

File No. 1633
Board Order 1633-2

June 7, 2010

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

**NE ¼ Section 17, Township 79, Range 14, W6M Peace River District;
NW ¼ Section 17, Township 79, Range 14, W6M Peace River District;
NW ¼ Section 21, Township 79, Range 14, W6M Peace River District except Plan H782;
NE ¼ Section 16, Township 79, Range 14, W6M Peace River District;
SW ¼ Section 5, Township 80, Range 14, W6M Peace River District;
NW ¼ Section 5, Township 80, Range 14, W6M Peace River District;
SW ¼ Section 8, Township 80, Range 14, W6M Peace River District;
NW ¼ Section 16, Township 79, Range 14, W6M Peace River District except Plan 1782**

(The "Lands")

BETWEEN:

ARC PETROLEUM INC.

(APPLICANT)

AND:

JOHN MILLER AND MARY MILLER

(RESPONDENTS)

BOARD ORDER

Heard by telephone conference: May 28, 2010

Mediator: Simmi K. Sandhu

Appearances: Rick Williams & Andrea Fiedler, for the Applicant, ARC Petroleum Inc.
Les Mackoff, Elvin Gowman & Anne Clayton, for the Respondents, John and Mary Miller

[1] ARC Petroleum Inc. (ARC) applies to the Board for mediation and arbitration seeking entry to the Lands owned by the Millers in order to construct, install and operate, and maintain flowlines and wellsites. The Millers have a number of concerns with the entry.

[2] The Board may authorize the entry onto private land subject to specified terms if entry is required to explore for, develop or produce petroleum or a natural gas or for a connected or incidental purpose. The Oil and Gas Commission (OGC) has issued or is in the process of issuing either approvals for the construction and operation of flowlines 9-17 to 11-26-79-14, 15-26-78-15 to 9-17-79-14 and 5-5-80-14 to 1-31-79-14 and wellsites C9 and D9. ARC needs access to the Lands to construct, install and operate the flowlines and wellsites approved or to be approved by the OGC. The parties have agreed to the terms of entry, which terms are set out in the Order.

[3] A company who enters land for the purpose of developing or producing petroleum or natural gas is liable to pay compensation to the land owner for loss or damage caused by the entry, occupation or use of the land.

[4] ARC and the Millers do not agree on the amount of compensation payable for the entry. The parties take very different approaches to determine the appropriate compensation. As there has been no agreement on compensation, and as the parties have a significant difference of opinion, I am refusing further mediation and making the required orders for partial compensation and security deposit.

[5] **The Mediation and Arbitration Board orders:**

1. Pursuant to Rule 10(6) of the Board's Rules, further mediation is refused.
2. Upon payment of the amounts set out in paragraphs 4 to 7 below, the Applicant including its employees, contractors and assigns shall have the right of entry to and access across the portion of the Lands shown in Schedule "A" for the purpose of constructing operating and maintaining the flowlines and wellsites. This Order is subject to the application process required by the Oil and Gas Commission and nothing in this order operates as consent, permission, approval or authorization of matters within the jurisdiction of the Oil and Gas Commission. The Order is also subject to the following terms and conditions:

- a) ARC will use all reasonable efforts to maintain the soil admixing to no more than 20% subsoil,
 - b) ARC will use all reasonable efforts to maintain the work site and the public access roads free of excessive dirt and debris at all times during construction and operation of the subject pipeline and well sites,
 - c) ARC acknowledges that it is responsible for removal of rocks that are brought to the surface of the right of way during and following construction and in that regard will consult with the owners and the lessee in discharging this responsibility,
 - d) ARC will, within 7 days of receiving notice of a builder's lien claim being filed against the Lands as a result of the work being carried out by ARC on the subject property, cause the lien to be removed, either by way of paying the lien claimant or by paying the amount claimed into court in accordance with s. 23 of the *Builders Lien Act*,
 - e) All vehicles used in the farming operations of the Millers will have a right to cross the pipeline right-of-ways in the normal and ordinary course of such farming operations, regardless of whether the vehicle carries a farm license. For greater certainty, certain vehicles that are used in the farming operation for the delivery of fertilizer and other materials incidental to farming operation, as well as for the hauling of crops shall be permitted to cross the pipelines, notwithstanding that these vehicles may carry commercial plates only.
3. The Applicant shall serve the Respondents with a copy of the Order prior to entry onto the Lands.

Applications 1633-1, 1633-3, 1633-3 and 1633-7:

4. The Applicant shall deposit with the Mediation and Arbitration Board security in the amount of \$40,000.00. All or part of the security deposit may be returned to the Applicant or paid to the Respondents upon the agreement of the parties or as ordered by the Board.
5. The Applicant shall pay to the Respondents as partial payment for compensation payable for entry to and use of the Lands the amount of \$35,000.00, on the condition that if any of the flowlines do not receive approval of the Oil and Gas Commission, the Respondents will refund to the Applicant the partial payment on a pro-rated basis and on a per acre breakdown of the partial payment.

Applications 1633-3, 1633-4 and 1633-5:

6. The Applicant shall deposit with the Mediation and Arbitration Board security in the amount of \$40,000.00. All or part of the security deposit may be returned to the Applicant or paid to the

Respondents upon the agreement of the parties or as ordered by the Board.

7. The Applicant shall pay to the Respondents as partial payment for compensation payable for entry to and use of the Lands the amount of \$20,000.00, on the following conditions:
 - a) if any of the wellsites do not receive approval of the Oil and Gas Commission, the Respondents will refund to the Applicant the partial payment on a pro-rated basis and on a per acre breakdown of the partial payment, and
 - b) if the Board orders compensation less than the partial payment, the Respondents shall refund to the Applicant the difference on a pro-rated basis.

