



March 20, 2001

3460-2700-59240-07
OGC - 01076

Peter Checknita, P. Eng.
Senior Reservoir Engineering Consultant
Encal Energy Ltd.
Box 2310, Postal Station "M"
Calgary AB T2P 2M6

Encal Project (03)

Dear Mr. Checknita:

RE: CONCURRENT PRODUCTION APPROVAL
ELM - GETHING "B" OIL POOL

The Commission has reviewed your application dated February 16, 2001 requesting that the Good Engineering Practice (GEP) approval be amended. In the application you request that the allowable be increased from 173 m³/d to 340 m³/d and that the value of "C" factor used for the GOR factor be increased from 177 m³/m³ to 450 m³/m³.

Based on the pool performance, it is concluded that a Concurrent Production scheme approval is justified in this case and not an amendment to the GEP. Therefore, Approval 01-07-003 is hereby granted under section 97 of the Petroleum and Natural Gas Act. The Commission recognizes that to maximize oil recovery, this remote and high operating cost pool requires drilling at 16 ha (40 area) spacing.

Please note that the project allowables may be amended if another operator successfully completes an oil well outside the project area in the subject pool.

The GEP Approval 98-06-004 granted on July 10, 1998 is hereby rescinded.

Sincerely,

Craig Gibson, P. Eng.
Manager
Reservoir Engineering and Geology

Attachment

ENGINEERING AND GEOLOGY BRANCH

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APPROVAL 01-07-003.

THE PROVINCE OF BRITISH COLUMBIA
PETROLEUM AND NATURAL GAS ACT
OIL AND GAS COMMISSION

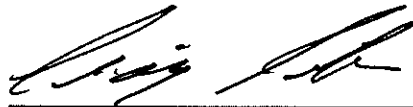
IN THE MATTER of a Concurrent Production scheme of Encal Energy Ltd. (Encal) for producing the Elm Gething "B" pool with a project oil and gas allowable.

NOW, THEREFORE, the Commission, pursuant to section 97 of the Petroleum and Natural Gas Act, hereby approves the Concurrent Production scheme of Encal for oil and gas production with project allowables, as such scheme is described in

an Application from Encal to the Commission dated February 16, 2001 and related submission.

This scheme is approved, subject to the conditions herein contained and, in particular:

1. The area of the scheme shall consist of units 98-100 of Block C, unit 91 of Block D, units 1, 11, 21 of Block E and units 8-10, 18-20 and 28-30 of Block F/94-H-7.
2. The project oil allowable 173.0 m³/d.
3. Gas production from the project will be limited to 60.0 10³m³/d.
4. All produced gas must be conserved.
5. The requirements of section 9 of the *Drilling and Production Regulation* are hereby waived, provided that oil wells within the scheme area are not completed nearer than 100 m to the sides of the approved area.
6. This approval may be modified or rescinded at a later date if deemed appropriate.



Craig Gibson
Manager
Reservoir Engineering and Geology

DATED AT the City of Victoria, in the Province of British Columbia, this 20th day of March, 2001.