

File No. 1605
Board Order # 1605-1

September 15, 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 "Lands")

BETWEEN:

Canadian Spirit Resources Inc.

(APPLICANT/OPERATOR)

AND:

Ridge View Ranch Ltd.

(RESPONDENT/LANDOWNER)

BOARD ORDER

Appearances:

Phil Geiger, Sean Kleiner, Kelsey McLeod, Sacha Plotnikow on behalf of the Applicant/Operator

Doug Summer, Pat Enderlin, Eugene Summer, Leigh Summer, and Gwen Johansson on behalf of the Respondent/Landowner

The Applicant, Canadian Spirit Resources Inc. ("CSRI"), requires access to the Lands owned by the Respondent, Ridge View Ranch Ltd. (RVR), for the purpose of constructing and operating a flowline as shown on the attached plan (Appendix A). The parties agree to a right of entry order on the terms and conditions set out in Appendix B and further agree that the issue of compensation be adjourned as the subject of further mediation.

Pursuant to section 18(2) and section 19 of the *Petroleum and Natural Gas Act*, and BY CONSENT the Mediation and Arbitration Board orders:

1. Upon payment of the amounts set out in paragraphs 3 and 4, CSRI shall have the right of entry to and access across only that portion of the Lands shown in Appendix A as the proposed temporary workspaces and 15 metre right-of-way for the purpose of installation, maintenance, inspection, repair, operation and proper abandonment of a single flowline for carrying natural gas with no hydrogen sulphide content, in accordance with all applicable regulations, and for no other purpose.
2. Entry to the Lands shall be subject to the terms set out in Appendix B.
3. CSRI shall deposit with the Mediation and Arbitration Board security in the amount of \$3,000.00. All or part of the security deposit may be returned to CSRI or paid to RVR, or to their successors or assigns, upon the agreement of the parties or as ordered by the Board.
4. CSRI shall pay to RVR the amount of \$1,500.00 as partial payment for compensation payable for entry to and use of the Lands.
5. CSRI shall serve RVR with a copy of this Order by delivering a copy of the Order by email together with advice as to the date and estimated time of initial entry at least 24 hours prior to entry onto the Lands.

6. The Board retains jurisdiction to determine compensation payable to RVR for the right of entry to and use of the Lands.
7. Nothing in this order operates as consent, permission, approval or authorization of matters within the jurisdiction of the Oil and Gas Commission.

