



Copies for Approval Letter to Industry (11)

RE: GEP, Salt Water Disposals, etc.

- G. Miltenberger
- Data Management
- R. Stefik
- D. Richardson
- P. Attariwala
- G. Farr
- S. Chicorelli
- Resource Revenue
- 59240
- Wellfiles (originals)
- Daily

980413
8900-4800-59240-07

May 7, 1998

Ms. Bev Prefontaine
Reservoir Technologist
Encal Energy Ltd.
1800 421 7th Ave SW
Calgary AB T2P 4K9

Encal Project (02)

Dear Ms. Prefontaine:

**RE: APPLICATION FOR CONCURRENT PRODUCTION
ZAREMBA - HALFWAY "I" POOL**

Attached is a Concurrent Production scheme approval for the subject pool, as requested in your application dated April 23, 1998.

The Approval 98-07-008 is hereby granted under section 97 of the Petroleum and Natural Gas Act.

This approval is intended to allow operational flexibility in order to maximize oil recovery. There are no equity issues at this time; however, the approval conditions may be modified if oil wells outside the scheme area are completed in the subject pool by another operator or a lower producing GOR oil well is completed.

Yours sincerely,

Bou van Oort, P. Eng.
Director
Engineering and Operations Branch

RGS/mef

Attachment

APPROVAL 98-07-008

THE PROVINCE OF BRITISH COLUMBIA
PETROLEUM AND NATURAL GAS ACT
MINISTRY OF ENERGY AND MINES
ENERGY AND MINERALS DIVISION

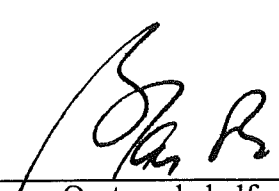
IN THE MATTER of a Concurrent Production scheme of Encal Energy Ltd. (Encal) for producing the Zarembo Halfway "I" oil pool without spacing and target restrictions and without a project oil allowable.

NOW, THEREFORE, the Division Head, pursuant to section 97 of the Petroleum and Natural Gas Act, hereby approves a Concurrent Production project of Encal for production of oil without an allowable, as such scheme is described in

an Application from Encal Energy Ltd. to the Division dated April 23, 1998, 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 58, 59, 68 and 69 of Block L/94-H-7.
2. The daily oil allowable is waived.
3. Gas production from the project will be limited to 90 e³ m³/d.
4. 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.
5. All produced gas must be conserved.
6. Royalty-exempt oil production from the discovery well Encal et al Zarembo b-69-L/94-H-7 (WA# 10101) is limited to a volume of 2,823.2 m³ or the volume produced in the first 36 producing months, whichever is lesser.
7. This approval may be modified or rescinded at a later date if deemed appropriate.



B. van Oort, on behalf of
the Division Head
Energy and Minerals Division

DATED AT the City of Victoria, in the Province of British Columbia, this 7th day of May, 1998.