



July 10, 2007

8157-4800/7250-59070-20

Gord Oliver, P.Eng.
Manager Exploitation
Terra Energy Corp.
970, 333 – 7th Avenue S.W.
CALGARY, AB T2P 2Z1

Dear Mr. Oliver:

**RE: COMMINGLED PRODUCTION APPROVAL
TERRA TOWER 9-28-81-17 W6M; WA# 20897**

Commission staff have reviewed your application dated May 23, 2007 for approval to commingle gas production from the Halfway and Kiskatinaw formations in the subject well.

The Commission designates the gas pools under application to be the Tower Lake field – Halfway “A” and Kiskatinaw “A”. The Halfway is presently being produced from 3 wells, the Kiskatinaw is a single well pool. Flow tests have been completed, with sandface AOF values of 59.0 e³m³/d and 61.7 e³m³/d for the Halfway and Kiskatinaw, respectively, and limited production from the Halfway zone. The Kiskatinaw contains sweet gas at 25,950 kPa, Halfway is 2.5 % H₂S at 15,718 kPa.

Compromised casing integrity precludes sour gas annular flow, and narrow well bore diameter prevents a dual tubing string completion. Commingled flow will allow Kiskatinaw production and partial data collection by use of the sliding sleeve to determine development potential, while eliminating the additional surface disturbance associated with drilling a twin well. Due to the pressure differential, any crossflow should be from sweet Kiskatinaw to sour Halfway.

We wish to advise 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 Halfway (1713.0 – 1716.0 mKB) and Kiskatinaw (2678.0 – 2712.0 mKB) formations may be commingled.
2. Gas, water and condensate production should be allocated on the Ministry of Provincial Revenue BC S-1 and BC S-2 forms on the basis of Halfway 40 % and Kiskatinaw 60 %.
3. Isolated reservoir pressure tests must be conducted annually on each zone, in each of the first three (3) years of commingled production.
4. 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) 952-0310.

Sincerely,

Ron Stefik, AScT
Sr. Reservoir Engineering Technologist

RESOURCE CONSERVATION BRANCH

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