

MEDIATION AND ARBITRATION BOARD
Under the Petroleum and Natural Gas Act
114, 10142 101 Avenue
Fort St. John, BC V1J 2B3

Date: February 26, 2001

File No. 1425 and 1426

Board Order No. 332ARR

BEFORE THE ARBITRATOR:

IN THE MATTER OF THE PETROLEUM
AND NATURAL GAS ACT BEING CHAPTER 361
OF THE REVISED STATUTES OF BRITISH
COLUMBIA AND AMENDMENTS THERETO:
(THE ACT)

AND IN THE MATTER OF A PORTION OF SECTION THREE,
TOWNSHIP EIGHTY-SIX, RANGE FOURTEEN, WEST OF THE
SIXTH MERIDIAN, PEACE RIVER DISTRICT,
(4-3-86-14 W6M AND 6-3-86-14 W6M)
(THE LANDS)

BETWEEN:

PRIME WEST ENERGY INC.
1600 530 – 8TH AVENUE, SW
CALGARY, ALBERTA
T2P 3S8
(THE APPLICANT)

AND:

DENNIS BLOOR
DIANE BLOOR
10704 114TH AVENUE
FORT ST. JOHN, BC
V1J 6H1
(THE RESPONDENT)

ARBITRATION ORDER

HISTORY

The surface rights owners, Dennis Bloor and Diane Bloor, applied to this Board on the 28th of September 2000 for a review of annual payments for a well site and lease road payable to them from PrimeWest Energy Inc. ("PrimeWest) pursuant of the Petroleum and Natural Gas Act.

An arbitration of this application was held in Fort St. John on January 11, 2001.

Dennis Bloor appeared on his behalf and on behalf of his wife. Brian Palmer appeared as agent for PrimeWest, the holder of the sub-surface rights. Mavis Nelson, Frank Breault and Rodney Strandberg sat as a panel of the Board. Gayle Colwell recorded the proceedings.

By agreement of the parties the arbitration dealt with a well site and an access road located at 4-3-86-14, West of the 6th Meridian as well as a well site and access road located at 6-3-86-14, West of the 6th Meridian.

BACKGROUND

PrimeWest acquired these well sites and access road leases from a predecessor in title. The original owner of 6-3-86-14, W6M was Amoco Canada Petroleum Ltd. and of 4-3-86-14, W6M Dome Petroleum Ltd. Material provided to the arbitration panel indicated that the last rent increase for 4-3-86-14, W6M had become effective February 22, 1985 and for 6-3-86-14, W6M, November 2, 1988.

Dennis Bloor contacted PrimeWest on or about March 1999 to initiate the rental review and renegotiating process.

By letter dated April 14, 1999 PrimeWest offered compensation for 6-3-86-14, W6M in the sum of \$ 2,697.50 effective November 2, 1999 and \$ 2,886.00 effective February 22, 2000 for 4-3-86-14, W6M. A further letter dated November 25, 1999 revised the effective date for 6-3-86-14 to November 2, 1998. At the Arbitration Hearing, Brian Palmer, on behalf of PrimeWest, conceded that the appropriate start date for 4-3-86-14 should 22 February 1999.

It became clear in the course of the arbitration that the amount of compensation offered by PrimeWest was acceptable to the surface rights owners. The issue to be addressed was the appropriate start date for the new compensation.

Mr. Bloor indicated that if the Board was not of the view that the new dates for payments for 6-3-86-14, W6M is November 2, 1997 and 4-3-86-14 February 22, 1998 then he wished an increased amount of compensation in the sum of approximately \$1,200.00 on the new rates for the leases.

Upon reviewing the relevant provisions of the Petroleum and Natural Gas Act the appropriate date for any increase in compensation payable is the anniversary date immediately preceding the giving of notice by the land owner [Section 12(3) of the Petroleum and Natural Gas Act]. The notice pursuant to Section 11(2) of the Petroleum and Natural Gas Act triggers all rental renegotiations. Section 12(3) indicates that any order made under Section 11 is effective from the immediate past anniversary date of the lease preceding the notice.

It is arguable that a letter that Mr. Bloor sent to PrimeWest on March 30, 1999 is not "notice in the prescribed form" as referred to in Section 11(2) of the Petroleum and Natural Gas Act. However, it appears that both parties proceeded on the basis that Mr. Bloor's letter of March 30, 1999 requesting a rent review was notice for the purposes of the Petroleum and Natural Gas Act.

DECISION

Based on the evidence of the parties and their submission, the Board concludes that the appropriate date for the commencement of the new rental amounts is, in the case of 6-3-86-14, W6M November 2, 1998 and in the case of 4-3-86-14, W6M the 22nd February 1999.

Therefore, it is the order of this Board as follows:

1. The lease on 6-3-86-14, W6M between PrimeWest Energy Inc and Dennis and Diane Bloor is varied as follows;
 1. PrimeWest will pay the sum of \$2,697.50 commencing November 2, 1998 and payable on the 2nd day of November in each succeeding year until further order of the Board or Agreement of the parties;
 2. PrimeWest will provide proof of this payment to the Board Office by 4:00 p.m. Mountain Standard Time on March 26, 2001;
 3. PrimeWest will forthwith, file with the Applicant and the Board the actual assignment documents, or a chain of assignment documents, where by these leases were ultimately assigned to PrimeWest Energy Inc. as a signee to trace the proper name of the leasee from the original lessee's being Amoco Canada Petroleum Ltd. and Dome Petroleum.
2. The lease on 4-3-86-14, W6M between PrimeWest Energy Inc. and Dennis and Diane Bloor is varied as follows;
 1. PrimeWest will pay the sum of \$2,886.00 commencing February 22, 1999 and payable on the 22nd day of February in each succeeding year until further order of the Board or Agreement of the parties;
 2. PrimeWest will provide proof of this payment to the Board Office by 4:00 p.m. Mountain Standard Time on March 26, 2001;
 3. PrimeWest will forthwith, file with the Applicant and the Board the actual assignment documents, or a chain of assignment documents, where by these leases were ultimately assigned to PrimeWest Energy Inc. as a signee to trace the proper name of the leasee from the original lessee's being Amoco Canada Petroleum Ltd. and Dome Petroleum.
3. Nothing in this Order varies expressly or by implication any of the other terms of the existing leases

between PrimeWest Energy Inc. and Dennis and Diane Bloor.

4. Nothing in this order is or operates as consent, permit or authorization that by enactment a person is required to obtain in addition to this order.

Dated at the City of Fort St. John, British Columbia, this 26th day of February 2001.

MEDIATION AND ARBITRATION BOARD
UNDER THE
PETROLEUM AND NATURAL GAS ACT

Rodney Strandberg, Chair

Frank Breault, Member

Mavis Nelson, Member