

CA-1



January 12/2010

Honourable Blair Lekstrom
B.C. Minister of Energy and Mines & Petroleum Resources
PO Box 9060, Provincial Government
Victoria, B.C.
V8W 9E2

P.O. Box 415
Charlie Lake, B.C.
VOC 1H0
(250) 787-9196 (H)
rkoechl@prn.bc.ca

Re: Royalty Crown credit and residents of B.C.

Dear Minister Lekstrom,

We write you today in order to get clarification on a lingering issue with respect to the developing provincial energy industry practices. We also would like to offer our assistance in finding a plausible solution to one specific problem.

On September 29/2004, senior representatives of an oil and gas company called Samson Canada, met with the residents of the Old Hope Road in order to review the company's sour gas drilling operations within the boundary of our neighbourhood.

Surprisingly, the company and residents came to the same consensus and conclusions which had been shared with various government officials as well, at the time.

Mr. Bill Dirks, then CEO of Samson Canada and the residents of the Old Hope Road recommended that the B.C. Ministry of Energy and Mines and Petroleum Resources consider the implementation of some form of a Royalty reduction to incent companies to seriously negotiate with affected communities/residents increased well set back distances prior to filing a well application.

In light of the ongoing issues in both the South and North Peace industry plays, we feel it is incumbent upon the government to consider the Royalty crown reduction for sour gas well set backs as a viable and sustainable option.

Mr. Dirks, as a spokesperson for the petroleum industry was very excited at the prospect of seeing such a Royalty crown credit being implemented. He indicated that

January 28, 2010

other senior petroleum executives he had spoken with were equally keen about the prospect of seeing such a Royalty reduction program being used in B.C.

The rationale was as follows:

Using today's technology, larger set backs than would be required by current regulation could be considered by an energy company when conflict of proximity between industry and residents becomes a serious issue. The Royalty crown incentive would allow the company to economically justify a much greater set back without creating serious conflict with residents of the area.

The concept would be that all three parties (energy company, residents and OGC) would agree that the increased set back is both desirable and feasible where the OGC would have the authority to offer the incentive as part of the Well Authorization process.

We, as a residents' group have seen the need for just such an appropriate tool for the ongoing well set back problem. Had there been a Royalty crown credit in place (on sour gas well set backs) in 2003, there would have been little or no conflict with Samson Canada and the Old Hope Rd residents. The issue would have simply disappeared through the use of such a credit or reduction.

It is clear that "one size does not fit all wells". The ongoing debacle of sour gas well set back distances from human habitation continues to this day. The Royalty crown credit would offer both energy companies and affected residents of B.C. another option with minimal conflict. It is an idea that clearly has not been considered sufficiently without acknowledging the benefits that could be derived by ALL parties.

The conflicts surrounding the exponentially increasing energy demands are becoming more dire and require some kind of resolution. The Montney play in particular is occurring very close to residential areas and requires urgent attention. It would appear that the skirmishes between companies and rural (or municipal) residents will only increase in intensity as the exploration for gas continues to expand in the Peace.

There is no question that other Royalty crown credits have helped solve some economic problems for the industry as a whole and have been of benefit to the government. It is now time to consider the Royalty crown credit on well set backs as a sustainable and viable benefit for industry, residents and government alike.

Honourable Minister, we would gladly meet or speak with you regarding our Joint

January 28, 2010

Submission made back on November 4, 2004 to your predecessor.

We truly believe *the Royalty crown reduction on well set backs* holds a key to solving a number of problems which continue to plague the industry, residents and government alike. The problem can be addressed and resolved by collaboration of all three parties. The conduit would be the Royalty crown reduction or credit on well set backs.

We have enclosed a copy of our Joint Submission as well as some newspaper articles which covered the story specifically in the Alaska Highway News.

We look forward in hearing from you with respect to our offer of assistance. You have a reputation of working hard for your constituents here in Peace country. Our residents collectively believe that this proposal will help you fill the gap regarding the well set back issue.

