



September 13, 2007

1350-4100/4538-59070-20

Ralph Sanford.
Coordinator, Reservoir Engineering
Advantage Oil & Gas Ltd.
3100, 150 – 6 Avenue SW
Calgary AB T2P 3Y7

Dear Mr. Sanford:

**RE: APPROVAL FOR COMMINGLED PRODUCTION
ADVANTAGE BLACK C-57-B/94-H-12; WA# 20771**

The Commission has reviewed your application dated March 16, 2007 for approval to commingle gas production from the Baldonnel and Charlie Lake zones encountered in the subject well.

The Commission has designated the gas pools under application to be the Black Creek – Baldonnel “A” and Yellow Marker “A”. The Baldonnel “A” is a multi-well gas pool with a small oil leg. A concurrent production scheme approval has been granted to allow oil and gas production. The Yellow Marker “A” pool has been delineated by three gas wells. All wells in the two pools are operated by Advantage Oil & Gas Ltd. Both zones were stimulated by acid frac followed by test production. The Baldonnel zone tested at $4.2 \times 10^3 \text{ m}^3/\text{d}$ whereas the Yellow Marker tested at $8.0 \times 10^3 \text{ m}^3/\text{d}$. However, the Baldonnel is currently producing at $1.0 \times 10^3 \text{ m}^3/\text{d}$ whereas the Yellow Marker is capable of $2.5 \times 10^3 \text{ m}^3/\text{d}$. Commingled production through the tubing and installing a plunger lift system is expected to increase production and maximize reserves recovery from both pools.

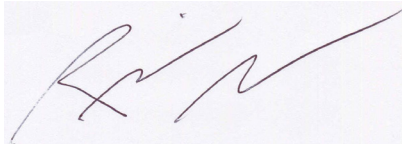
We wish to advise you that your application to commingle production from these zones is hereby granted approval, under the authority of section 41 of the *Drilling and Production Regulation*, subject to the following conditions:

1. Production from the Baldonnel (1103.0 - 1109.0 mKB) and Yellow Marker (1148.0 – 1151.5 mKB) may be commingled.
2. A production test must be completed to establish the AOF and initial reservoir pressure for the Yellow Marker and reports filed as per the requirements of Sections 84 and 95 of the *Regulation*.
3. Gas, condensate and water production should be allocated on the Ministry of Small Business and Revenue BC S-1 and BC S-2 forms on the basis of Baldonnel 40 % and Yellow Marker 60 %. The allocation factors may be amended to reflect results of any future tests.

4. This approval may be modified at a later date if deemed appropriate through a change in circumstances.

Should you have any questions, please contact the undersigned at (250) 952-0366.

Sincerely,

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

Richard Slocomb, P. Eng.
Supervising Reservoir Engineer
Resource Conservation Branch

RESOURCE CONSERVATION BRANCH

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