



April 16, 2008

5170-2200/2505-59070-20

Neil Rubeniuk
Engineering Manager
Subsurface Regulatory & Royalty Optimization
ConocoPhillips Canada Resources Corp.
2100 Bow Valley Square IV
250 – 6th Avenue S.W.
Calgary, Alberta T2P 3H7

Dear Mr. Rubeniuk:

RE: COMMINGLED PRODUCTION APPROVAL
BRC HTR KELLY a-021-F/093-P-01; WA# 14156

The OGC has reviewed your application dated March 19, 2008 requesting approval to commingle gas production from the Cadotte and Falher A formations in the subject well.

The Commission has designated the gas pools under application to be the Kelly – Cadotte “I” and Falher A “B”.

Both pools contain sweet gas and multiple wells that have been commingled. The Cadotte zone was perforated and fractured but did not flow gas. It is currently behind a sliding sleeve. The Falher A zone tested at a sandface AOF of $450.7 \text{ } 10^3 \text{ m}^3/\text{d}$ upon completion and commenced sales gas in November 2001 at $167.8 \text{ } 10^3 \text{ m}^3/\text{d}$. Currently, the Falher A is flowing at a declined rate of $15.6 \text{ } 10^3 \text{ m}^3/\text{d}$ and $82.2 \text{ } 10^6 \text{ m}^3$ of gas has been produced. Commingled production of these two zones is expected to maximize reserves recovery from the marginal Cadotte zone.

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

1. Production from the Cadotte (2230.5–2232.5 mKB) and Falher A (2345.0–2367.0 mKB) zones may be commingled.
2. Gas, condensate and water production from the commingled well should be allocated on the Ministry of Provincial Revenue BC S-1, BC S-2 and BC S-8 forms to the deepest (measured depth) active well event (UWI). Royalty will be calculated on a well production basis, as if production were being taken from a single zone. The Commission will allocate commingled production to the individual zones on the basis of Cadotte 5% and Falher A 95%.
3. This approval may be modified at a later date if deemed appropriate through a change in circumstances.

Should you have any questions, please contact the undersigned at (250)952-0366 or Kelly Okuszko at (250)952-0325.

Sincerely,

Richard Slocomb, P. Eng.
Supervisor, Reservoir Engineering

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