



April 15, 2004

6200-2600/2900-59070-20
OGC - 04142

Jim Stannard, P. Eng.
Exploitation Engineer
Progress Energy Ltd.
Suite 1400, 440 - 2nd Avenue S.W.
CALGARY, AB T2P 5E9

Dear Mr. Stannard:

RE: APPLICATION FOR COMMINGLED PRODUCTION
PROGRESS Montney 1-3-87-19; WA# 17247

The Commission has reviewed your application dated March 26, 2003 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 Montney - Bluesky "A" and "Dunlevy "B". Both pools contain sweet gas and both pools are at similar current reservoir pressures. Therefore, any potential crossflow should be minimal and have no effect on ultimate gas recoveries. The Bluesky is expected to have liquid loading problems shortly after commencement of production, therefore commingling should allow for increased recovery of reserves. Progress has committed to segregated production until such time as it is no longer economically viable to do so.

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

1. Initial production of the Bluesky and Dunlevy zones will be segregated. Commingled production may commence once it is longer economically viable to maintain segregated production.
2. Production from the Bluesky (1090-1095 mKB) and Dunlevy (1113-1141 mKB) zones may be commingled.
3. 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 60% and Dunlevy 40%.
4. This approval may be modified at a later date if deemed appropriate through a change in circumstances.

Sincerely,

Peter Attariwala, P.Eng.
Supervisor
Reservoir Engineering

Approval Letters to Industry
COMMINGLED PRODUCTION

Copy 8

- Wellfile (originals)
- 59070-20
- Daily
- Resource Revenue
- R. Stefik
- G. Farr
- P.S. Attariwala
- D. Krezanoski
- RICHARD SLOCOMB

RESOURCE CONSERVATION BRANCH

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