



December 29, 2009

6480-2200/2505/2800/2850-59070-20

James Iyamu, MSc.  
Shell Canada Energy  
400 – 4<sup>th</sup> Avenue S.W.  
P.O. Box 100, Station M  
Calgary, AB T2P 2H5

Dear Mr. Iyamu:

**RE: COMMINGLED PRODUCTION APPROVAL  
SHELL OJAY c-043-J/093-I-9; WA# 20768**

The OGC has reviewed your application dated November 30, 2009 requesting approval to commingle gas production from the Cadotte, Falher A, Cadomin and Nikanassin formations in the subject well. The Commission has designated the zones under application to be part of the Ojay – Cadotte “K”, Falher A “C”, Cadomin “Q” and Nikanassin “S” gas pools.

All subject zones were completed in July 2007. The Cadomin and Nikanassin commenced commingled production in March 2008 at a gas rate of  $114 \times 10^3 \text{m}^3/\text{d}$  and is currently producing at a rate of  $22 \times 10^3 \text{m}^3/\text{d}$ . The Cadotte and Falher A commenced commingled production in April 2008 at a gas rate of  $58 \times 10^3 \text{m}^3/\text{d}$  and is currently producing at a rate of  $6 \times 10^3 \text{m}^3/\text{d}$ . All the zones contain sweet gas. We concur that commingling the Cadotte and Falher A with the Cadomin and Nikanassin zones will result in increased reserves recovery.

We wish to advise you that your application to commingle production from these zones 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 Cadotte (2729.0 – 2741.0 mKB), Falher A (2846.0 – 2852.0 mKB), Cadomin (3261.0 – 3261.3 mKB) and Nikanassin (3283.0 – 3542.3 mKB) zones may be commingled.
2. Gas, condensate and water production from the commingled well should be allocated on the Ministry of Finance BC S-1, BC S-2 and BC 08 forms to the deepest (measured depth) active well event (UWI). Royalty will be calculated on a well production basis, as if production were being taken from a single zone. The Commission will allocate commingled production on the basis of Cadotte 13%, Falher A 5%, Cadomin 1% and Nikanassin 81%. The allocation factors may be amended to reflect results of any future tests.
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) 419-4421 or Travis Mercure at (250) 419-4448.

Sincerely,

for Richard Slocomb, P. Eng.  
Supervisor, Reservoir Engineering