



February 19, 2007

5600-4540-59240-06

Ryan Chong  
Vice President, Production  
Crew Energy Inc.  
1920, 205 – 5<sup>th</sup> Avenue SW  
Calgary AB T2P 2V7

Dear Mr. Chong:

**RE: RESOURCE CONSERVATION BRANCH DECISION – DECEMBER 12, 2005  
GOOD ENGINEERING PRACTICE APPROVAL WITH CONCURRENT PRODUCTION  
APPROVAL; LAPRISE CREEK – COPLIN “B”**

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The Commission has reviewed your letter dated November 2, 2006, requesting a technical review of the OGC decision made on December 12, 2005 regarding an application for Good Engineering Practice with Concurrent Production for the subject pool.

Crew Energy Inc. (Crew) and E4 Energy Inc. (E4) have requested a technical review of the OGC decision dated December 12, 2005, denying GEP with concurrent production. Specifically, with regard to five points raised by the OGC in their decision letter;

- 1. The performance from other analogous pools and how they relate to the Coplin “B” pool. Crew/E4 assume that the OGC has completed technical work that supports waterflood on analogous pools. They would like to understand how these pools were modeled and how their actual performance has benefited once waterflood was implemented?*

There are a number of Charlie Lake oil pools in the Oak area which the Commission considers analogous to the Laprise Creek pools although there are some differences in pay thickness and pool sizes. Pressure maintenance has yielded considerable benefit with regard to overall recovery for these Charlie Lake oil pools. Additionally, BG Canada operates the Bubbles North Coplin “A” oil pool to the west of Laprise Creek. With regard to BG Canada’s pressure maintenance scheme in Bubbles North, historical water injection volumes have been less than optimal and BG is currently in the process of optimizing their scheme. The results of BG Canada’s simulation work are confidential and cannot be shared with Crew and E4. The OGC does not have modeling capabilities and as such rely on the operating company and their partners to perform modeling and submit the results along with their applications.

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**RESOURCE CONSERVATION BRANCH**

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2. *An understanding of why the simulation study, requested by the OGC, was apparently not considered even though completed by a third party firm?*

The OGC considers all technical information, including simulation study results, pressure and production information, material balance analysis and any other technical information available when making a decision on these types of applications. Simulation study results, third party or operator generated, provide a tool for decision making and do not provide a definitive answer with regard to pool performance. Furthermore, the Commission requested an update to Crew’s modeling as a condition of approval for the concurrent production application because it was our view that there was not enough information available in 2004 for accurate modeling. The Commission allowed Crew considerable flexibility in granting the interim concurrent production approval in June 2004.

3. *The cost estimate for waterflood supplied by Tartan Engineering was considered “too high”?*  
The Commission did not indicate in either response letter that the waterflood economics, provided by Tartan Engineering, were too high. However, the Commission did reiterate in our December 2005 response that Crew and E4 felt that the cost of facilities and finding water in the area were extremely high.
4. *In the OGC letter it was noted that there was a ready supply of water from adjacent Baldonnel producing wells. Crew/E4 indicates that the water available is neither sufficient in volume nor economic to gather.*

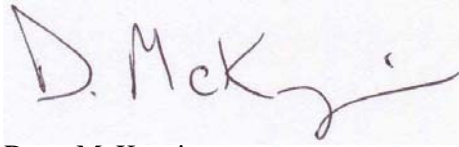
The OGC indicated that Northpine had identified a ready supply of water from adjacent producing gas wells and shut-in gas wells. The OGC did not intend to suggest that the quantity of water was sufficient, but rather that an alternative to drilling a source well may be available and should be investigated. The wells that were identified are within about 6 kms of the Laprise oil pools, which is a similar distance to that contemplated by Crew in their economic evaluation. It is also worth noting that BG Canada trucks injection water to their facilities for pressure maintenance on the Bubbles North Coplin “A” pool.

5. *The OGC stated that additional performance and pressure information from the pool is necessary to decide on a proper depletion strategy. What further information is required and the benefit of obtaining this information?*

Additional production and pressure information can provide for increased confidence in oil in place values, estimates of recoverable oil and gas/oil ratio trends. The Commission recognizes and appreciates that Crew and E4 have recently obtained an additional pressure from the b-A56-H well.

Crew and E4 applied for Concurrent production with Good Engineering Practice approval on October 25, 2005. Since that time an additional  $10.8 \times 10^3 \text{ m}^3$  of oil and  $5.0 \times 10^6 \text{ m}^3$  of gas have been produced and an additional pressure point was obtained from b-A56-H. The Commission, having completed a thorough review of the Laprise Creek – Coplin “B” pool, is willing to entertain an application for Concurrent Production with Good Engineering Practice from Crew Energy and E4 Energy.

Sincerely,

A handwritten signature in dark ink, appearing to read "D. McKenzie", with a long horizontal flourish extending to the right.

Doug McKenzie  
Director  
Resource Conservation Branch

Cc: Graham Cormack, E4 Energy Inc.