Best regards,

Rick Koechl on behalf of the Old Hope/244 Road residents group

cc. Mr. Pat Pimm, MLA Peace River North
Ms Karen Goodings & Directors of PRRD,
Mr. Ferguson, OGC Commissioner
Ms G. Johansson, Custodians of the Peace

January 28, 2010



2400, 300 - 5th Avenue S.W.
Calgary, Alberta T2P 3C4

Bill Dirks
President
Direct: 403/231-9909
Email: bdirks@samson.com

November 4, 2004

Honorable Richard Neufeld
British Columbia Minister of Energy and Mines
P.O. Box 9060, Stn. Provincial Government
Victoria, British Columbia
V8W 9E2

Mr. Derek Doyle
Commissioner
British Columbia Oil and Gas Commission
200, 10003 - 110 Avenue
Fort St. John, British Columbia
V1J 6M7

Re: September 29, 2004
Samson Canada Ltd./Old Hope Road Residents' Town Hall Meeting
Charlie Lake, British Columbia

On September 29, 2004, Senior representatives of Samson Canada met with approximately 25 residents of the Old Hope Road rural community to review the results of a sour gas drilling program conducted by Samson over the past two years in close proximity to the community. The intent of the meeting was twofold:

- 1) For Samson Canada to inform the residents of drilling results, potential for follow-up activities, and to share data environmental data collected during this time period (particularly with regard to water well testing and surface remediation plans);
- 2) To assemble a list of recommendations, whether from Samson's perspective, the residents' perspective, or jointly-shared, regarding ideas for improvement(s) to the pre-drill consultation process in British Columbia.

I wish to present for your consideration a summary of the findings from this meeting (this document has been reviewed for accuracy and completeness by Mr. Rick Koechl on behalf of the community).

Recommendations jointly shared between Samson Canada and the Old Hope Road Community

- 1) That the British Columbia Ministry of Energy and Mines consider implementing some form of new credit to Energy companies, potentially in the form of a Royalty reduction, to incent companies to seriously negotiate with affected communities / residents increased well set-back distances prior to filing a well application (ie larger set-backs than would be required by current regulation, particularly where the increased set-backs are technically feasible but not economically justifiable without some form of incentive). The concept is that if all three parties (Energy company, residents, OGC) could agree that an increased set-back was both technically feasible and desirable, and the OGC had the authority to offer an incentive as part of the WA process, companies might be willing to voluntarily assume the extra risks associated with long-offset drilling.

January 28, 2010

- 2) That the British Columbia Ministry of Energy and Mines consider allowing short-term extensions to expiring leases for the purpose of extending the amount of time available to Energy companies to perform a rigorous consultation process with the community. In concept, the MEM could mandate a specific format, procedure and required "extended consultation" documentation from Energy companies, who upon compliance with said protocol would receive an extension to the lease. This would serve to prevent companies from rushing through and short-changing the consultation process simply because a valuable lease was about to expire.

Recommendations of the Old Hope Road Community (as worded by the residents in a document presented to Samson at the Town Hall meeting).

- 1) Level the playing field. Residents and landowners need to have their surface rights, health and safety issues taken into full account before action begins. At present, rural residents don't even have the same equity with respect to gas well set backs as their municipal neighbours have. Sour gas well set-backs must be dramatically moved away from residences, be they municipal or rural (see detailed recommendations in attached letter).
- 2) Residents and Landowners need to be recognized as legitimate stakeholders. Surface issues (health, safety, escape routes, clean air, noise, etc) need to be addressed equitably before any activity commences. Too many "unresolved concerns" from the summer of 2003 remain "unresolved" while the well drilling commenced.
- 3) Cumulative impacts need to be addressed. As residents we have no recourse concerning the long term health and safety impacts of having sour gas wells in our midst. We have no base level data or monitoring on soil and air quality, due to H₂S, SO₂, CO or particulate emissions. Water testing was the one positive exception to this. We have no real base level studies on property values in gas / oil development areas (or adjoining areas).
- 4) Respect for our mutual legal concerns. If we can resolve some of our concerns now, it is likely that "larger" liability issues could be avoided in the months or years ahead. Some of these issues might even include potential class action law suits due to sour gas well accidents or health issues caused by long term, low level exposures to H₂S or other reduced sulphur emissions.

Recommendations of Samson Canada

- 1) As a best practice (not as a regulatory requirement, however) Energy companies should decrease the use of third-party surface land representatives as a consultation vehicle with impacted communities. We have seen too many examples of a contractor trying to provide his / her own interpretations regarding a clients intent or corporate policies, or trying to answer a resident's questions without consulting with the client first. Management and other senior company employees are in the best position to speak on behalf of the company and have the authority to negotiate on its behalf; normally contract employees do not. Community stakeholders want contact with executive level personnel and establishing a lasting rapport with the community makes a real difference.