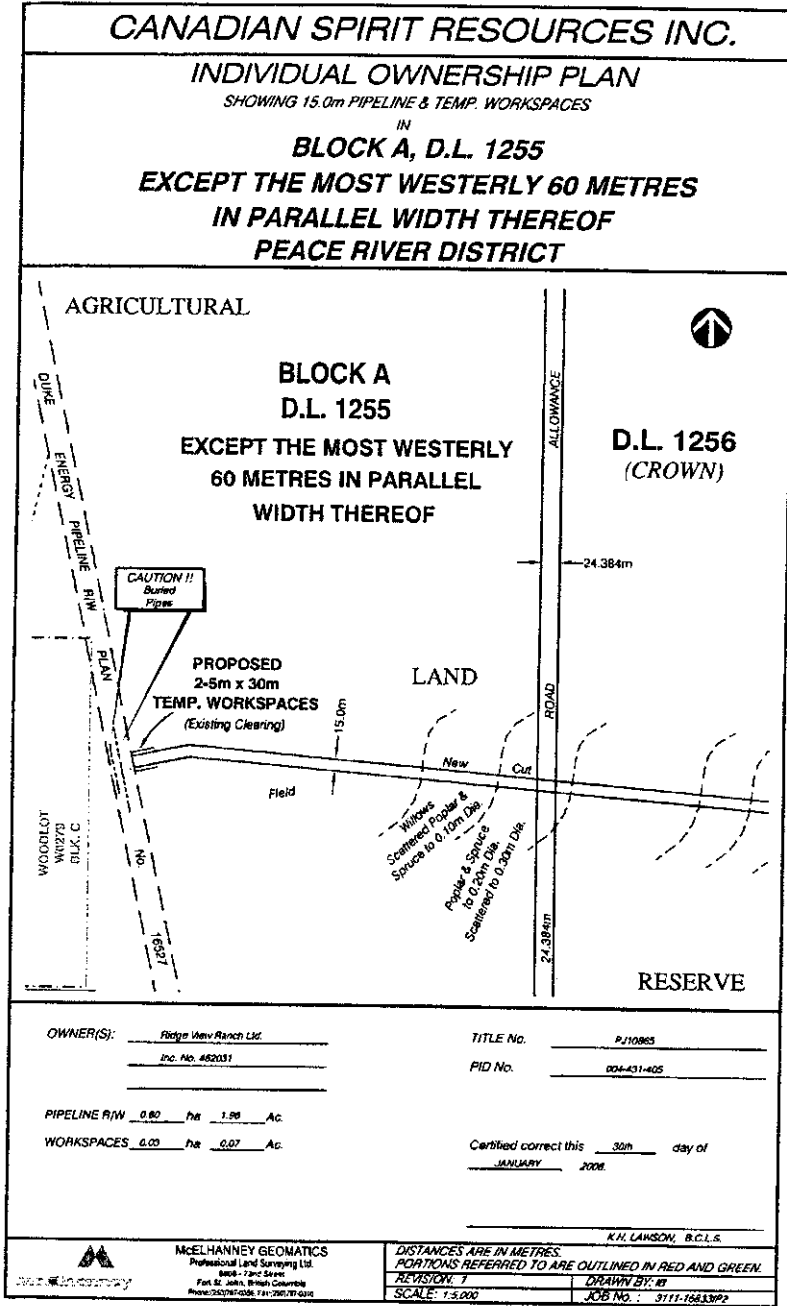
Dated: September 15, 2008

FOR THE BOARD



Cheryl Vickers
Chair

APPENDIX A



APPENDIX B

Right of entry to and use of the Lands is subject to the following terms and conditions:

Use and Access

- CSRI, its successors and assigns (the Operator), may only have access to and use of the Lands for the purpose of installation, maintenance inspection, repair, operation and proper abandonment of a single flowline for the purpose of carrying sweet gas
- The Operator shall make every effort to install the flowline in one operation
- Following installation of the flowline, other than in an emergency, the Operator must give the landowner at least 24 hours notice, and more notice where possible, of access to the Lands
- Access to the Lands shall only be by employees, authorized contractors or agents of the Operator and shall only be to the right-of-way shown in Appendix A
- At the request of the Landowner, if/when necessary the Operator shall construct in consultation with the Landowner, a suitable lockable pipe gate on the right of way at the east boundary of DL 1255, or shall reimburse the Landowner for the reasonable cost of constructing a lockable pipe gate

Registration at Land Title Office

- The survey and final plan must be provided to the Landowner and signed off before being sent to the Land Title Office for registration
- The Operator shall not allow a claim of builder's or other lien arising out of the construction and operation of the company project to be filed or claimed against the Lands

Construction and Operation

- The Operator shall conform to all applicable legislation and regulations, and shall follow good oil field practices including but not limited to:
 - Following installation of the flowline, the Operator must leave the surface of the right-of-way in a condition that is as close to its condition prior to installation of the flowline so that farming operations can continue to be uniform across the Lands
 - The flowline shall be installed using equipment that minimizes damage to the Lands, and wherever possible at the discretion of the construction contractor, ditchers will be used instead of hoes
 - Soil must be crowned over the pipe in anticipation of settling and to avoid creating a pathway for water damage
 - The Operator will conserve the topsoil on the right of way
 - The topsoil will be removed and piled separately from the subsoil

