



May 25, 2011

6460-4100/4520-59070-20

James Munro, P.L. (Eng.)
Pengrowth Corporation
2100, 222 – 3rd Avenue S.W.
CALGARY, AB T2P 0B4

Dear Mr. Munro:

**RE: COMMINGLED PRODUCTION SPECIAL PROJECT
PENGROWTH ET AL OAK 04-12-86-18 W6M; WA # 8262**

The Oil and Gas Commission (Commission) has reviewed your application dated May 2, 2011 requesting approval to commingle gas production from the Baldonnel “A” pool with oil and associated gas production from the Cecil “C” pool, in the subject well.

The Baldonnel formation in this well commenced production in 1996, currently at a rate of 1.3 e³m³/d, with well cumulative production of 0.9 Bcf and seven active wells in the pool. The Cecil, within a waterflood project, was last produced from this well in 1994 at a low oil rate and high water-cut, currently isolated below a cement capped bridge plug.

Commingling production from an oil and gas pool is normally not permitted, due to conservation issues. However, these concerns are addressed by the following considerations;

- Opportunity for interference testing in the Cecil formation, to evaluate the drilling of additional oil wells for improved pool recovery.
- Potential recovery of Cecil oil reserves from this location.
- Continue recovery of remaining Baldonnel gas reserves.
- Similar expected producing bottom-hole pressures in each zone, both slightly sour.
- An acceptable proposed method for allocation reporting of respective zonal production.

We concur that commingling the Baldonnel and Cecil zones may result in increased reserves recovery without sacrificing currently anticipated production. Attached please find Order 11-20-012 designating an area in the Oak field within the subject formations a Special Project under section 75 of the *Oil and Gas Activities Act* for Commingled Production. It is noted that the Cecil and Baldonnel zone will be isolated during any extended period of well suspension.

Please note that the form “Notice of Commingled Production” must be submitted within 30 days of commencement of operation in an unsegregated state.

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

Sincerely,

A handwritten signature in blue ink, appearing to read 'Alex Ferguson', is written over a faint, larger version of the same signature.

Alex Ferguson
Commissioner
Oil and Gas Commission

Attachment

IN THE MATTER of an application from Pengrowth Corporation to the Oil and Gas Commission (Commission) dated May 2, 2011 for Commingled production approval.

ORDER 11-20-012

- 1 Under Section 75(1)(a) of the *Oil and Gas Activities Act*, the Oak field – Baldonnel “A” and Cecil “C” pools are designated as a special project for the enhanced recovery of natural gas and oil by commingling production within the following area;
DLS TWP 86 RGE 18 Section 12
- 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 Baldonnel (1124.0 – 1144.5 mKB) and Cecil (1204.5 – 1206.6 mKB) zones may be commingled through the well Pengrowth et al Oak 04-12-86-18 W6M (WA # 8262).
 - b) Gas, oil and water production from the commingled well must be allocated on the Ministry of Finance BC-S1, BC-S2 and BC-08 forms to the well events by the methodology proposed in the subject application.



Alex Ferguson
Commissioner
Oil and Gas Commission

DATED AT the City of Victoria, in the Province of British Columbia, this 25 day of May 2011.