

File No. OG 002-02

L. Kamerman)
Mining and Lands Commissioner)

Wednesday, the 27th day
of July, 2005.

THE OIL, GAS AND SALT RESOURCES ACT

IN THE MATTER OF

Subsection 8(1) of the **Oil, Gas and Salt Resources Act**, R.S.O. 1990, c. P.12, as amended by 1994, c.27, s.131, 1996, c.30, s.56-70 and 74, 1998, c. 15, Sched. E, s. 24, 1999, c. 12, Sched. N., s.5, 2000, c.26, Sched. L, s. 8 and 2001, c. 9, Sched. K., s. 4 and Section 14 of Ontario Regulation 245/97, amended to O. Reg. 22/00;

AND IN THE MATTER OF

An application by Metalore Resources Limited (the “Applicant”) for an Order joining the interests of the Corporation of Norfolk County (“Norfolk County”) and the interests of the Ministry of Natural Resources (the “Ministry”) (hereinafter collectively referred to as the “Respondents”) pursuant to the above-noted provisions, together with the interests of Steven Bauer (“Bauer”), the interests of Donald Schott and Sandra Schott (Schott”) and the interests of J.S. DeLeebeeck (DeLeebeeck);

AND IN THE MATTER OF

Ontario Regulation 440/93 made pursuant to the **Petroleum Resources Act**, R.S.O. 1990, c. P.12 and that part of the Ministry of Natural Resources Spacing Order 00-53 dated December 7, 1999 involving Charlotteville Township, County of Norfolk, being comprised of Part of Lot 10, Concession I, Charlotteville Township, County of Norfolk, (the ‘Spacing Unit’);

AND IN THE MATTER OF

Part VI of the **Mining Act**, R.S.O. 1990, c. M. 14, as amended and Ontario Regulation 263/02;

AND IN THE MATTER OF

Those lands of Norfolk County described as: the easterly 20 acres of even width throughout the northerly 75 acres of Lot 10, in the first concession, in the Township of Charlotteville, in Norfolk County as more particularly described in Instrument No. 287546. Those lands of the Ministry described as: that part of Lot 10, in the first Concession, in the Township of Charlotteville in Norfolk County (hereinafter collectively described as the 'Respondent's Lands') and further described in Schedule 'B' attached to this Order;

B E T W E E N:

METALORE RESOURCES LIMITED
Applicant

- and -

CORPORATION OF NORFOLK COUNTY
Respondent of the First Part

- and -

THE MINISTER OF NATURAL RESOURCES
Respondent of the Second Part

AND IN THE MATTER OF

An application for an Order that fixes the amount of past royalties payable to Norfolk County and the Ministry on the basis of their respective acreage contributed to the Spacing Unit and an Order joining all the interests in the Spacing Unit including those of Norfolk County and the Ministry in accordance with the above statutory authority, providing that the relationship between the Applicant and the Respondents be governed by a Petroleum and Natural Gas Lease and Grant, the form of which has been filed with this application and attached hereto as Schedule 'A' and an Order declaring that, to the extent that all tracts within the Spacing Unit are operated as a pooled Spacing Unit pursuant to the above-noted statutory authority, the interests of the Respondents and all royalties, past and present, shall be determined based upon their respective acreage contributed to the Spacing Unit in accordance with the above-noted Lease and Grant.

COMPULSARY POOLING ORDER

WHEREAS this matter was heard on Thursday, the 24th day of July, 2003, in London, Ontario and continued on the 20th day of October, 2004 and the 2nd day of March, 2005, by telephone conference call;

AND WHEREAS Mr. Mark Abradjian, counsel for the Applicant, Mr. Keith Jones, Counsel for the Respondent of the First Part and Mr. Stephen Gibson, counsel for the Respondent of the Second Part, settled all but two issues and the tribunal found it would accept the terms outlined and make a ruling on those matters for which there was no agreement;

AND WHEREAS the tribunal issued an Interlocutory Order in this matter on the 4th day of May, 2004 setting out the applicable royalty clause pertaining to the Corporation of Norfolk County, Respondent of the First Part;

AND WHEREAS the tribunal heard argument on further issues or sub-issues in contention and has further sought clarification from counsel for the parties in respect of those issues and the position of the parties relative to same and thereafter received and reviewed the Consents filed by counsel for each of the parties (being Mr. Gibson on the 6th day of July, 2005, Mr. Agradjian on the 7th day of July, 2005 and Mr. Jones on the 25th day of July, 2005, respectively) and after consideration of same, the tribunal orders as follows:

1. IT IS ORDERED that all interests in the Spacing Unit as containing New Metalore Well No. G-27, including but not necessarily limited to the interests of the Respondents Corporation of Norfolk County and the Province of Ontario as represented by the Minister of Natural Resources, be joined pursuant to the provisions of the **Oil, Gas and Salt Resources Act**, R.S.O. 1990, c. P.12, ss. 8(1) on the following terms and conditions:

- (1) pursuant to cl. 14(4)(e) of Regulation 245/97 enacted pursuant to the said **Oil, Gas and Salt Resources Act** (Ontario), the relationship between the Applicant Metalore Resources Limited and the Respondent Corporation of Norfolk County shall be governed by the terms of the precedent Lease attached as Schedule "A" to this Order, subject to the following details and revisions:
 - a) the Lease shall be for a term of ten (10) years;
 - b) the annual rental payable to Norfolk County shall be nil;
 - c) the royalty rate for gas produced from the land owned by Norfolk County shall be twelve and one-half per cent (12.5 %) of the net revenues from the gas that is produced from the said premises; provided that, for purposes of the said Lease, "net revenue" shall mean the fair market value of the gas produced from the Metalore Resources Limited Well No. G-27 less deductions for the proportionate share of metering and transportation costs incurred by Metalore Resources Limited as confirmed by third party invoices to be provided by Metalore Resources Limited to Norfolk County. Metalore shall also provide Norfolk County with the number and status of wells as operated by Metalore Resources Limited and as filed with the Ministry of Natural Resources on an annual basis;

