



October 17, 2008

3425-6200-59240-16

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
SEMC DOE 15-24-80-15 W6M (WA 23946); BELLOY FORMATION**

A pre-submission information package, dated January 31, 2008, outlined the intent to drill and complete a well to evaluate for acid gas disposal. The OGC response of March 19, 2008 outlined considerations for potential approval, based on available information.

The well 15-24 was rig released on March 22, 2008. Completion of the Belloy, indicating no hydrocarbons present, and a successful water injection test were concluded on April 17, 2008. The Commission received an application for acid gas disposal, dated July 9, 2008, for the Belloy formation in the subject well.

Notice of the application was posted to the OGC website on July 25 with a date for filing objections of August 15, 2008. Petro-Canada Oil & Gas submitted an objection on August 14, 2008 and met with OGC staff on September 17 to discuss their concerns. This was followed by a technical submission from Petro-Canada, dated September 29, 2009. It is our understanding that a meeting was also held between the applicant and Petro-Canada.

The Commission finds that there are valid grounds for concern.

Prediction of Acid Gas Migration

The process of application for approval places the onus on the applicant to present sufficient technical information to support the proposal and give reasonable assurance of the protection of correlative rights. Information presented by Petro-Canada indicates the presence of natural fractures in the Belloy and a seismically-defined fault. Acid gas injection has the potential to dissolve calcite cement within fractures, with a fault system that may provide a preferential pathway for gas migration instead of the radial plume presented in the application. The Commission requests that Spectra investigate reservoir modeling to consider migration in a non-homogeneous reservoir.

Monitoring

Acid gas disposal into an uncontained aquifer will require a monitoring program to detect possible migration, contamination and pressure effects. The applicant is requested to provide a monitoring program for reservoir observation during the life of disposal operation, in addition to the proposed pressure monitoring of the subject well.

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RESOURCE CONSERVATION

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Loss of Injectivity

The Guideline for Approval to Dispose of Acid Gas requests a backup plan should the primary disposal well suffer a loss of injectivity. Please provide this planning proposal.

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

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