B.C. in a decision dated November 14, 1979 (Chambers and the Mediation and Arbitration Board and Esso Resources) who observed that the common law provision which granted an implied right to the holder of the (dominate) mineral interest respecting access to the surface of the land has been subjugated to the provisions of the Petroleum and Natural Gas Act. This Act provides a workable method whereby the owner of the mineral (Petroleum and Natural Gas) rights may gain access to explore for the product if entry is not granted or compensation not agreed to by the surface owner, through a step by step process from application, to mediation, to arbitration and finally to a binding Order.
- 3. The Board concurs with Justice Berger in Dome Petroleum Limited and Mildred E. Juell who observed that entry and occupation is not an Act of Expropriation. No land and no legal interest in the land is taken from the owner.
- 4. The Board also concurs with Justice J.A. Cody who when speaking for the B.C. Court of Appeal in re: Pacific Petroleum Ltd. (1958) stated "Compensation is not for land or an interest in land taken, but is for entry on land and loss or damage by operations carried on thereon."
- 5. The Board accepts Justice Spencer's directive in Scurry Rainbow Oil Limited and C.C. Lamoureux when he stated that the value to be determined (of the land in question) is value to the owner, taking into consideration special value, if any.
- 6. While accepting that value of land is value to the owner, the Board feels weight must be given to Justice Berger's directive in Dome Petroleum and M. Juell when he made clear that placing a value on the land as it were a small parcel is an error and further that the Board is correct in considering the reversionary value thereof.

7. The Board is satisfied that within Section 21, S.S. a-h of the Act there is ample latitude provided for consideration of both objective and subjective areas of compensation in arriving at a final decision.

Mr. Scarratt presented all of the evidence advance on behalf of the Applicant. His offers respecting both first year and annually thereafter were contained in Exhibit #1. He acknowledged co-operation from the land owners in accessing the property and completing the drilling program. According to Mr. Scarratt out of the 12.91 acres required for 3 wellsites only .91 acres of one wellsite was located on improved land. His estimate of value of land was based on what he considered to be fair market value on an enbloc basis. Other headings were assigned a value according to his own best judgement.

Mr. Carter, L.L.B. conducted the direct examination of Mr. and Mrs. P. Cowger, who also appeared on behalf of F.J. Cowger co-owner of the lands involved. The Cowgers placed in evidence a number of surface leases which they had negotiated with other operators as well as several which had been negotiated with adjacent surface owners. A summary prepared by Mrs. Cowger was appended to each lease indicating the first year and annual compensation agreed to on a per acre basis. The Respondents requested compensation equivalent to the sum received from Poco Petroleum for a lease site on L.S.D.#2 of 35-86 which according to them was a site very similar in all respects to the sites occupied by the Applicant.

In summary Mr. Scarratt referred to the fact that all locations were on unimproved land, not affecting the Respondents current family operation. The drilling took place in winter thereby keeping the inconvenience and disturbance to a minimum. The enmass presentation of other negotiated leases without substantiated opinion of the landmen involved should not be given great weight. The compensation contained in the schedules presented by Husky represented a good faith offer by the company.

In summary Mr. Carter suggested Mr. Scarratt's method of determining compensation and the one held by the Cowgers represented two different philosophies. The Applicant placed an over emphasis on fair market value when value to the owner is the important consideration. If an overall patter of compensation has been established the Board should not depart from that pattern without very good reason.

Mr. Scarratt knew of the agreements the Respondents had negotiated with Poco Petroleum and further knew they would be relying upon them in the hearing, yet didn't bother to produce any contrary evidence. Mr. Carter suggested including a first year rental in addition to other sums agreed upon was not double compensation as lease agreements provide for a first year rental.

It is the Board's observation after reviewing the transcript and exhibits filed in support thereof that:

- a) Mr. Scarratt's approach to compensation by relating sums to Section 21 of the Act, while in keeping with the method preferred by the Board, contains some deficiencies particularly with regard to value of the land.
- b) The Respondents were successful in negotiating leases with one company, namely Poco Petroleum, which in the Board's opinion appear to be quite generous but in line with leases the same company negotiated with other surface owners in the same general area at or about the same time.

The Board is of the opinion that the numbers generated are not supported by demonstrable losses or damages as contemplated by the Act and referred to by Justice J.A. Cody when he said "Compensation is not for land or an interest in land taken, but is for entry on land and loss or damage by operations carried on thereon."

