



Cliff #: 1030

December 21, 2009

Tim Beatty  
VP Capital Projects  
Terra Energy Corp.  
970, 333 – 7<sup>th</sup> Avenue S.W.  
Calgary, AB T2P 2Z1

Dear Mr. Beatty:

**RE: Terra Energy Corporation – Comingling Behind Casing - Sunrise Area**

The Commission has reviewed the reports submitted by Borden Ladner Gervais LLP on behalf of Terra Energy Corporation (Terra) on 09 October 2009 entitled *Frac Review and Parametric Study for Doig Phosphate Sand Zone in Sunrise* prepared by Optimus International Technologies Inc. dated 08 October 2009 and *Comingled Gas Production Doig Phosphate Member and Montney Formation From 4 Wells in the Sunrise Area of NE British Columbia* prepared by Fekete Associates Inc. dated 07 October 2009 (the reports).

The Commission finds that the analysis within the reports is not conclusive regarding the growth of fractures initiated in the Doig Phosphate. Specific areas of concern include an erroneous N2-water hydrostatic gradient in determining the post fracture bottom hole fracture pressure for the Upper Montney as well as the absence of any supporting radioactive tracer surveys, pre and post fracture temperature surveys, pre and post fracture dipole sonic imager (DSI) surveys or micro-seismic surveys to verify fracture height growth scenarios. Additionally the presence of a shear plane was not validated by the confirmed presence of an isolating calcareous shear boundary between the Doig Phosphate and the Upper Montney.

The reports do not provide sufficient information to demonstrate that comingling of gas behind casing is not occurring at Terra Sunrise 15-26-79-17 W6M (WA# 24170), Terra Sunrise 13-35-79-17 W6M (WA# 23809), and Terra Sunrise B16-23-79-17 W6M (WA# 24764). Therefore given the information presently before the Commission, the Commission maintains its position that on a balance of probabilities a contravention of the Regulation has occurred. As such, the shut-in order, issued September 17, 2009 remains in place at this time.

Should you have any questions, please contact the undersigned at (250) 419-4404.

Yours truly,

A handwritten signature in black ink, appearing to read "Ken Paulson", is written over a horizontal line.

Ken Paulson  
Chief Engineer  
BC Oil and Gas Commission

cc Michael Marion, Borden Ladner Gervais LLP