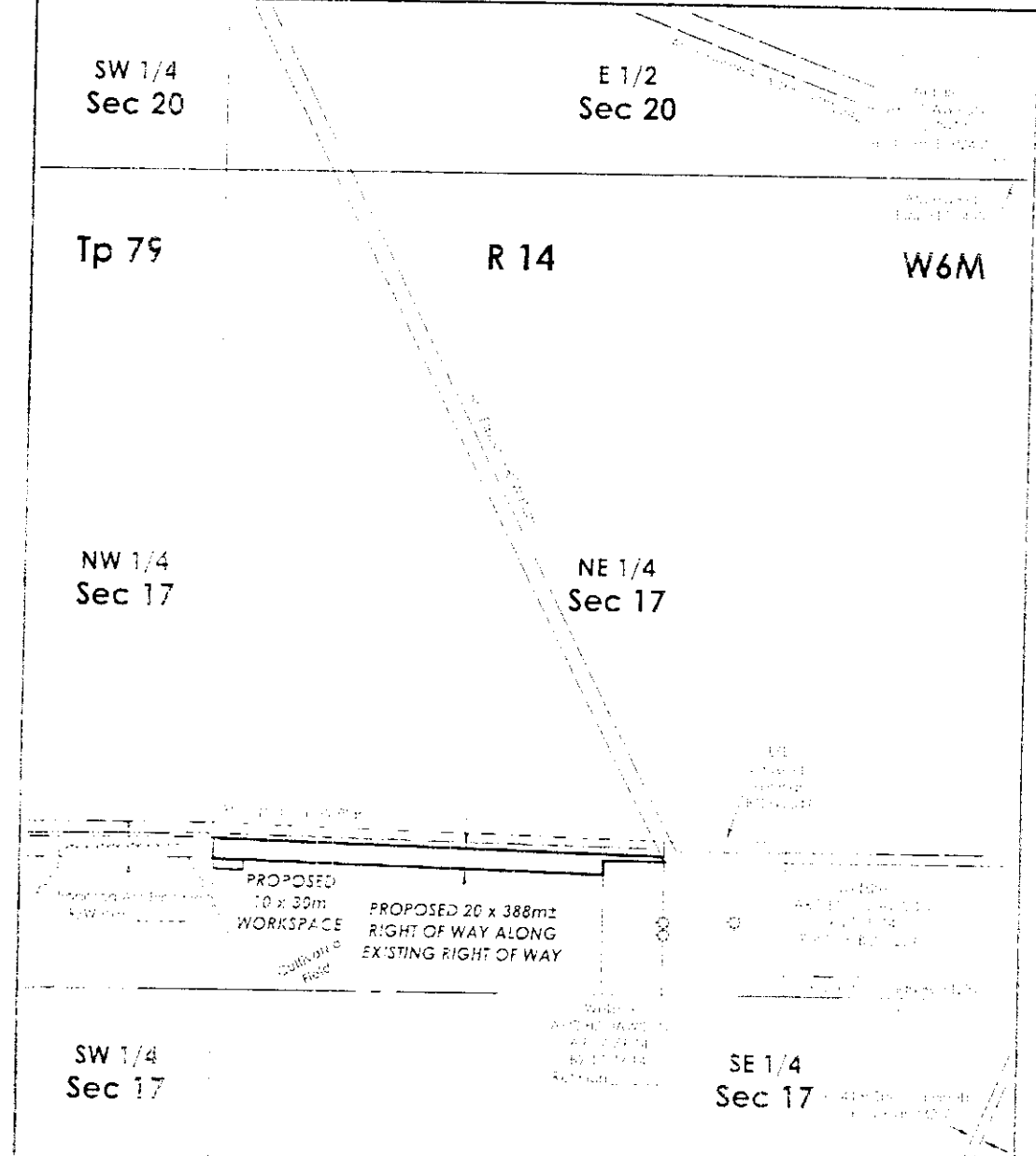
DATED June 7, 2010

FOR THE BOARD

A handwritten signature in black ink, consisting of several overlapping loops and a horizontal line at the bottom, representing the signature of Simmi K. Sandhu.

Simmi K. Sandhu, Panel Chair

ARC PETROLEUM INC.
INDIVIDUAL OWNERSHIP PLAN
 SHOWING PROPOSED
 20m PIPELINE RIGHT OF WAY IN
 NE 1/4 Sec 17, Tp 79, R 14, W6M
 PEACE RIVER DISTRICT



TITLE No.: E-2040 OWNER(S): ARC Petroleum Inc.		P.I.D. No.: 200999176		LEGEND SCALE = 1:5000 Dimensions of road right of way North is contained by survey monuments Certified plan under 28th day of June 2010													
AREA REQUIRED: 10 x 30m Workspace 20 x 388m ² Right of Way TOTAL:		10 x 30m 20 x 388m ² 0.94 ha		200 ac 0.27 ha 0.07 ac													
<table border="1"> <tr> <th>Area</th> <th>Acres</th> <th>Hectares</th> </tr> <tr> <td>10 x 30m Workspace</td> <td>0.0007</td> <td>0.0007</td> </tr> <tr> <td>20 x 388m² Right of Way</td> <td>0.27</td> <td>0.27</td> </tr> <tr> <td>TOTAL</td> <td>0.27</td> <td>0.27</td> </tr> </table>		Area	Acres	Hectares	10 x 30m Workspace	0.0007	0.0007	20 x 388m ² Right of Way	0.27	0.27	TOTAL	0.27	0.27	200 ac 0.27 ha 0.07 ac		CAN-AM FILE: J20090481 © 2010 Arc Petroleum Inc. B1	
Area	Acres	Hectares															
10 x 30m Workspace	0.0007	0.0007															
20 x 388m ² Right of Way	0.27	0.27															
TOTAL	0.27	0.27															
can-am geomatics				CAN-AM FILE: J20090481													

ARC PETROLEUM INC.
INDIVIDUAL OWNERSHIP PLAN
 SHOWING PROPOSED
 20m PIPELINE RIGHT OF WAY IN
 NW 1/4 Sec 17, Tp 79, R 14, W6M
 PEACE RIVER DISTRICT

SE 1/4
Sec 19

SW 1/4
Sec 20

Tp 79

R 14

W6M

N 1/2
Sec 18

NW 1/4
Sec 17

SE 1/4
Sec 18

SW 1/4
Sec 17

PROPOSED 20 x 511m
RIGHT OF WAY ALONG
EXISTING RIGHT OF WAY

PROPOSED
10 x 20m
WORKSPACE

TITLE No.: P-2002 P.I.D. No.: 010-099-180
 OWNER(S): ARC Petroleum Inc.

LEGEND

SCALE = 1:5000
 Dashed line for R.O.W.
 Solid line for pipeline
 Dotted line for proposed
 Centre line of road
 20m wide R.O.W. for R 14

AREA REQUIRED:

20 x 511m R.O.W. 10.22 ha 2.50 ac
 10 x 20m workspace 0.20 ha 0.50 ac
 TOTAL: 10.42 ha 2.59 ac

Drawn by: [Signature]

DATE	BY	CHKD	APP'D

can-am geomatics

can-am geomatics Inc. 2000-2001
 1000-1000-1000-1000-1000-1000
 1000-1000-1000-1000-1000-1000

DAN-AM FILE: J20090481

DATE: 2009-04-21

PROJECT: [Blank]

