



February 3, 2006

7760-7500/7700-59070-20
OGC – 06035

Jeff Knibbs, RPT
Exploitation Technologist
Canadian Natural Resources Limited
Suite 2500, 855 – 2nd Street S.W.
Calgary AB T2P 4J8

Dear Mr. Knibbs:

Note: Shunda re-mapped by
OGC as Pekisko!
Jan. 2007

**RE: 2006 APPROVAL FOR COMMINGLED PRODUCTION
SHEKILIE AREA – SHUNDA AND BANFF FORMATIONS**

OGC staff have reviewed the application by Canadian Natural Resources Limited (CNRL), dated December 28, 2005, to commingle production from the Shunda/Pekisko and Banff formations encountered by wells in the area of the Shekilie field. Subsequent information in support of this application has also been provided by CNRL. As no wells in the area of application have yet been completed in the Pekisko formation, due to non-reservoir rock quality, it will not be included in this approval. For clarification, all sequences within the Banff formation will be considered by the OGC as one zone.

The Shunda and Banff formations are encountered at a shallow depth in this area, averaging less than 350 m below ground level. Initial pressures encountered by productive wells have ranged from 1460 to 1770 kPaa, with no obvious correlation to variation in depth. No wells in the prospective area have yet been placed on production, however initial reported AOF rates have varied from 0.7 to 11.3 e³m³/d. Gas reserves per spacing, from both zones, are expected to be modest.

This approval is intended to provide field efficiencies during the limited period of winter access, resulting in maximization of production and reserve recovery from both zones. A relaxation of initial data collection requirements during the first phase of drilling should not be detrimental to resource management or further development. Proposed individual zone initial testing should be planned to give representative areal sampling, and also target any anomalously prolific zones.

We wish to advise you that production from these zones is hereby granted commingling approval, under the authority of Section 41 of the *Drilling and Production Regulation*, subject to the following conditions:

1. Production from the Shunda and Banff may be commingled for wells within the CNRL controlled portion of the following area;

94-I-16 - Blocks A, B, G, H, I and J.
2. Gas, condensate and water production should be allocated to each zone on the Ministry of Small Business and Revenue BC S-1 and BC S-2 forms, giving weighting to both available test rates and reserves for each zone.

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RESOURCE CONSERVATION BRANCH

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3. Individual zone initial pressure and flow rate must be measured and reported on a minimum of 50% of the wells commingled in the year 2006.
4. Any well where only one formation is completed must have a measurement of the initial pressure. AOF values may be based on in-line production data.
5. Within 3 months following the conclusion of the 2006 Q1 drilling and completion program, a report must be made to the OGC with maps and tables identifying the following;
 - o completed zone(s) in each well
 - o formation/well initial production rate or test rate
 - o initial pressures
 - o commingled well locations
 - o zone production allocation values
6. This approval is only valid for wells drilled and completed in the year 2006.
7. This approval may be modified at a later date if deemed appropriate through a change in circumstances.

Any subsequent approvals for continued commingled completions of the wells in this general area will be based on these results.

Sincerely,

Ron Stefik, AScT
Sr. Reservoir Engineering Technician
Resource Conservation Branch