



January 20, 2005

5170-2200/2510-59070-20

OGC - 05019

James Burns
Chief Operating Officer
Avenir Diversified Income Trust
300 808 1st Street SW
CALGARY, AB T2P 1M9

Approval Letters to Industry
COMMINGLED PRODUCTION

Copy 8

	Wellfile (originals)
	59070-20
	Daily
	Resource Revenue
	R. Stefik
	G. Farr
	R Slocomb
	D. Krezanoski

Dear Mr. Burns:

RE: APPLICATION FOR INTERIM COMMINGLED PRODUCTIVE
Avenir Kelly c-72-F/93-P-1; WA# 7720

The OGC has reviewed your application dated December 15, 2004, for interim approval to commingle gas production from Cadotte and Falher B formations in the subject well.

The Falher B zone has been on production since March 1993 and is currently producing at 6.0 10³ m³/d. The Cadotte zone is yet to be completed, however initial production rates from off-setting wells vary dramatically from 20.0 – 225.0 10³ m³/d. Both zones are sweet gas, however anticipated pressures are significantly different. Avenir has committed to having a sliding sleeve in place to enable segregation for the duration of extended shut-in periods which should mitigate any concerns with potential cross-flow. Depending on the initial flow rates from the Cadotte zone commingled production may maximize production and recovery from both zones.

We wish to advise you that your application to commingle production is hereby granted **interim** approval, under the authority of Section 41 of the *Drilling and Production Regulation*, subject to the following conditions being met:

1. A production test must be completed to establish the AOF and initial reservoir pressure for the Cadotte zone, and reports filed as per the requirements of Sections 84 and 95 of the *Regulation*.
2. A formal application for commingled production must be submitted, prior to commencement of commingled production, with supporting test data, completion information, gas analysis and proposed allocation factors for production reporting both gas and liquids.
3. Should zone productivity from the Cadotte exceed a gas rate of 60.0 10³m³/d, segregated production may be required.
4. The current reservoir pressure of the Falher 'B' zone is measured prior to commingling.
5. Formal approval for commingled production **will not** be authorized until all of the conditions above have been met.

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RESOURCE CONSERVATION BRANCH

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

Sincerely,

Richard Slocomb, P. Eng.
Supervisor
Reservoir Engineering

Cc: Peregrine Energy Ltd.