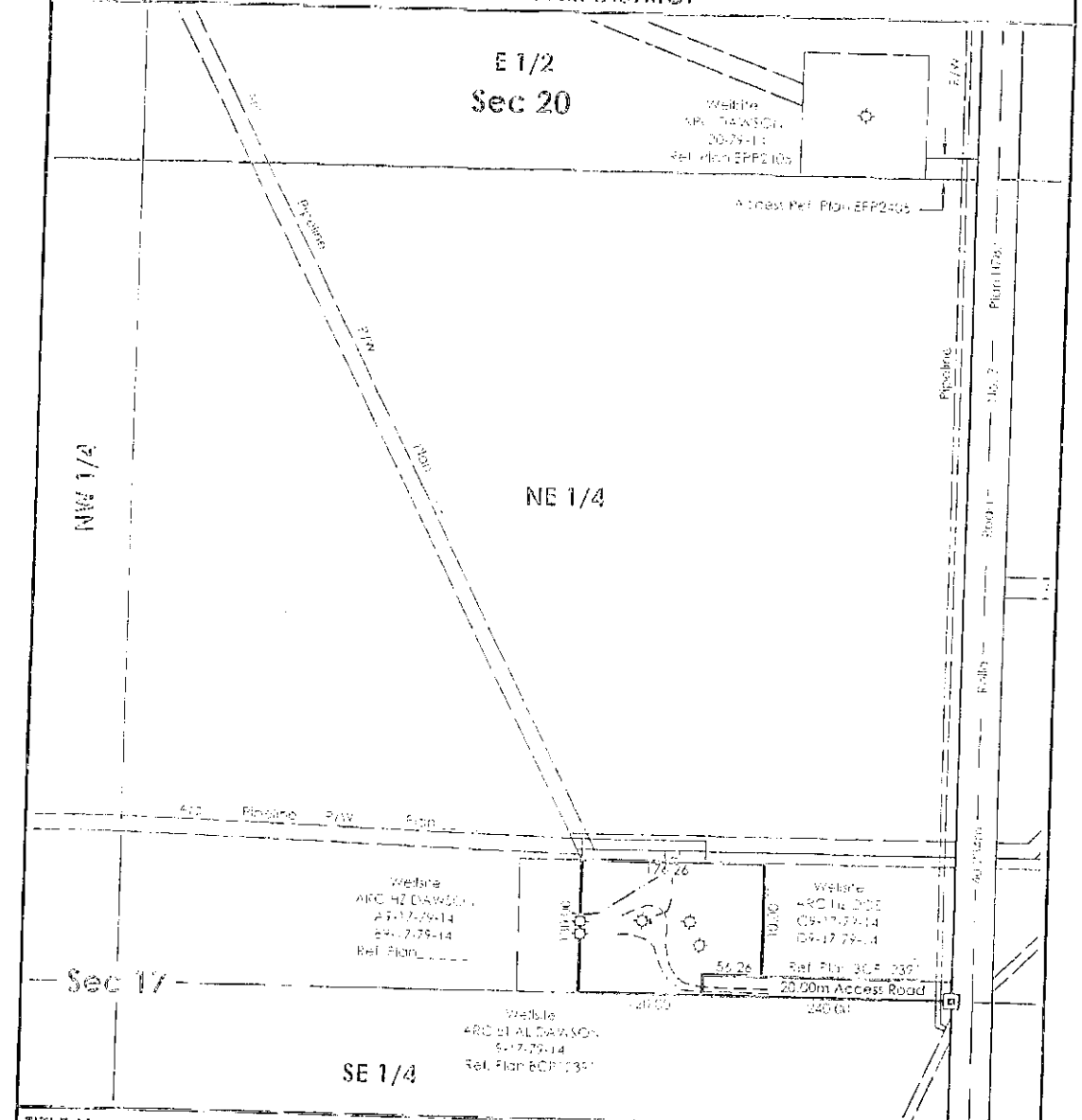
SCALE: 1:5000

DATE: 2009-04-21



**ARC PETROLEUM INC.
INDIVIDUAL OWNERSHIP PLAN
SHOWING PROPOSED
WELLSITE IN
NE 1/4 Sec 17, Tp 79, R 14, W6M**

PEACE RIVER DISTRICT



TITLE No.: P12440 P.I.D. No.: 010-797-176
OWNER(S): Mary Kathleen Miller

LEGEND
SCALE = 1:5,000
Portions referred to:
Notes: Distances shown are in metres.
Certified correct this
25th day of April, 2010.

AREA REQUIRED:

Well site	2.18 ha	5.39 ac
Access	0.48 ha	1.19 ac
TOTAL	2.66 ha	6.58 ac

NO.	DATE	REVISION	BY	CHK
1	10-02-10	Original plan issued	AK	CS

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can-am geomatics inc. P.O. Box 250, 797 21-01
Fort St. John, B.C. Tel: Free 1-800-268-0233
www.canamgeo.com Fax: 250-787-0333

CAN-AM FILE: J20090359

OAD FILE: J200903590359

Client File No.: 142385

ATE No.:

Error File No.:

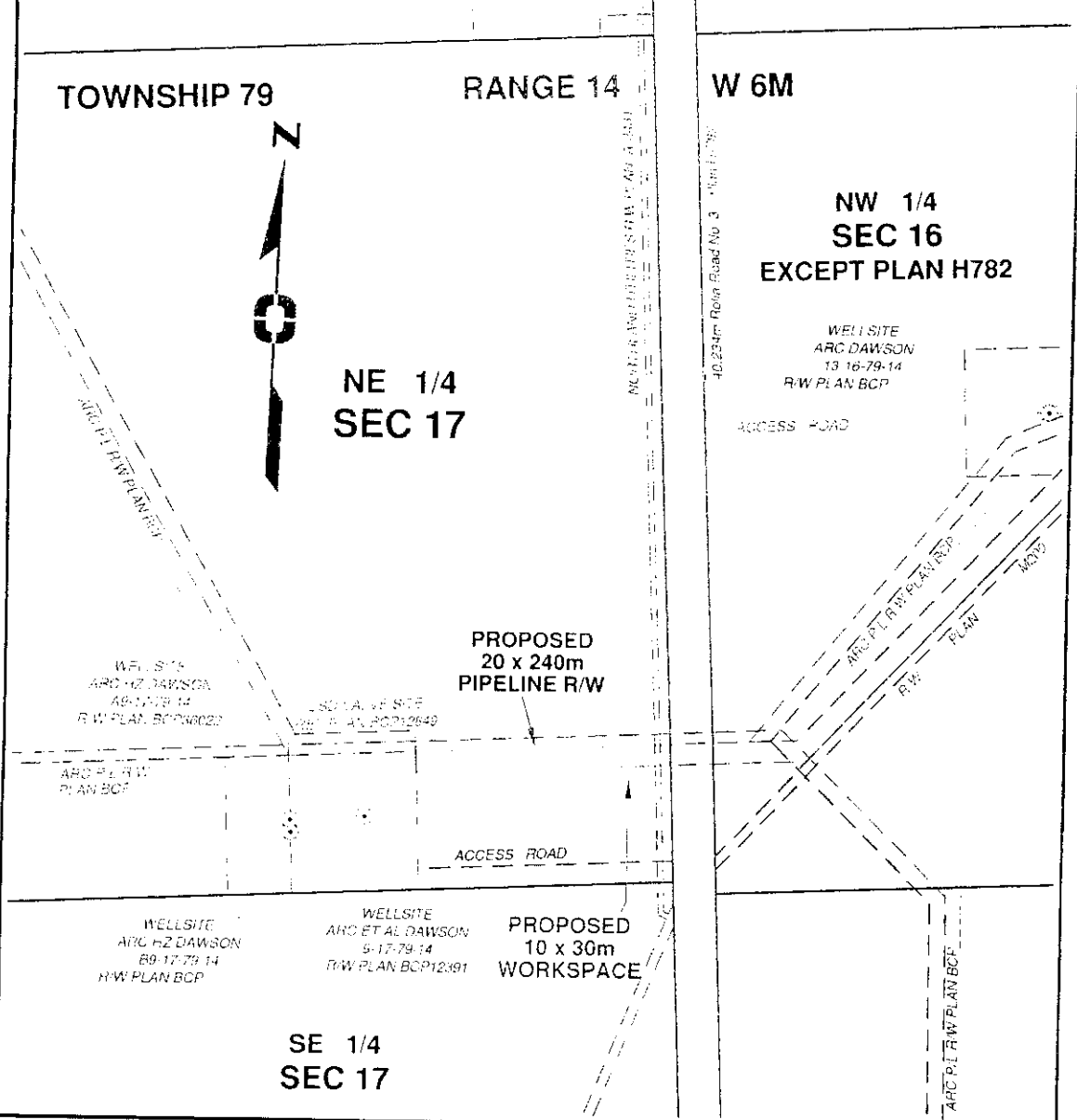


SCHEDULE "A"

Page ___ of ___

Attached to and made part of this Agreement dated this ___ day of _____, 20___ between
 Mary Kathleen Miller (Lessor) and Arc Petroleum Inc. (Lessee).

**INDIVIDUAL OWNERSHIP PLAN SHOWING
 PROPOSED 20m PIPELINE RIGHT OF WAY WITHIN THE
 NORTH EAST 1/4 OF SECTION 17 TOWNSHIP 79 RANGE 14 W6M
 PEACE RIVER DISTRICT
 (Associated with Pipeline R/W From Wellsite 9-17-79-14 to Riser Site within 11-28-79-14)**



Owner(s): Mary Kathleen Miller

Title No: PL2442

Parcel Identifier: 010-799-176

100 0 100 200 300 400

The intended plot size of this plan is 216mm in width by 356mm in height when plotted at a scale of 1:5000 (use legal size sheet)

Certified correct this 26th day of October, 2009

Wayne Brown

Wayne Brown, BCLS

Areas		
Permanent	0.48 ha	1.19 ac
Temporary	0.03 ha	0.07 ac
Total	0.51 ha	1.26 ac

FOCUS
 Focus Surveys
 FCS Land Services Group Inc.

