



March 22, 2007

6460-4800/5000-59070-20

Kelly Hume, P. Eng.
VP Engineering
Sabretooth Energy Ltd.
Suite #702, 2303 – 4th Street SW
Calgary AB T2S 2S7

Dear Ms. Hume:

RE: COMMINGLED PRODUCTION APPROVAL
SABERTOOTH OAK 16-34-85-18 W6M; WA# 21640

The Oil and Gas Commission has reviewed your application dated March 14, 2007, requesting approval to commingle the Oak area Halfway/Montney gas zones in the subject well.

The Commission has designated the gas pools under application to be the Oak – Halfway “H” and Montney “A” pools. Both zones are mapped as single well pools.

The Halfway zone tested at $6 \times 10^3 \text{m}^3/\text{d}$ and has been shut-in as it is unable to flow up the annulus. The Montney zone tested at $14.4 \times 10^3 \text{m}^3/\text{d}$. The Montney started producing through the tubing in the month of January 2007, however, due to liquid loading problems gas rates averaged $5.2 \times 10^3 \text{m}^3/\text{d}$ during the month. Your proposal to produce both zones through the tubing and installing a plunger lift system and alternatively, running a downhole pump is considered appropriate. This should assist in unloading fluids present in the wellbore thereby maximizing production and reserves recovery. Gas compositions and initial pressures for both zones are similar.

We wish to advise you that your application to commingle production from these pools 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 Halfway (1416.0-1420.0 mKB) and Montney (1518.0 – 1555.0 mKB) zones may be commingled.
2. Gas, condensate and water production should be allocated on the Ministry of Small Business and Revenue BC S-1 and BC S-2 forms on the basis of Halfway 50 % and Montney 50 %.
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.

Sincerely,

Richard Slocomb, P. Eng.
Supervising Reservoir Engineer

RESOURCE CONSERVATION BRANCH

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