- d) in the event that any well or wells drilled within the subject Spacing Unit shall be shut-in or re-pressured at the instance of the Applicant Metalore Resources Limited, then the said Applicant Metalore Resources Limited shall pay to Norfolk County an annual rental of five hundred (\$500.00) dollars per year for any such well that is shut-in or re-pressured for more than six (6) months of any calendar year;
 - e) prior to commencing production there from and throughout the duration of subsequent production from such well, the Applicant will install and maintain a meter meeting the requirements of the Provincial Operating Standards on New Metalore Well No. G-27 and, beginning on the first day of the third month after the commencement of production from the said well and for the following six months, the average production measure by the meter shall be used to determine the timing of future royalty payments owing to the Respondent Norfolk County. The Respondent Norfolk County will receive bi-monthly production reports and royalty payments for the first eight months of production measured by the said meter. If the royalty payments, as determined using the six month average described above, and owing to the Respondent Norfolk County are greater than five hundred (\$500.00) dollars per month, then the Applicant shall pay the royalty on a bi-monthly basis or for such other period as agreed to by the parties. If the royalty payments, as calculated using the six month average described above and owing to the Respondent Norfolk County are less than five hundred (\$500.00) dollars per month, then the Applicant shall pay the royalty on an annual basis.
- (2) Pursuant to clause 14(4)(e) of Regulation 245/97 as enacted pursuant to the said **Oil, Gas and Salt Resources Act**, the relationship between the Applicant Metalore Resources Limited and the Respondent Minister of Natural Resources shall be governed by the terms of the precedent Lease attached as Schedule 'A' to this Order, subject to the following details and revisions:
- a) the Lease shall be for a term of ten (10) years;
 - b) the annual rental payable to the Minister of Natural Resources shall be one hundred (\$100.00) dollars;

- c) the royalty rate for gas produced from the land owned by the Minister of Natural Resources shall be twelve and one-half percent (12.5 %) of the fair market value of the gas produced from New Metalore Well No. G-27;
- d) clause 17.1 entered as Exhibit '7' to the hearing herein and attached as Schedule 'C' hereto shall be included as a term in the Lease governing the relationship between the Applicant and the Minister of Natural Resources;
- e) prior to commencing production there from and throughout the duration of subsequent production from such well, the Applicant Metalore Resources Limited will install and maintain a meter meeting the requirements of the Provincial Operating Standards on New Metalore Well No. G-27 and, beginning on the first day of the third month after the commencement of production from the said well and for the following six months, the average production measure by the meter shall be used to determine the timing of future royalty payments owing to the Respondent Minister of Natural Resources. The Respondent Minister of Natural Resources will receive bi-monthly production reports and royalty payments for the first eight months of production measured by the said meter. If the royalty payments, as determined using the six month average described above, and owing to the Respondent Minister of Natural Resources are greater than five hundred (\$500.00) dollars per month, then the Applicant shall pay the royalty on a bi-monthly basis or for such other period as agreed to by the parties. If the royalty payments, as calculated using the six month average described above, and owing to the Respondent Minister of Natural Resources are less than five hundred (\$500.00) dollars per month, then the Applicant shall pay the royalty on an annual basis.

2. IT IS FURTHER ORDERED that the amount of past royalties payable by the Applicant to the Respondents Corporation of Norfolk County and the Minister of Natural Resources shall be as follows:

- a) as to the Respondent Corporation of Norfolk County, the Applicant Metalore Resources Limited shall pay to the said Respondent past royalties fixed in the amount of \$ 2,206.00, such monies to be paid to the said Respondent within thirty days of the date of this Order;
- b) as to the Respondent Minister of Natural Resources, the Applicant Metalore Resources Limited shall pay to the said Respondent past royalties calculated and fixed based upon the contribution of acreage of land by the Minister of Natural Resources to the subject Spacing Unit, specified as 32.7% of the area of the said Spacing Unit, and further based upon the royalty rate referred to above (12.5 % of the fair market value of gas produced) and further based upon the revenue figures calculated by the Applicant and referred to in their submissions (tab N – Correspondence – June 12, 2002). The said past royalties shall be paid by the Applicant to the Minister of Natural Resources within thirty days of the date of this Order.

3. IT IS FURTHER ORDERED that the Applicant Metalore Resources Limited provide proof of liability insurance to the Respondent, the Minister of Natural Resources with respect to its operations.

4. IT IS FURTHER ORDERED that, to the extent that all tracts within the Spacing Unit are operated as a pooled Spacing Unit in accordance with subsection 8(1) of the **Oil, Gas and Salt Resources Act**, the interests of the Respondents Norfolk County and the Minister of Natural Resources and all future royalties shall be determined based upon their respective contribution of acreage to the Spacing Unit in accordance with the Lease as set out herein.

5. IT IS FURTHER ORDERED that this Order and the Leases governing the relationship between the parties shall be registered on title to the properties whose interests are affected by this Order, such registration to be completed by the Applicant Metalore Resources Limited at its own and sole expense. In the event that this Order is not a form acceptable for registration by the Land Registrar of Norfolk County, the Applicant, at its sole expense, shall arrange for, obtain and register a survey and/or Reference Plan of the lands owned by the Minister of Natural Resources within the Spacing Unit to facilitate the registration of this Order and any subsequent Lease contemplated thereby.

6. IT IS FURTHER ORDERED that no costs shall be payable by any party to this application.

DATED this 27th day of July, 2005.

Original signed by L. Kamerman

L. Kamerman
Mining and Lands Commissioner