Focus Job No: 090072NP01R0

Ref Dwg: 090072CP01R0

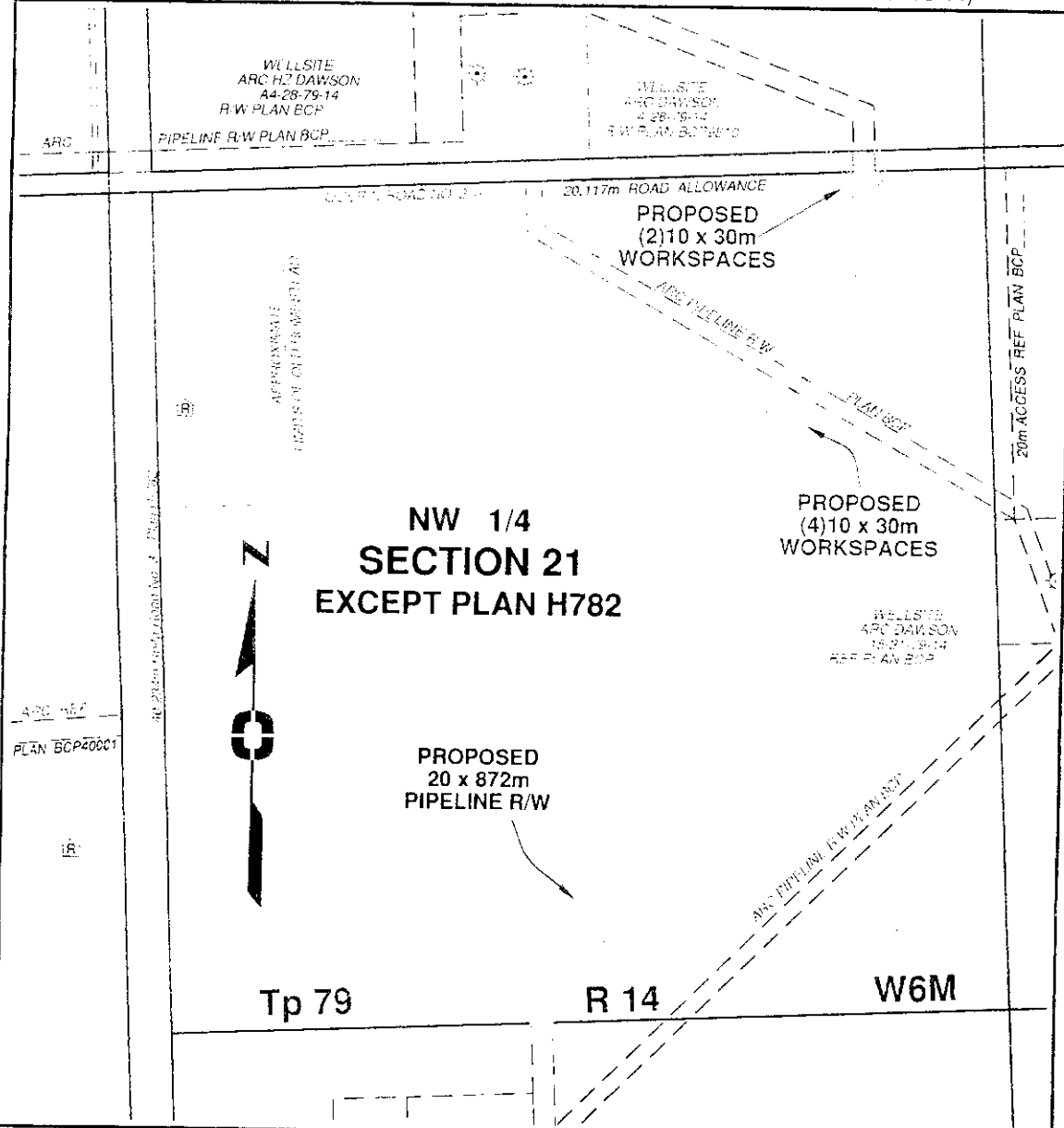
Drafter: CN

SCHEDULE "A"

Page ___ of ___

Attached to and made part of this Agreement dated this ___ day of _____, 20___ between
 Mary Kathleen Miller (Lessor) and Arc Petroleum Inc. (Lessee).

**INDIVIDUAL OWNERSHIP PLAN SHOWING
 PROPOSED 20m PIPELINE RIGHT OF WAY WITHIN THE
 NORTH WEST 1/4 OF SECTION 21 TOWNSHIP 79 RANGE 14 W6M, EXCEPT PLAN H782
 PEACE RIVER DISTRICT
 (Associated with Pipeline R/W From Wellsite 9-17-79-14 to Riser Site within 11-28-79-14)**



Owner(s): Mary Kathleen Miller

Title No: PL2439

Parcel Identifier: 010-772-391

100 0 100 200 300 400

The intended plot size of this plan is 216mm in width by 356mm in height when plotted at a scale of 1: 5000 (use legal size sheet)

Certified correct this 26th day of October, 2009

Wayne Brown
 Wayne Brown, BCLS

Areas	
Permanent	1.74 ha 4.30 ac
Temporary	0.18 ha 0.44 ac
Total	1.92 ha 4.74 ac

FOCUS
 Focus Surveys
 P.O. Box 100, 10000 Highway 100, Peace River, Alberta T8A 1P2

Focus Job No: 090072NP04R0

Ref Dwg: 090072CP01R0

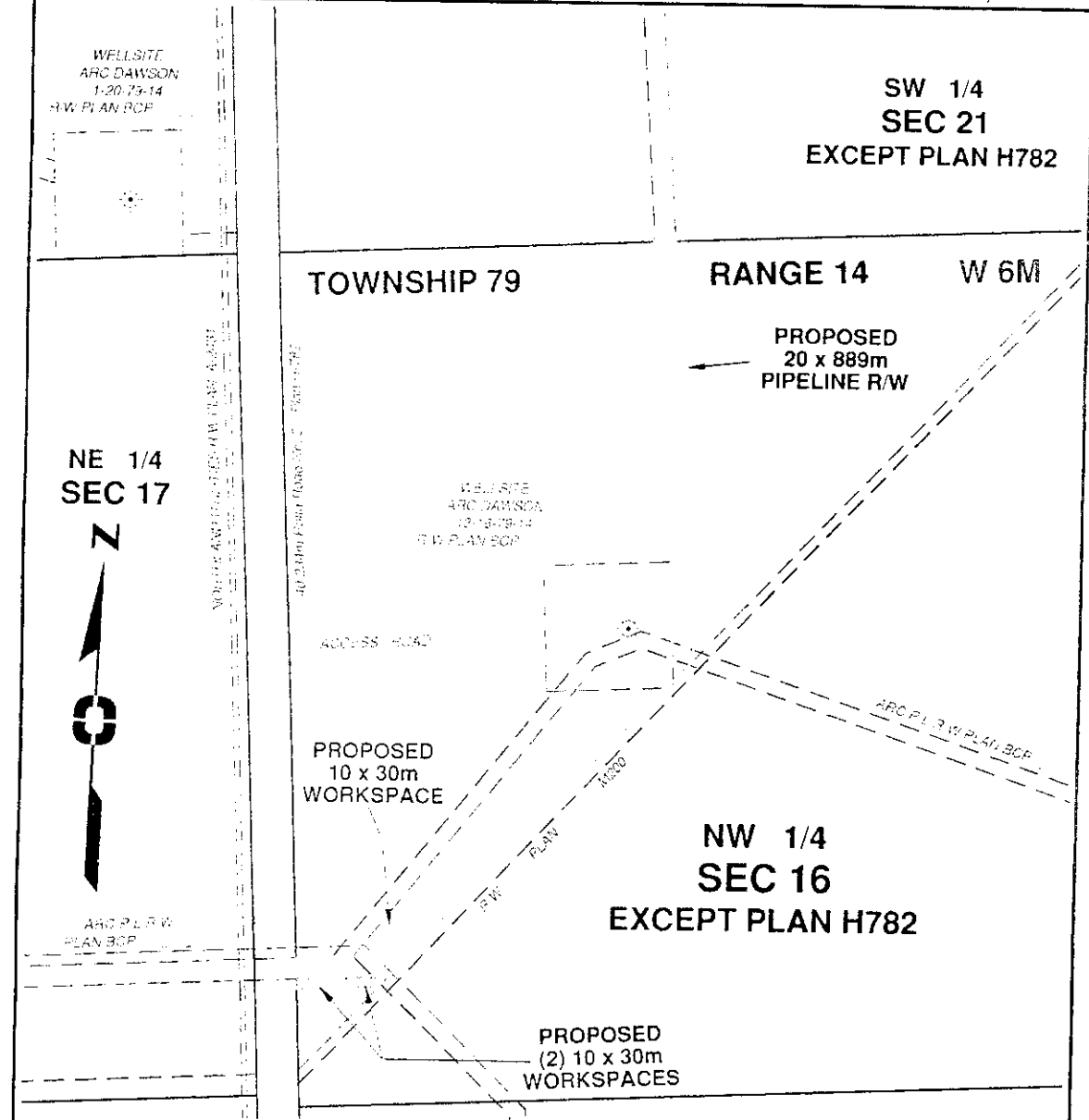
Drafter: CN

SCHEDULE "A"

Page of

Attached to and made part of this Agreement dated this day of , 20 between
John Irving Miller (Lessor) and Arc Petroleum Inc. (Lessee).

