



December 16, 2011

2020-4100/4535/4540-59070-20

Jeff Shigematsu  
Chinook Energy Inc.  
700, 700 – 2nd Street S.W.  
CALGARY, AB T2P 2W1

Dear Mr. Shigematsu:

**RE: COMMINGLED PRODUCTION SPECIAL PROJECT  
CHINOOK N BOUNDARY 08-08-088-14; WA # 20206**

The Oil and Gas Commission (Commission) has reviewed your application dated November 18, 2011 requesting approval to commingle gas production from the Coplin, Boundary Lake and Baldonnel formations in the subject well. The Commission has designated the zones under application to be part of the Boundary Lake North field – Coplin “B”, Boundary Lake “C”, and Baldonnel “D” gas pools.

The Coplin, Boundary Lake and Baldonnel zones were completed in December 2005 and flow tested at 14 e<sup>3</sup>m<sup>3</sup>/d, 8 e<sup>3</sup>m<sup>3</sup>/d and 36 e<sup>3</sup>m<sup>3</sup>/d respectively. The Coplin and Baldonnel zones were approved for commingled production June 30, 2006. A second commingling approval was granted November 6, 2007 to allow the Boundary Lake zone to produce with the Coplin, and to segregate Baldonnel production in a dual tubing string to prevent scaling. However, in January 2008 the second wellhead separator used to measure segregated Baldonnel production was removed and all zones were subsequently commingled at surface through a common separator. This information was not relayed to office staff or the Commission and as a result the appropriate BC-11 and commingling approval was not submitted until the issue was recently identified.

Attached please find Order 11-20-018 designating an area in the Boundary Lake North field within the subject formations a Special Project under section 75 of the *Oil and Gas Activities Act* for Commingled Production. This Order is effective January 1, 2008 when the production was commingled at surface.

Should you have any questions, please contact Ron Stefik at (250) 419-4430 or Kelly Okuszko at (250) 419-4433.

Sincerely,

A handwritten signature in black ink, appearing to read 'Paul Jeakins', is written over a white background.

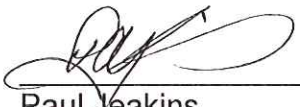
Paul Jeakins  
Commissioner & CEO  
Oil and Gas Commission

Attachment

IN THE MATTER of an application from Chinook Energy Inc. to the Oil and Gas Commission dated November 18, 2011 for Commingled production approval.

**ORDER 11-20-018**

- 1 Under Section 75(1)(a) of the *Oil and Gas Activities Act*, the Commission designates the commingling of production from the Boundary Lake North field – Coplin “B”, Boundary Lake “C”, and Baldonnel “D” pools as a special project for the enhanced recovery of natural gas by commingling production within the following area;  
  
DLS 88-14W6M – Section 8.
- 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 Coplin, Boundary Lake and Baldonnel zones may be commingled through the well CHINOOK N BOUNDARY 08-08-088-14 (WA # 20206).
  - 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 on the basis of Coplin 25%, Boundary Lake 15% and Baldonnel 60%. The allocation factors may be amended to reflect results of any future tests.
  - c) This approval is effective January 1, 2008, the date the well was unintentionally commingled due to unreported removal of separator equipment.



Paul Jeakins  
Commissioner & CEO  
Oil and Gas Commission

DATED AT the City of Victoria, in the Province of British Columbia, this <sup>16<sup>th</sup></sup> day of December 2011.