



March 5, 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-79-B/94-H-12; WA# 20721

The Commission has reviewed your application dated February 7, 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 multiwell gas pool with a small oil leg. A Concurrent Production has been granted for a portion of the pool 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 is a marginal zone with test rates of only $1.1 \times 10^3 \text{ m}^3/\text{d}$, whereas the Yellow Marker tested at $13.7 \times 10^3 \text{ m}^3/\text{d}$. At this time both zones are segregated through the use of a sliding sleeve. Commingled production through the tubing is expected to maximize reserves recovery from both pools.

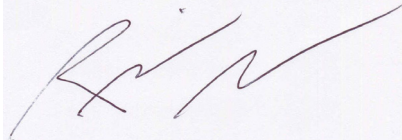
We wish to advise you that your application to commingle production from these zones is hereby granted approval, under the authority of section 41 of the *Drilling and Production Regulation*, subject to the following conditions:

1. Production from the Baldonnel (1128.0 - 1135.0 mKB) and Yellow Marker (1164.5 – 1167.0 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, water and condensate 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 20 % and Yellow Marker 80 %. The allocation factors may be amended to reflect results of any future tests.
4. A segregated Yellow Marker reservoir pressure may be required at a future date to enable more accurate reserves determination. The production string has been configured with a sliding sleeve to enable segregated testing.

5. 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

PO Box 9329 Stn Prov Gov't, Victoria BC V8W 9N3 Tel: (250) 952-0302 Fax: (250) 952-0301
Location: 6th Flr 1810 Blanshard St, Victoria BC

Headquarters: #200, 10003 110th Ave, Fort St. John BC V1J 6M7 Tel: (250) 261-5729 Fax: (250) 261-5744 www.ogc.gov.bc.ca