**INDIVIDUAL OWNERSHIP PLAN SHOWING
PROPOSED 20m PIPELINE RIGHT OF WAY WITHIN THE
NORTH WEST 1/4 OF SECTION 16 TOWNSHIP 79 RANGE 14 W6M, EXCEPT PLAN H782
PEACE RIVER DISTRICT
(Associated with Pipeline R/W From Wellsite 9-17-79-14 to Riser Site within 11-28-79-14)**



Owner(s): John Irving Miller

Title No: PK47339

Parcel Identifier: 014-640-287

100 0 100 200 300 400

The intended plot size of this plan is 216mm in width by 356mm in height when plotted at a scale of 1: 5000 (use legal size sheet)

Certified correct this 26th day of October, 2009

Wayne Brown
Wayne Brown, BCLS

Areas		
Permanent	1.78 ha	4.40 ac
Temporary	0.09 ha	0.22 ac
Total	1.87 ha	4.62 ac

FOCUS
Focus Surveys
FCS Land Services Limited Partnership

Focus Job No: 090072NP02R0

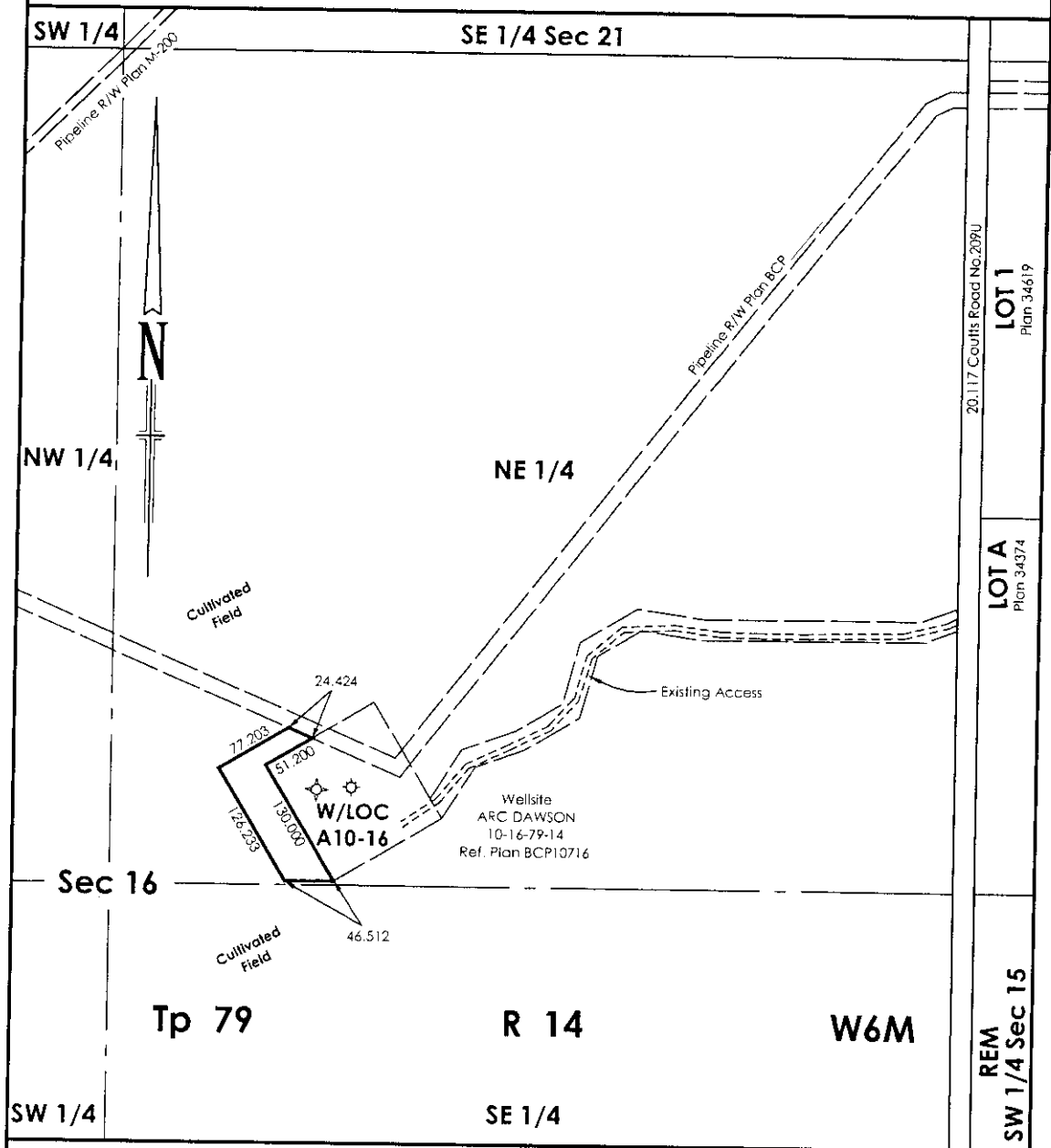
Ref Dwg: 090072CP01R0

Drafter: CN

ARC PETROLEUM INC.

INDIVIDUAL OWNERSHIP PLAN

SHOWING PROPOSED
WELLSITE IN
NE 1/4 Sec 16, Tp 79, R 14, W6M.
PEACE RIVER DISTRICT



OWNER(S): JOHN IRVING MILLER

TITLE No. 53641M

AREAS REQUIRED:

P.I.D. No. 016-045-319

WELL SITE 0.64 ha (1.58 ac)

CERTIFIED CORRECT THIS 24TH DAY OF NOVEMBER, 2008.

TOTAL 0.64 ha (1.58 ac)

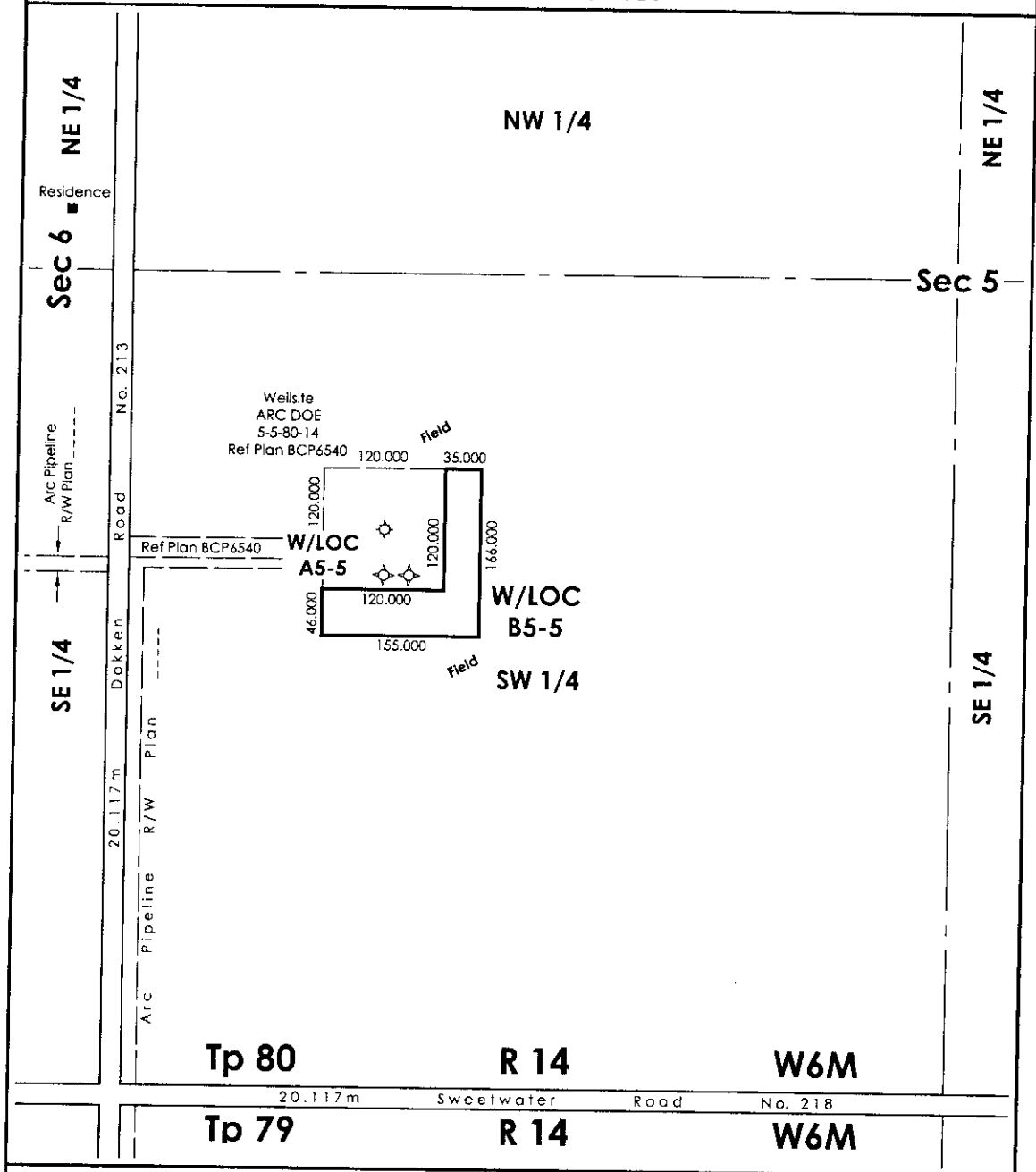
BRYAN BATES B.C.L.S.