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- When the trench is filled in, the topsoil must be spread evenly on the surface as close as possible to the original condition, which will generally maintain approximately 9 inches of topsoil
- No rocks shall be piled with the topsoil
- The Landowner shall indicate any areas where rocks may be found near the surface so that special attention may be paid to those areas
- If topsoil must be imported due to subsidence or other condition, it must meet the Landowner's specifications
- No construction shall take place when conditions are sufficiently wet to cause damage to the Lands as determined by the Operator in consultation with the construction contractor and the Landowner
- The right-of-way must be left ready for seeding as close to original condition as possible
- All equipment and debris must be promptly removed from the Lands at the end of construction
- All equipment entering the Lands must be cleaned to the point of being weed free
- Following construction, weed control on the right-of-way shall be integrated into the Landowner's weed control of the entire property
- The flowline must be constructed to a standard such that any surface equipment may cross it at any location

Maintenance

- The Operator shall practice good stewardship of the surface and operate and maintain the right-of-way in accordance with good oilfield and environmental practices

Communication and Annual Consultation

- The Landowners must be immediately notified of any spill, leak or problem with the flowline
- If the Landowner deems it necessary and as initiated by the Landowner, each year, on or before the anniversary of the entry order, an appropriate representative of the Operator will meet with the Landowner to review issues or concerns
- Any issues of concern to either party must be brought to the immediate attention of the other party without waiting for the annual consultation meeting

Abandonment and Removal of Encumbrance from Title

- At the end of its life, the flowline will be abandoned in accordance with the regulations of the day and in consultation with the Landowner
- Upon abandonment, the Operator must, at its expense and in a timely fashion, arrange that the encumbrance on the title be removed so that, to the extent provided by regulations in force at the time, there is no further restriction on the Landowner's use of the right-of-way area of the Lands

Dispute Resolution

- In the event issues arise which are not resolved through communication between the parties, the parties may ask the Mediation and Arbitration Board to assist with dispute resolution

Notice

- The Operator will make every effort to provide greater than 24 hours notice and will make every effort to deliver notices in person so that notice can be confirmed
- If the Landowner is going to be absent and the Lands will be unoccupied by a responsible adult for a period of more than two weeks, the Landowner must notify the Operator of how to effect notice
- If notice cannot be given in person due to the inability to contact the Landowner, or if the Landowner fails to give the Operator instructions for notice in an extended absence, the Operator may deliver notice by phone, fax or email, and notice shall be deemed to have been given upon completion of the phone call, fax or email made or sent during regular business hours or at the start of the next business day if made or sent outside of regular business hours
- The Landowner may give the Operator notice by phone, fax, email, mail or personally to the Operator or to its local agent as the Operator may advise, and notice will be deemed to be delivered upon receipt by a responsible adult at the address for notice when delivered personally, or seven days after postmarked when delivered by mail, or upon completion of the phone call, fax, or email made or sent during regular business hours or at the start of the next business day if made or sent outside of regular business hours

Damages

- The Operator must compensate the Landowner for any damage to the Lands caused by the actions or inactions of the Operator or of its employees, agents, servants or contractors and must correct the situation so that further damage does not occur

Default

- If the Operator defaults on any of its obligations under this entry order or under any applicable regulations, and the Landowner gives the Operator notice stating the nature of the default, the Operator must promptly act to remedy the default as required by the regulations
- If the Operator fails to remedy the situation, the Landowner may seek an appropriate remedy from the appropriate body including asking the Oil and Gas Commission or other regulator in place at the time, to require the Operator to suspend all operations that are contributing to the default until the default is remedied

- In the event the default relates to the late payment of any sums of money due to the Landowner, then the Operator is in default without notification from the Landowner, and the damages payable for late payment shall be equal to the interest on the amount outstanding set at the annual prime rate set from time to time by the Landowner's preferred commercial Canadian bank for its preferred customers, plus 2% and compounded weekly until paid in full

Indemnification

- The Operator covenants and agrees to indemnify and save harmless the Landowner from any and all liabilities, damages, costs, claims, liens, suits, or actions arising out of the company's operation now, or in the future other than through willful damage or gross negligence by the Landowner.

Assignment

- This order and its terms and conditions apply to the successors and assigns of either party unless otherwise ordered by the Board