January 28, 2010

- 2) Public consultation efforts should be initiated early in the lifecycle of a project (sometimes 6 months or more prior to intended spud date). As a part of this improved consultation process, manage project scope changes with regular and timely written updates to the community, including "post action" updates. Formally document the consultation process and associated Q&A's and share documentation with both the community and the OGC, so that the communication cycle is complete.
- 3) "Post-action" communications, including drilling results and next steps, are valuable to the community and should be done as a best practice. In particularly high-profile or high-impact cases, the OGC may consider mandating post-action communication in the conditions attached to the well permit.

In conclusion, we feel that much can be accomplished through building good relationships between industry and residents. Government can benefit from participating in the dialogue as well, and we appreciate the support we have received from you as we worked through this process. It is safe to say that both parties derived valuable insights from this meeting, and we are particularly glad to report that there is a fair amount of common ground between two groups that began this process two years ago with widely divergent positions. We hope this document will be of some use to you and your staffs as you consider regulatory and policy changes in British Columbia in the months and years to come.

Very truly yours,

SAMSON CANADA LTD.



Bill Dirks
President

Cc Mr. David McLinski, MEM
Ms. Cory Jonsson, OGC
Mr. James Gladysz, OGC
Old Hope Road Residents

January 28, 2010

ALASKA HIGHWAY NEWS

"The only newspaper in the world that gives a tinker's damn about the North Peace."

CA-1

OCTOBER 15, 2004

PUBLISHED MONDAY THROUGH FRIDAY IN FORT ST. JOHN, B.C.

OCT 15/04

60¢ (INCLUDING GST)

Group drafts oil & gas concerns

Outlines process, health risks and development effects

RICHARD MACEDO
ALASKA HIGHWAY NEWS

A group representing the interests of several Peace area landowners has released a position paper addressing several concerns with the booming oil and gas industry.

The Custodians of the Peace Country are advocating for some changes in the oil and gas industry and, with the help of a Calgary lawyer, the group has addressed their chief concerns in a paper which spokesperson Gwen Johansson said has been forwarded to Energy Minister Richard Neufeld and Peace River South MLA Blair Lekstrom.

"Really recognizing (landowners) as legitimate stakeholders," she said, highlighting one of their top issues. "If you want to get to the subsurface

you have to go through the surface. That's sort of the nub of the issue."

The paper outlines the process surface owners are forced into when they deal with subsurface issues, concern about potential health risks from sour gas wells and the effect of oil and gas development on surface values.

"There needs to be an opportunity for the surface owners/occupants to raise their concerns and their objections to subsurface activity before any offer to sell the mineral rights occurs," the paper states.

As for sour gas, the paper points to a study from Ken Lukowiak, a professor in the Department of Physiology and Biophysics at the University of Calgary who found that exposure to low levels of sour gas can impair a snail's ability to form memory.

"The problem of sour gas must be

addressed," notes the paper, also highlighting concerns with the cumulative impact of industrial activity on the landbase.

The function of the Oil and Gas Commission advisory committee is also questioned and it's pointed out that "although the advisory committee has the purpose and the ability to examine issues in depth, the OGC is not bound to follow the advice."

In their opposition to the first of two sour gas wells drilled last year, Old Hope Road residents filed an application with the OGC to reconsider its approval of a sour gas well. While the advisory committee acknowledged health and safety and other concerns raised by residents, including the need for proper escape in case of a catastrophe, OGC commissioner Derek Doyle did not overturn the original well

approval – it had already been drilled by the time he made his ruling.

"What we're trying to do is get an ongoing dialogue with the government and bring about some changes," Johansson said. "Get them to recognize that there are some real concerns and legitimate issues."

She has worked with a group in the Hudson's Hope area concerned with the development of coalbed methane in northeastern B.C. Coalbed methane is addressed in the position paper, noting the dispute this summer between governments in B.C. and Montana as the U.S. state opposed coalbed methane exploration in the East Kootenay. There was no interest from industry when exploration rights were put up for auction in August.

"We advocate that a public process, properly funded to allow public participation, is required to assess the CBM opportunity before it is embraced," the paper states.

January 28, 2010

ALASKA HIGHWAY

The only newspaper in the world that gives a tinker's damn about the North

Y, OCTOBER 7, 2004

PUBLISHED MONDAY THROUGH FRIDAY IN FORT ST. JOHN, B.C.