can-am geomatics bc
#200-9900 100th AVENUE
FORT ST JOHN, B.C. V1J 5S7
ph (250) 787-7171

NOTES: DISTANCES SHOWN ARE IN METRES UNLESS OTHERWISE NOTED. AREAS REFERRED TO ARE OUTLINED IN BOLD.
SCALE = 1 : 5,000
50 0 100 200 300
METRES

JOB: **J20080676**
DWG: J20080676IOP00
ARC FILE:
ARC AFE:
REVISION: 0

ARC PETROLEUM INC.
INDIVIDUAL OWNERSHIP PLAN
 SHOWING PROPOSED
WELLSITES IN
SW 1/4 Sec 5, Tp 80, R 14, W6M
 PEACE RIVER DISTRICT



TITLE No.: PC4680 **P.I.D. No.:** 013-008-757

OWNER(S): John Irving Miller

LEGEND
 SCALE = 1: 5,000
 Portions referred to:
 Notes: Distances shown are in metres.
 Certified correct this
 21st day of May, 2010.

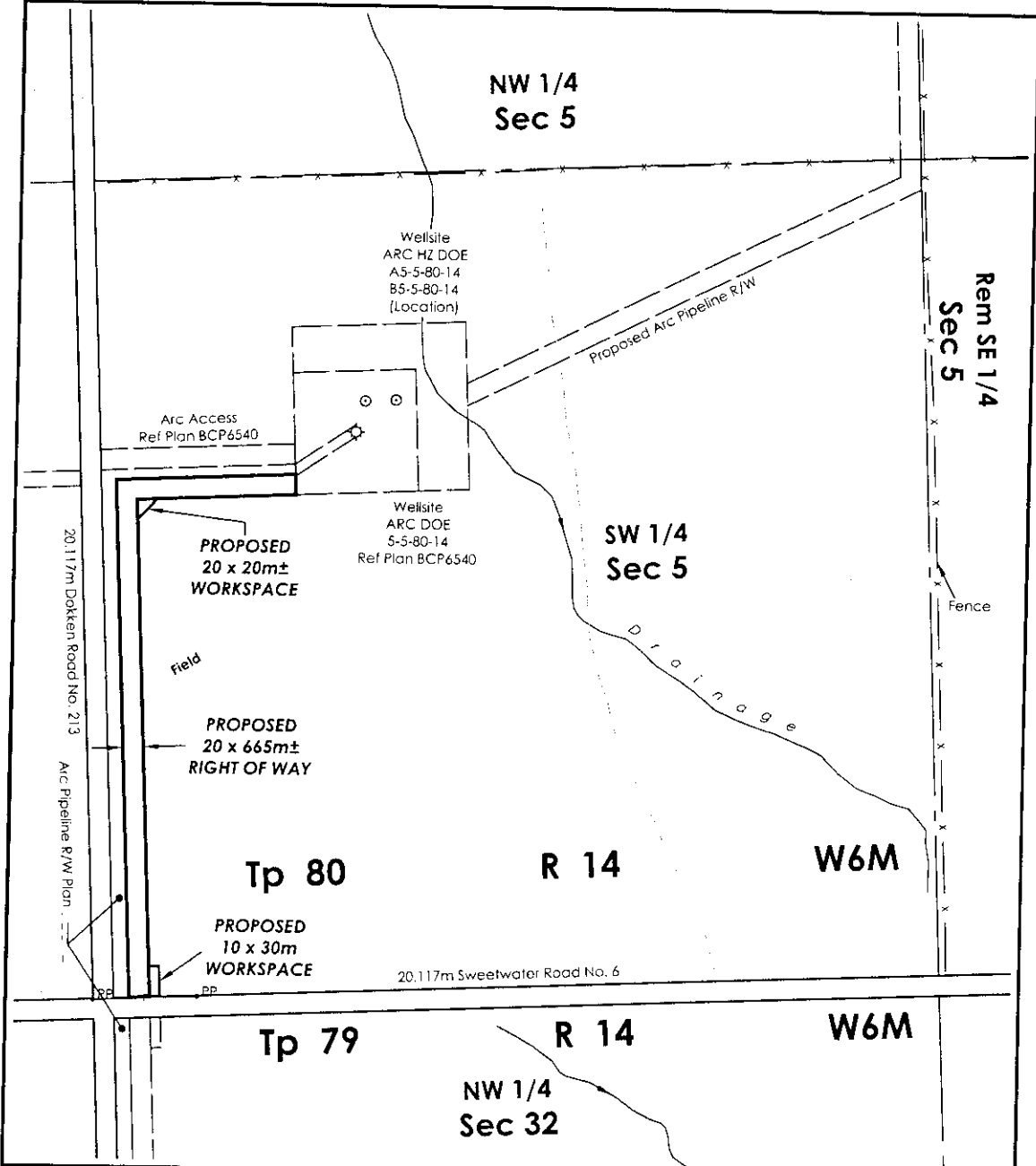
AREA REQUIRED:
 Wellsites 1.13 ha 2.79 ac
TOTAL: 1.13 ha 2.79 ac

Chris R. Sakundiak, BCLS

NO.	DATE	REVISION	DRN	CKD
0	10/01/29	Original plan issued	JMS	CS
1	10/05/21	Wellsite Revised	EJ	CS

can-am geomatics can-am geomatics bc Phone: 250.787.7171 Fort St. John, B.C. Toll Free: 1.866.208.0983 www.canam.com Fax: 250.787.2323	CAN-AM FILE: J20090107 CAD FILE: J20090107IOP01 Client File No.: S06985 AFE No.: Land File No.:
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**ARC PETROLEUM INC
INDIVIDUAL OWNERSHIP PLAN
SHOWING PROPOSED
20m PIPELINE RIGHT OF WAY IN
SW 1/4 Sec 5, Tp 80, R 14, W6M
PEACE RIVER DISTRICT**



TITLE No.: PC4680 **P.I.D. No.:** 013-008-757
OWNER(S): John Irving Miller

LEGEND
 SCALE = 1: 5,000
 Portions referred to: [Symbol]
 Notes: Distances shown are in metres.
 Certified correct this
 12th day of February, 2010.

