



December 20, 2006

4700-7500/7600/7700-59070-20

Deb Gogol, CET
Engineering Technologist
EnCana Corporation
150 – 9th Avenue SW
PO Box 2850
Calgary AB T2P 2S5

Dear Ms. Gogol:

**RE: AREA BASED COMMINGLED PRODUCTION APPROVAL
HELMET/SHEKILIE AREA – SHUNDA, PEKISKO AND BANFF FORMATIONS**

Commission staff have reviewed the application by EnCana Corporation (EnCana), dated September 29, 2006, requesting approval to commingle production from the Shunda, Pekisko and Banff formations encountered by wells within a specific region of the Helmet/Shekilie fields. For clarification, the sequences identified as Upper Banff and Lower Banff in the application are considered a single zone by the OGC.

The Mississippian aged Shunda, Pekisko and Banff formations are encountered at a shallow depth in this area, averaging less than 400 m below ground level. Initial reservoir pressure is less than 2,000 kPaa. Existing well control is limited, however initial gas rates from individual zones tested thus far average 6.5 10³m³/d, with many zones below this value. Gas reserves per spacing, from the combined 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 these zones. A relaxation of initial well testing data collection requirements should not be detrimental to resource management or further development. Modified initial flow testing requirements should reduce gas flaring. 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. The area of the approval shall consist of:
94-I-15 – Block A, H, I
94-I-16 – Blocks C, D, E, F, G, J, K, L
94-P-1 – Blocks B, C, D
2. Production from the Shunda, Pekisko and Banff formations may be commingled, in both existing and future wells.
3. Zones must be comprised of sweet gas only, non-associated with any oil pool.

COMMINGLED PRODUCTION, HELMET AREA

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RESOURCE CONSERVATION BRANCH

PO Box 9329 Stn Prov Gov't, Victoria BC V8W 9N3 Tel: (250) 952-0302 Fax: (250) 952-0301
Location: 6th Flr 1810 Blanshard St, Victoria BC

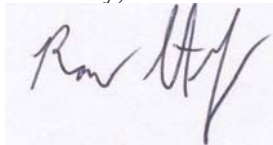
Headquarters: #200, 10003 110th Ave, Fort St. John BC V1J 6M7 Tel: (250) 261-5729 Fax: (250) 261-5744 www.ogc.gov.bc.ca

4. A “notification” must be submitted to the OGC for each commingled well, within 30-days of final completion operations, and must include;
 - o A schematic diagram of the wellbore completion
 - o Flow data summary
 - o Production allocation factors for each of the fluids of the commingled zones, giving weighting to both reserves and the initial production rate.
5. Completed nonproductive intervals may remain in a commingled state, noted as a 0% gas allocation factor, unless contributing water detrimental to overall well gas recovery.
6. A “Notice of Commencement or Suspension of Operation” form BC-11 must be submitted for each completed zone in a commingled wellbore, regardless of productivity.
7. Gas, water and condensate production from a commingled well must be reported on the Ministry of Small Business and Revenue BC S-1 and BC S-2 forms to the deepest (measured depth) active well event (UWI) of the commingled group of zones in the wellbore.
8. Royalties will be based on the total production from all commingled zones in a well. Eligibility criteria for the marginal, ultramarginal and low productivity royalty programs will likewise be based on the total production from all commingled zones in a well.
9. Individual zone initial pressure and flow rate must be measured and reported, as per the requirements of Sections 84 and 95 of the *Regulation*, on a minimum of 50% of the wells commingled during a calendar year. Any tests above this minimum requirement must also be reported.
10. Any well where only one formation is completed must have a measurement of the initial pressure. Well deliverability AOF values may be based on in-line production data.
11. Should the gas production rate from any zone exceed a value of $28.0 \times 10^3 \text{ m}^3/\text{d}$, segregated production of the anomalous zone will be required.
12. This approval may be modified at a later date if deemed appropriate through a change in circumstances.

Normal gas well spacing and target restrictions specified under Section 10 of the *Regulation* continue to apply, unless otherwise approved under a Good Engineering Practice project approval granted under Section 101.

Should you have any questions, please contact the undersigned at (250) 952-0310.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ron Stefik', is written over a light blue rectangular background.

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