



February 19, 2009

1350-2600/4538-59070-20

Dave Pellegrin, P.Eng.
Sr. Exploitation Engineer
Advantage Oil & Gas Ltd.
3100, 150 – 6 Avenue SW
Calgary AB T2P 3Y7

Dear Mr. Pellegrin:

**RE: COMMINGLED PRODUCTION APPROVAL
ADVANTAGE ET AL BLACK d-063-B/094-H-12; WA# 23384**

The Commission has reviewed your application dated January 19, 2009 for approval to commingle gas production from the Bluesky and Charlie Lake zones encountered in the subject well. The Commission refers to the completed interval within the proposed Charlie Lake zone as the Yellow Marker formation.

The Commission has designated the gas pools under application to be the Black Creek – Bluesky “B” and Yellow Marker “A”. Both pools contain multiple wells and commingling approval has been granted for the Yellow Marker and Baldonnel in various wells.

The well was completed in the subject zones in March 2008 and commenced segregated production in April/May, 2008. The Bluesky and Yellow Marker tested at gas rates of 48.0 $10^3\text{m}^3/\text{d}$ and 14.0 $10^3\text{m}^3/\text{d}$, respectively. However, upon production, the Yellow Marker produced at unusually high rates of up to 85.0 $10^3\text{m}^3/\text{d}$ before declining to a current rate of 22 $10^3\text{m}^3/\text{d}$. Such high deliverability is anomalous compared to offsetting Yellow Marker wells in the pool with similar reservoir properties. The offset wells typically produce at less than 10.0 $10^3\text{m}^3/\text{d}$; more comparable to the Yellow Marker test rate, which was measured before the Bluesky was fracture simulated. The Bluesky had an initial rate of 70.0 $10^3\text{m}^3/\text{d}$, and though this is higher than the test rate, it is comparable to other Bluesky wells in the pool and therefore realistic. The Bluesky zone is currently producing at 11.0 $10^3\text{m}^3/\text{d}$ due to liquid loading. It is possible that during the Bluesky frac communication was established between the zones behind pipe. There is 24.5 vertical meters of separation between the zones.

Both zones have very similar reservoir pressures, (further supporting the theory of communication behind pipe), and contain small amounts of H_2S (Bluesky – 150 ppm; Yellow Marker – 1250 ppm). Commingled production through a single tubing string is expected to reduce liquid loading and thereby maximize production and reserve recovery.

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:

.../2

RESOURCE CONSERVATION

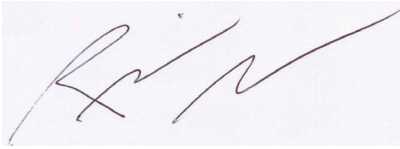
PO Box 9329 Stn Prov Gov't, Victoria BC V8W 9N3 Tel: (250) 952-0302 Fax: (250) 952-0301
Location: 6th Flr 1810 Blanshard St. Victoria BC

Headquarters: #200, 10003 110th Ave, Fort St. John BC V1J 6M7 Tel: (250) 261-5700 Fax: (250) 261-5744 www.ogc.gov.bc.ca

1. Production from the Bluesky (1089.0 – 1091.0 mKB) and Yellow Marker (1115.5 – 1124.5 mKB) may be commingled.
2. Gas, condensate and water production should be allocated on the Ministry of Finance BC S-1, BC S-2 and BC 08 forms on the basis of Bluesky 80% and Yellow Marker 20%. The allocation factors may be amended to reflect results of any future tests.
3. 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 or Kelly Okuszko at (250) 952-0325.

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