AREA REQUIRED:

20m Pipeline R/W	1.33 ha	3.29 ac
Workspaces	0.05 ha	0.12 ac
TOTAL:	1.38 ha	3.41 ac

Chris R. Sakundiak, BCLS

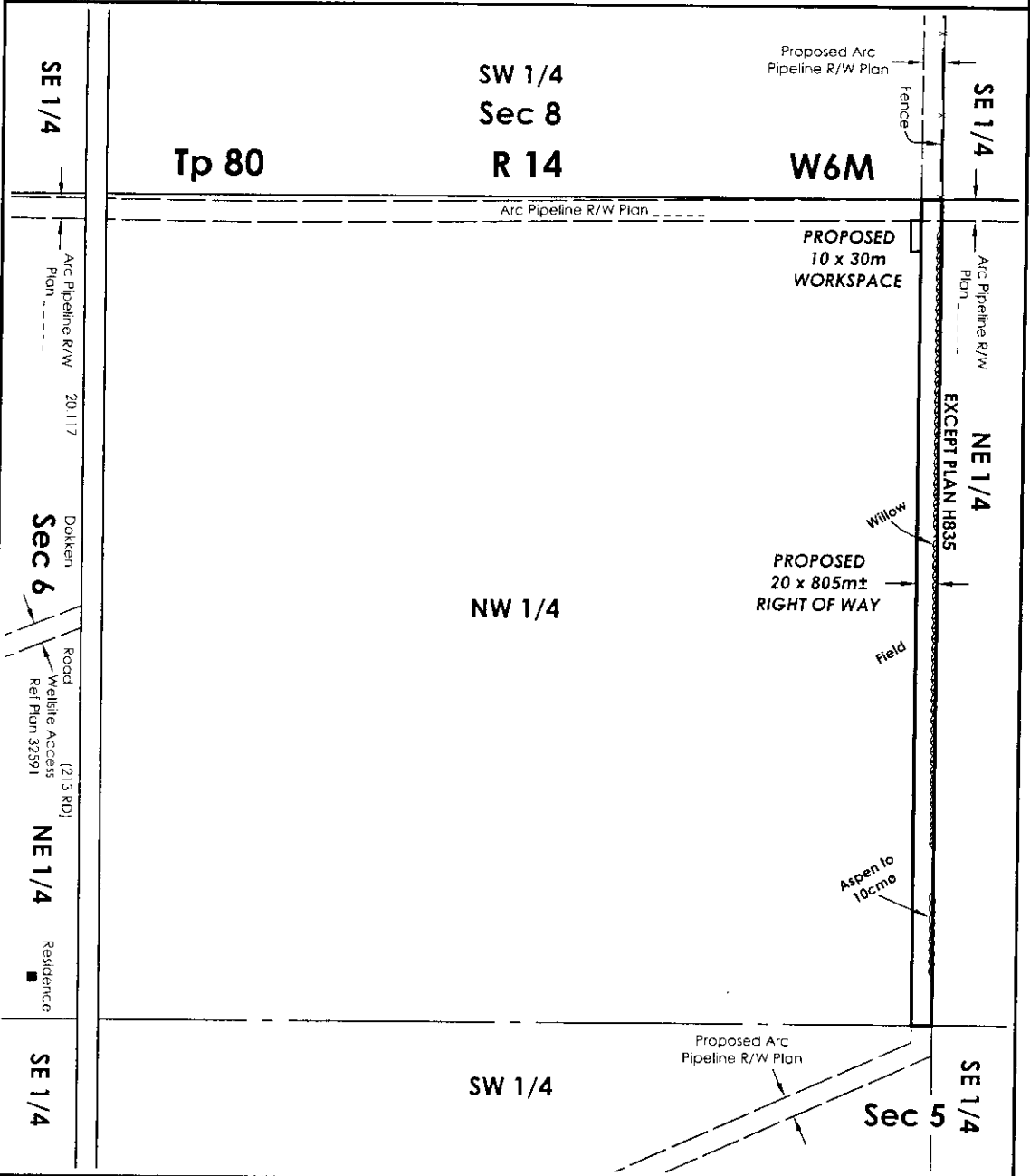
NO	DATE	REVISION	DRN	CKD
0	10/02/12	Original plan issued	JMS	CS

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can-am geomatics bc Phone: 250.787.7171
 Fort St. John, B.C. Toll Free: 1.866.208.0983
 www.canam.com Fax: 250.787.2323

CAN-AM FILE: J20090545
 CAD FILE: J20090545IOPA0
 Client File No.: E10412
 AFE No.:
 Land File No.:
 REVISION

**ARC PETROLEUM INC.
INDIVIDUAL OWNERSHIP PLAN
SHOWING PROPOSED
20m PIPELINE RIGHT OF WAY IN
NW 1/4 Sec 5, Tp 80, R 14, W6M
PEACE RIVER DISTRICT**



TITLE No.: PC4679 **P.I.D. No.:** 013-008-692 **LEGEND**
OWNER(S): John Irving Miller SCALE = 1: 5,000

Portions referred to: 
 Notes: Distances shown are in metres.
 Certified correct this
 11th day of February, 2010.

AREA REQUIRED:


For 20m Pipeline R/W	1.61 ha	3.98 ac
For Workspace	0.03 ha	0.07 ac
TOTAL:	1.64 ha	4.05 ac

Chris R. Sakundiak, BCLS

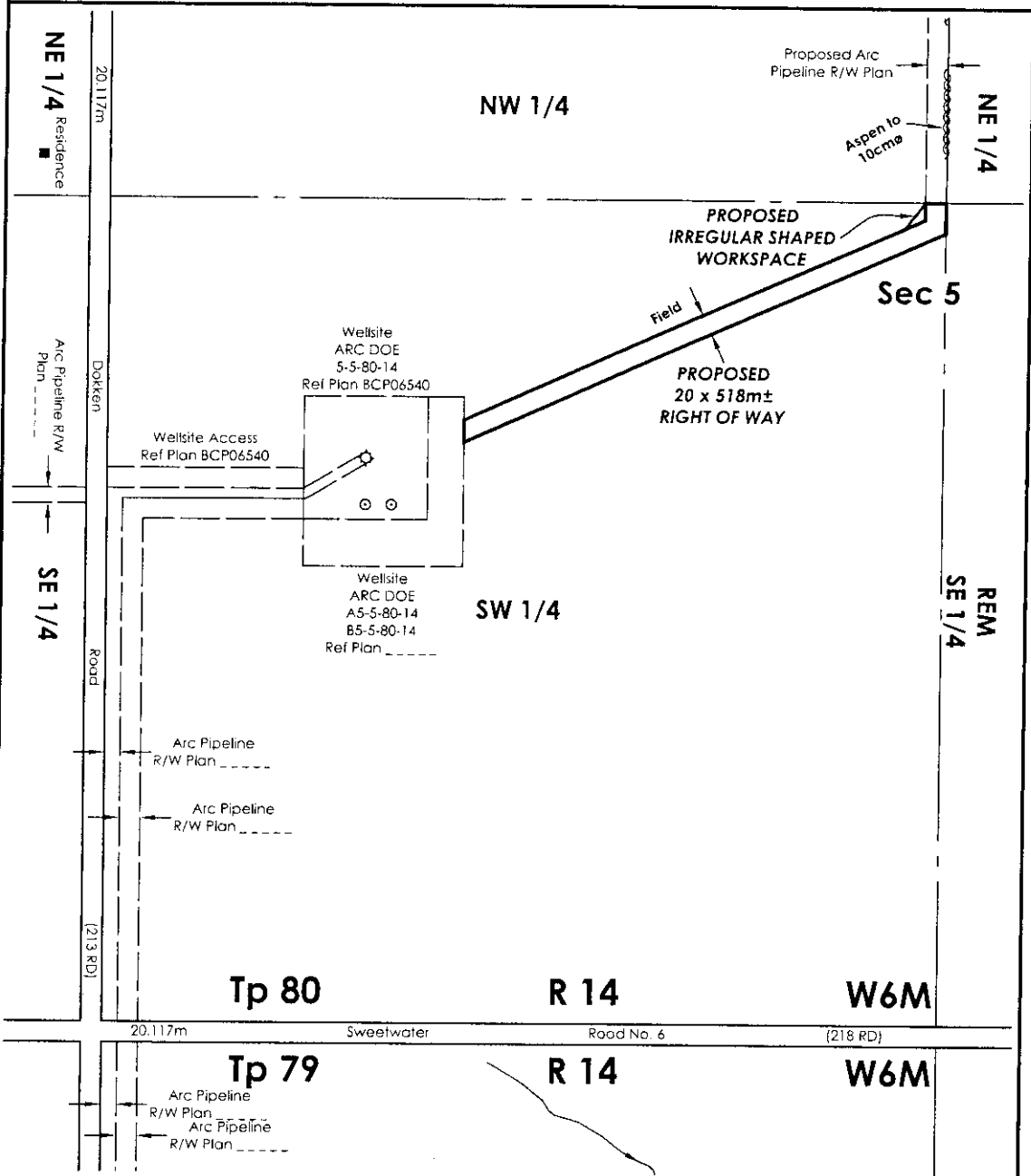
NO.	DATE	REVISION	DRN	CKD
0	10/02/11	Original plan issued	PJP	CS