OCT. 7/04

Company, residents completing submission

Joint submission to address sour gas well regulations

RICHARD MACEDO
ALASKA HIGHWAY NEWS

An oil and gas company and a group of local residents are making preparations for a joint submission to the Oil and Gas Commission following a meeting in Fort St. John last week.

Jason Swan, Samson Cañada environmental, safety and regulatory supervisor, said information is being compiled from a meeting with Old Hope Road residents in Charlie Lake, which company president Bill Dirks will piece together.

"We are compiling all the information generated from that meeting," he said. "(Dirks) was to summarize the events and the topics that were discussed."

After reviewing the information there will be a decision on what information will be presented to the OGC, Swan said.

Samson representatives, including Dirks, met with approximately 20 residents, many of which live on the Old Hope Road in an effort

tive," Swan added.

Old Hope Road resident Rick Koechl said there will be a submission to the province, although the timing is unclear.

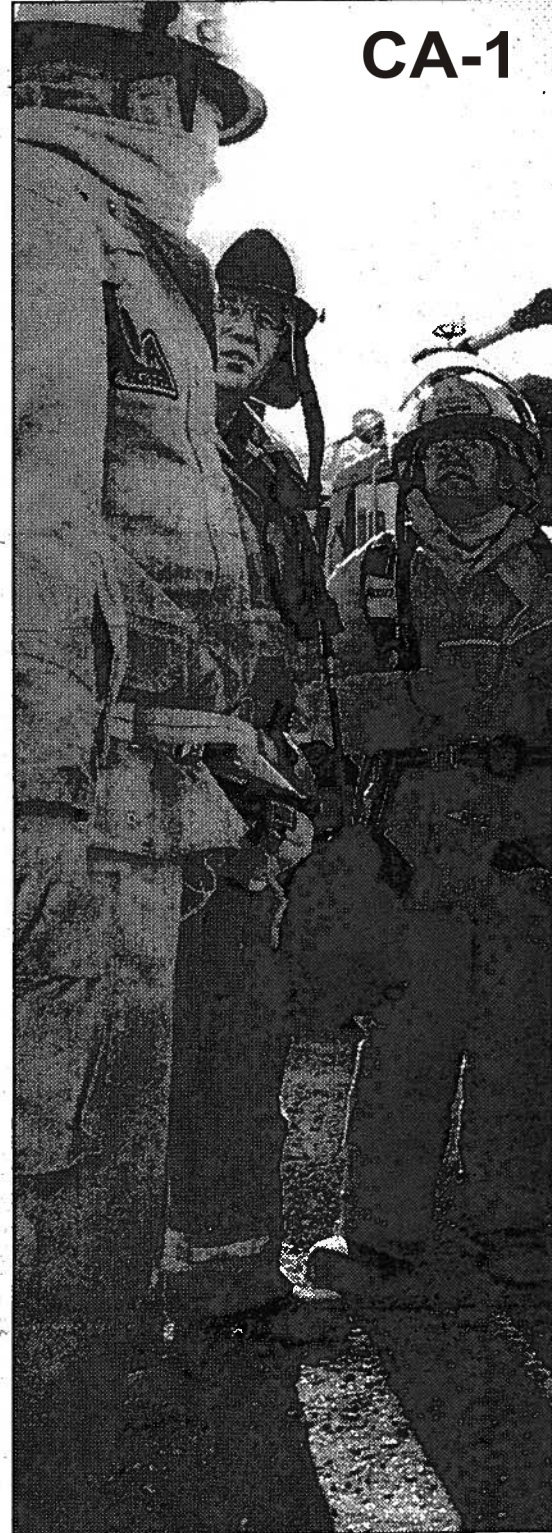
"That joint submission, I think, is going to be a go

"He's (Dirks) is being very co-operative," he said. "Really...it seemed like they understood that there are issues that have to be dealt with."

Residents in the Old Hope Road area fought against two Samson sour gas wells that were drilled in their neighbourhood last year, but neither was put into commercial production. The provincial government is now conducting a legislation review project of the OGC, which could change the regulatory framework of B.C.'s oil and gas regulator. Consultants are expected to release a discussion paper on the regulatory options later this fall.

Another landowner group is also preparing its own paper for the government. With the help of a Calgary lawyer, the Custodians of the Peace Country Society

CA-1



Members of the Taylor Fire Department plan emergency protocols on Wednesday.

January 28, 2010