

March 16, 2010

2150-4060-59240-16

Harvey Heinrichs, P.Eng  
Canadian Chemical Technology Inc.  
3740A - 11A St NE  
Calgary, AB T2E 6M6

Dear Mr. Heinrichs:

**RE: APPLICATION FOR ACID GAS DISPOSAL FOR THE WELL  
TALISMAN ET AL BRAZION a-88-H/93-O-08; WA# 8496  
BRAZION – PARDONET-BALDONNEL “B” GAS POOL**

Commission staff have reviewed your application, dated December 24, 2009, requesting approval to dispose of acid gas into the Pardonet and Baldonnel Formations of the subject well.

The Triassic age Pardonet and Baldonnel Formations produce sour natural gas from fractured and folded carbonates and sandstones. It is interpreted that these fractures do not continue upward into the overlying shale and silt units of the Jurassic Fernie and Nordegg Formations. The Fernie and Nordegg form a thick caprock above the Pardonet-Baldonnel pools in this area.

There are currently two wells within the Pine River catchment area that have been approved and are being used for acid gas disposal into the Pardonet-Baldonnel; Talisman Sukunka a-43-B/93-P-5 (WA# 1517) and COPOL Burnt a-94-A/93-O-8 (WA# 7908). These two disposal wells have proven excellent disposal capability within the Pardonet-Baldonnel. However the Commission notes that acid gas disposal within the aforementioned wells have resulted in contamination of off-setting producing wells, resulting in a loss of reserves. This issue underlines the complexities associated with issuing approvals for acid gas disposal in an intensely structured setting.

The subject well was an extremely prolific gas producer, producing  $1588 \times 10^6 \text{ m}^3$  (56 Bcf) of gas after being placed on continuous production in October 1995. The Commission agrees that this well will likely make a suitable candidate for acid gas disposal into the Pardonet-Baldonnel “B” pool. However, there remain several outstanding issues which must be addressed before the commission will be in a position to approve the a-88-H/93-O-08 (WA# 8496) well for acid gas disposal. These include;

- a signed letter of non-objection from Imperial Oil Resources,
- a letter of consent from ConocoPhillips Canada Limited (35% ownership in the lands covering the proposed disposal well),
- recent pressure information from the subject well and off-setting wells,
- a royalty agreement with the Ministry of Energy, Mines and Petroleum Resources for stranded gas in the subject pool,

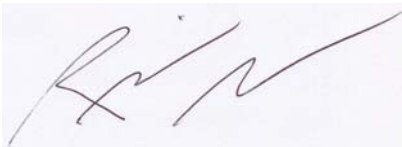
- confirmation of wellbore integrity, and
- submission and approval of an acceptable measurement, monitoring and verification program (includes selection of a monitoring well).

In continuing to carry out its review of the subject application the Commission may define other information requirements, conditions or restrictions in the course of making its final decision.

As part of the application process a notice of application for deep well disposal was posted to the OGC website on January 25, 2010, with February 15, 2010 being the last day to file an objection. Imperial Oil Resources submitted an objection identifying concerns with potential acid gas migration and liability associated with their suspended wellbore located at d-10-1/93-O-8 (WA# 8823). Talisman has indicated that they continue to work toward a solution with Imperial.

Should you have any questions, please the undersigned at (250) 419-4421.

Sincerely,

A handwritten signature in black ink, appearing to read 'R. Slocomb', is written over a light blue rectangular background.

Richard Slocomb, P.Eng.  
Supervisor, Reservoir Engineering

Cc Sadaf Mirza, Director Oil and Gas Division - MEMPR