#### Compulsory Aspect of Entry

The Board concurs with the Applicant's calculation and has therfor set the allowance at \$1,000 for the compulsory aspect of entry, occupation or use.

# VALUE OF LAND AND THE OWNER'S LOSS OF A RIGHT OR PROPIT WITH RESPECT

The area granted by Order 209M comprises 4.06 acres all of which is unimproved land possessing agricultural capability. The Board does not accept Mr. Scarratt's calculations based upon a market value of \$93.75 per acre as representative of fair value to the owner. Therefor based upon our knowledge of land values and accepting that value to the owner does not necessarily change in times of depressed markets since this land is not for sale, we have determined that fair value to the owner, after taking into consideration the reversionary value thereof (as the B.C. Court has directed we should do) is \$250 per acre.

The periodic amount is deemed by the Board in the circumstances of this case to be \$508 per year.

## DAMAGE RESULTING PROM THE ENTRY, OCCUPATION OR USE

Even though most of the land is unimproved there will still be some damage and extra work involved when the land is returned to the Respondent.

The Board considers that \$150 per acre is fair recompense for damage to the land and will be so fixed.

## COMPENSATION FOR SEVERANCE

There is little if any severance involved, however the Board concurs with the Applicant's offer of a token amount in the sum of \$100 payable for the first year only.

## COMPENSTION FOR NUISANCE AND DISTURBANCE

Compensation for the time lost dealing with the company representatives, consultation with legal counsel and attending the Arbitration Hearing have been agreed to by Applicant and Respondents and will be dealt with under costs.

The Board believes that the Applicant's figure of \$800 for both first year and periodically thereafter, while greater than awarded in most cases involving unimproved land is warranted. Particularly when these wellsites will open up access to unauthorized persons, which in turn will subject the Respondents to added nuisance and disturbance.

The Board therefor concurs with this amount.

# OTHER PACTORS

The only other factors that came before the Board were the matter of costs associated with the retention of legal counsel and interest on any balance of compensation payable. There was agreement between the parties on these matters so they will be addressed at the conclusion.

## THE BOARD DOES AND HEREBY ORDERS THAT

- (1) The portion of the surface which the Applicant required for the efficient and economical performance of its operation is 4.06 acres (1.644 hectares) and the exact position thereof is delineated and outlined in red on the Plan of Survey attached hereto as Schedule "A".
- (2) The amount of compensation which shall be payable shall be:

|  | Amount     | Payable      |
|--|------------|--------------|
|  | First Year | Periodically |
| (a) Compulsory aspect of entry, occupat- |            |              |
| ion or use                               | \$1,000.00 |              |
| (b) Value of land and the owners loss of |            |              |
| a right or profit with respect to the    |            |              |
| land value of land                       |            |              |
| 4.06 x 250                               | 1,015.00   | 508.00       |
| (c) Damage to land 150 x 4.06            | 609.00     |              |
| (d) Compensation for severance           | 100.00     |              |
| (e) Nuisance and disturbance             | 800.00     | 800.00       |
|  | \$3,524.00 | \$1,308.00   |

The Applicant will pay to the Respondent forthwith the following sums:

| Compensation awarded for the 1st year |       | \$3,5#2.00 |
|---------------------------------------|-------|------------|
| Less: Sum paid out under Order 207M   |       | 2,000.00   |
| Balance of first year compensation    |       | 1,524.00   |
| Periodic compensation for 1986        |       | 1,309.00   |
|                                       | Total | \$2,833.00 |

The Applicant shall pay to the Respondent annually in advance on the 11th day of October of each year commencing on the 11th day of October A.D. 1987, the sum of \$1,309.00 until such time as this order be cancelled or amended pursuant to Section 26(2)(b) of the Act and Amendments thereto.

With a further provision that should the Respondents bring the land adjacent to this access and wellsite into production for hay or other crops prior to the next quinquennial review the Board will consider a written request for a rental review.

Since the Applicant agreed to pay the Respondents interest on any balance due at a rate equal to the average for term deposits for the corresponding time period, it is hereby ordered that interest at the rate of 6 3/4% shall be payable on the balance of first year compensation retroactive to October 11, 1985. On the periodic compensation at the rate of 5 1/4% retroactive to October 11, 1986.

