



March 24, 2004

5850-2600/2900-59070-20

OGC - 04112

Martin Saizew, P. Eng.
Exploitation Manager, North
Midnight Oil & Gas Ltd.
1000, 140 - 4th Ave S.W.
Calgary AB T2P 3N3

COMMINGLED PRODUCTION
Copy 8

<input type="checkbox"/>	Wellfile (originals)
<input type="checkbox"/>	59070-20
<input type="checkbox"/>	Daily
<input type="checkbox"/>	Resource Revenue
<input type="checkbox"/>	R. Stefik
<input type="checkbox"/>	G. Farr
<input type="checkbox"/>	P.S. Attariwala
<input type="checkbox"/>	D. Krezanoski

Dear Mr. Saizew:

**RE: APPLICATION FOR COMMINGLED PRODUCTION
MIDNIGHT ET AL MARTIN c-2-F/94-H-6; WA# 14835**

The Commission has reviewed your application dated March 5, 2004 requesting permission to commingle gas production from the Bluesky and Dunlevy zones encountered in the subject well. The Commission has designated the gas pools under application to be the Martin - Bluesky "E" and Dunlevy "A".

The Dunlevy "A" pool, completed only in the subject well, is expected to be at virgin pressure. The Bluesky "E", currently being produced from five wells, is partially depleted. Therefore, any cross flow should be from Dunlevy to Bluesky. Both pools contain sweet gas. Commingled completion should allow the potentially marginal Bluesky zone, unable to sustain individual zone flow on test, to be produced, thereby increasing gas recovery.

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

1. Production from the Bluesky (1076.0-1079.0 mKB) and Dunlevy (1139.0-1144.0 mKB) zones may be commingled.
2. Gas, condensate and water production should be allocated on the Ministry of Provincial Revenue BC S-1 and BC S-2 forms on the basis of Bluesky 40% and Dunlevy 60%.
3. This approval may be modified at a later date if deemed appropriate through a change in circumstances.

The OGC has concerns regarding the completion practices employed by Midnight Oil & Gas Ltd. for this well. No attempt was made to obtain an initial reservoir pressure measurement from either zone, as required under Section 95 of the *Regulation*. Also, the well was left suspended in a commingled state, without prior OGC approval. The Commission will be closely monitoring the operations of Midnight Oil & Gas Ltd. for any future infractions of the *Regulation*.

Sincerely,

Peter Attariwala, P. Eng.
Supervisor
Reservoir Engineering

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