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CAN-AM FILE: J20090486
 CAD FILE: J20090486OPCD
 Client File No.: E10393
 AFE No.:
 Land File No.:
 REVISION

**ARC PETROLEUM INC.
INDIVIDUAL OWNERSHIP PLAN
SHOWING PROPOSED
20m PIPELINE RIGHT OF WAY IN
SW 1/4 Sec 5, Tp 80, R 14, W6M
PEACE RIVER DISTRICT**



TITLE No.: PC4680 **P.I.D. No.:** 013-008-757 **LEGEND**
OWNER(S): John Irving Miller
 SCALE = 1: 5,000
 Portions referred to: [Symbol] [Symbol]
 Notes: Distances shown are in metres.
 Certified correct this
 26th day of May, 2010.

AREA REQUIRED:

For 20m Pipeline R/W	1.04 ha	2.57 ac
For Workspace	0.02 ha	0.05 ac
TOTAL:	1.06 ha	2.62 ac

Chris R. Sakundiak, BCLS

NO.	DATE	REVISION	DRN	CKD
0	10/02/11	Original plan issued	PJP	CS
1	01/05/26	Pipeline Extended	PJP	CS

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CAN-AM FILE: J20090486

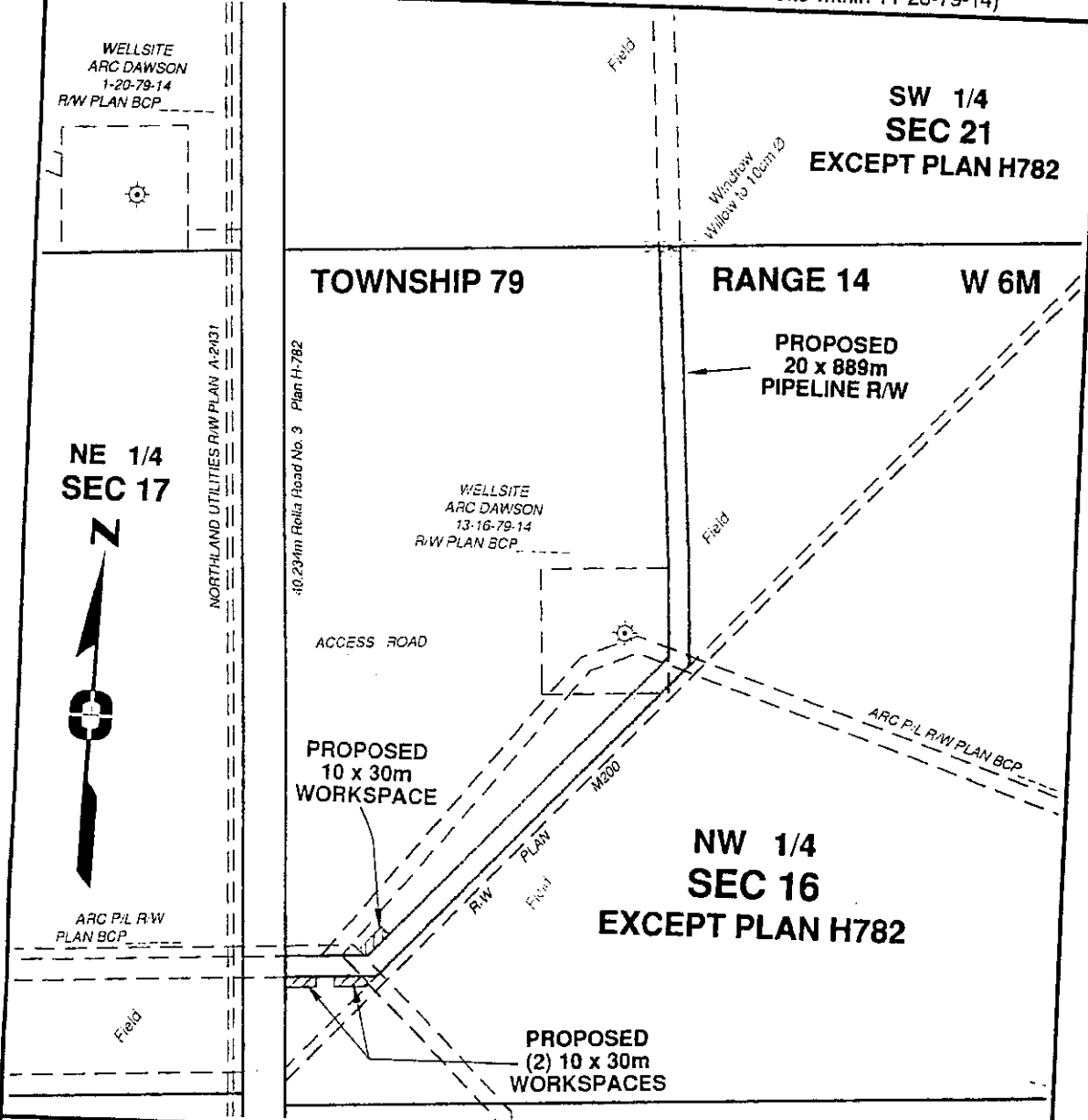
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 Client File No.: E10393
 AFE No.:
 Land File No.:
 REVISION 1

SCHEDULE "A"

Page ___ of ___

Attached to and made part of this Agreement dated this ___ day of ___, 20___, between
John Irving Miller (Lessor) and Arc Petroleum Inc. (Lessee).

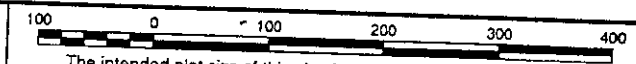
**INDIVIDUAL OWNERSHIP PLAN SHOWING
PROPOSED 20m PIPELINE RIGHT OF WAY WITHIN THE
NORTH WEST 1/4 OF SECTION 16 TOWNSHIP 79 RANGE 14 W6M, EXCEPT PLAN H782
PEACE RIVER DISTRICT
(Associated with Pipeline R/W From Wellsite 9-17-79-14 to Riser Site within 11-28-79-14)**



Owner(s): John Irving Miller

Title No: PK47339

Parcel Identifier: 014-640-287



The intended plot size of this plan is 216mm in width by 356mm in height when plotted at a scale of 1: 5000 (use legal size sheet)

Certified correct this 26th day of October, 2009

Wayne Brown
Wayne Brown, BCLS

Areas		
Permanent	1.78 ha	4.40 ac
Temporary	0.09 ha	0.22 ac
Total	1.87 ha	4.62 ac

FOCUS
Focus Surveys
FCS Land Services Limited Partnership

Fort St. John
107-6-100th Ave.
BC, V1J 1Z3
Ph. (250)787-0300
Fax (250)787-1611
www.focus.ca

Focus Job No: 090072NP02R0
Ref Dwg: 090072CP01R0
Drafter: CN