#### COSTS

While the Board pursuant to Section 27 of the Act, has discretion to award costs and determine by whom they shall be paid, in this matter the Applicant and the Respondents mutually agreed to the following sums:

- 1) Legal fees, including advice, disbursements & presentation \$2,150.00
- 2) Respondents attendance & time

500.00

Total:

\$2,650.00

There was a further request that these costs be prorated between the five files considered at this Hearing. Therefor the amount applicable to this Right-of-Entry is \$530.00.

Upon payment of the sums aforesaid the Applicant shall be entitled to all rights of an operator to whom the right to enter, occupy or use land has been granted under the provisions of the Petroleum and Natural Gas Act, 1979, and Amendments thereto, upon the lands hereinbefore described.

Dated at the City of Fort St. John, Province of British Columbia this 16th day of April A.D. 1987.

MEDIATION AND ARBITRATION BOARD

UNDER THE

PETROLEUM AND NATURAL GAS ACT

CHAIRMAN

MEMBER

MEMBER

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Un Cept 24, 1987

BEARINGS ARE ASTRONOMIC, DERIVED FROM THE FAST BOUNDARY OF SEC 35, TP 85, RGE 20, AND ARE REFERRED TO THE CENTRAL MERIDIAN OF TR 85, RGE 20, W.G.W. AREA (Hectores) THIS PLAN LIES WITHIN THE PEACE RIVER - LIARD REGIONAL DISTRICT. W. 1/2 OF SEC. 36, TP 85, RGE. 20, W. 6. M., DENOTES PRODUCING WELL DENOTES BURIED DENOTES CALCULATED 0.2037 DENOTES BEARING TREE DENOTES WITNESS DENOTES PITS & MOUND "PURSUANT TO SEC. 99(1)(j), OF THE LAND TITLE ACT." PEACE RIVER DISTRICT. OF OPERATIONS REFERENCE \$ 5 7 8 0 CF 3 REFERENCE PLAN PART OF THE ALL DISTANCES ARE IN METRES AND DECIMALS THEREDF DESCRIPTION 15-0 m. ACCESS DEPOSITED IN THE LAND TITLE OFFICE PLAN 31684 THIS SHY DAY OF AUGUST OPOLS DENOTES OLD PATTERN D.L.S.POST FOUND OPON DENOTES OLD STANDARD CONC. POST FOUND REGISTRAR **CEGEND** DENOTES OLD STANDARD PIPE POST FOUND DENOTES OLD CAPPED IRON POST FOUND DENOTES STANDARD PIPE POST SET AT PRINCE GEORGE, BC. DENOTES CAPPED IRON POST SET DENOTES OLD IRON POST FOUND OIL BOOK HUSKY W 1/2 SEC. 36. LOCATION E 1/4 WELLSITE HUSKY ET AL STODDART 20 20 12-36-85-20 W.G.M. ROAD RGE. SEC 20-117m. 86 85 1.440 ha. TP 12 001 28 831 .m 0 ·21 24.384 ..oc .692 SEC

THURSDAY, THE 16th DAY OF APRIL, A.D. 1987

BEFORE THE MEDIATION AND ARBITRATION BOARD: (THE BOARD)

IN THE MATTER OF THE PETROLEUM AND NATURAL GAS ACT, 1979, BEING CHAPTER 323 OF THE REVISED STATUTES OF BRITISH COLUMBIA, 1979 AND AMENDMENTS THERETO: (THE ACT)

AND IN THE MATTER OF A PORTION OF L.S.D. TWELVE (12), WEST HALP (W1) OF SECTION THIRTY-SIX (36), TOWNSHIP EIGHTY-PIVE (85), RANGE TWENTY (20), WEST OF THE SIXTH MERIDIAN (W6M), PEACE RIVER DISTRICT

BETWEEN:

HUSKY OIL OPERATIONS LTD. P.O. BOX 6525, STATION "D" CALGARY, ALBERTA T2P 3G7

APPLICANT

AND:

PRANCIS JOSEPH COWGER P.O. BOX 13 NORTH PINE, B.C.

AND

PAUL BRYAN COWGER P.O. BOX 39 MONTNEY, B.C.

RESPONDENTS

| ORDER |  |
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