

March 13, 1998

Reference: 980291
File: 3540-2600-59070-20

Mr. Ed Poth
Senior Exploitation Engineer
Blue Range Resource Corporation
1300, 800-5th Avenue SW
Calgary, AB T2P 3T6

Dear Mr. Poth:

RE: APPROVAL FOR COMMINGLED PRODUCTION
Blue Range et al Fireweed a-81-A/94-A-13 WA# 3758

The Ministry has reviewed your application dated January 18, 1998, requesting permission to commingle gas production from the Bluesky 'B' and Dunlevy 'D' pools encountered in the subject well.

Gas composition differs between the two formations with the Bluesky being slightly sour at 0.15% H₂S and the Dunlevy being sweet. Recent pressure data, although incomplete, suggest only a very limited pressure differential between the formations with the Dunlevy being at a marginally higher pressure. Based on material balance analyses the captioned well appears to be completed in a single well Bluesky pool. The risk of crossflow contaminating the Bluesky appears acceptably balanced by the potential opportunity of capturing additional Dunlevy reserves which would not otherwise be produced.

As Blue Range is the licensee of all wells completed in and producing from the Bluesky 'B' and Dunlevy 'D' gas pools, as currently mapped, equity issues are not seen as being a concern. The Bluesky reserves are non-associated gas. The Dunlevy gas reserves are considered associated gas but the oil reserves have been depleted.

We wish to advise you that your application to commingle production is hereby approved, under the authority of Section 44 of the *Drilling and Production Regulation*, subject to the following conditions:

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1. Production from the Bluesky B (1157.0 - 1161.9 mKB) and the Dunlevy D (1197.2 - 1240.5 mKB) may be commingled.
2. Gas, condensate and water production should be allocated on the BC S-1 and BC S-2 forms on the basis of Bluesky 60% and Dunlevy 40%.
3. This approval may be modified at a later date if deemed appropriate through a change in circumstances.

Sincerely,

A handwritten signature in black ink, appearing to read 'B. van Oort', written in a cursive style.

B. van Oort, P. Eng.
Director
Engineering and Operations Branch