



February 16, 2011

6480-2200/2505/2520/2540/2700/2800/2850-59070-20

Tony Colabella
Sr. Exploitation Engineer
Canadian Forest Oil Ltd.
2500, 645 – 7th Avenue SW
Calgary AB T2P 4G8

Dear Mr. Colabella:

RE: COMMINGLED PRODUCTION SPECIAL PROJECT
CDN FOREST OJAY a-051-G/093-I-9; WA # 25869

The OGC has reviewed your letter dated February 8, 2011 requesting approval to commingle gas production from the Cadotte, Falher A, Falher D, Falher F, Gething, Cadomin and Nikanassin formations in the subject well. The Commission has designated the zones under application to be part of the Ojay – Cadotte “Q”, Falher A “B”, Falher D “B”, Falher F “C”, Gething “J”, Cadomin “D” and Nikanassin “R” gas pools.

Interim commingling was approved February 26, 2010, for the Falher, Falher F, Gething, Cadomin, and Nikanassin formations. These formations, as well as the Cadotte formation, were completed in March 2010 prior to spring break-up. Although the Cadotte formation was not included in the Interim commingling approval, the well was put on production in November 2010 with all formations producing in a commingled state. Additional data required for evaluating commingling approval has since been submitted to the OGC.

Attached please find Order 11-20-002 designating an area in the Ojay field within the subject formations a Special Project under section 75 of the *Oil and Gas Activities Act* for Commingled Production. Please note that commingled production operations will be subject to periodic review and the Commission may modify the Order, if deemed appropriate.

Should you have any questions, please contact Richard Slocomb at (250) 419-4421 or Travis Mercure at (250) 419-4448.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Alex Ferguson', with a long horizontal line extending to the right.

Alex Ferguson
Commissioner
Oil and Gas Commission

Attachment

IN THE MATTER of an application from Canadian Forest Oil Ltd. to the Oil and Gas Commission (Commission) dated February 8, 2011 for Commingled production approval.

ORDER 11-20-002

- 1 Under Section 75(1)(a) of the *Oil and Gas Activities Act*, the Ojay field – Cadotte “Q”, Falher A “B”, Falher D “B”, Falher F “C”, Gething “J”, Cadomin “D” and Nikanassin “R” pools are designated as a special project for the enhanced recovery of natural gas by commingling production within the following area;

NTS 093-I-09 Block G – units 51, 61

NTS 093-I-09 Block H – units 60, 70

- 2 Under section 75(2) of the *Oil and Gas Activities Act*, the special project designation in this Order is subject to the following conditions:

a) Production from the Cadotte (2580.5 – 2581.5 mKB), Falher A (2691.5 – 2692.5 mKB), Falher D (2798.0 – 2809.5 mKB), Falher F (2863.0 – 2919.0 mKB), Gething (3053.0 – 3317.5 mKB), Cadomin (3131.5 – 3132.5 mKB) and Nikanassin (3146.0 – 3317.5 mKB) zones may be commingled through the well CDN FOREST OJAY a-051-G/093-I-9 (WA # 25869).

b) Gas, condensate and water production from the commingled well must be allocated on the Ministry of Finance BC-S1, BC-S2 and BC-08 forms to the deepest (measured depth) active well event (unique well identifier). Royalty will be calculated on a well production basis, as if production were being taken from a single zone. The Commission allocates commingled gas and water production on the basis of Cadotte 3%, Falher A 2%, Falher D 2%, Falher F 5%, Gething 15%, Cadomin 3% and Nikanassin 70%.



Alex Ferguson
Commissioner
Oil and Gas Commission

DATED AT the City of Victoria, in the Province of British Columbia, this 16 day of February 2011.

RATIONAL FOR ORDER

Order 11-02-002 has been made considering:

- **Conservation of the resource** – The proposed method of commingling production from the Cadotte, Falher A, Falher D, and Falher F formations with the Gething, Cadomin and Nikanassin formations will reduce liquid loading and thereby maximize reserve recovery.
- **Reservoir characteristics** – The pay intervals of each zone have been evaluated by an OGC geologist and mapped to designated pools. Initial and current reservoir pressures have been measured and provide valuable insight gas-in-place calculations. A reasonable amount of production and pressure data has been collected to allow for proper production allocation and reserves management.
- **Commingling Precedent** – Interim commingling for the Falher, Gething, Cadomin and Nikanassin formations was approved February 26, 2010. Although the Cadotte was not initially included in the Interim approval, production and pressure data submitted after the well was put onstream met criteria for commingling as outlined in the Outer Foothills Commingling Guideline.
- **Need for Special Project** – The Special Project designation allows for enhanced gas recovery by optimizing multi-zone production through a single tubing string.
- **Objections** – There were no objections filed with the Commission regarding this project.
- **P&NG Rights** – Cdn Forest is the operator of the subject well and holds title in all subject formations.



Alex Ferguson
Commissioner
Oil and Gas Commission

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