



August 2, 2011

2000-4800-59240-06

Gordon Thompson
Consultant
KXL Exploration Ltd.
850, 700 – 4th Ave. SW
CALGARY, AB T2P 3J4

Dear Mr. Thompson:

**RE: CONCURRENT PRODUCTION SPECIAL PROJECTS – AMENDMENT #1
OTHER THAN NORMAL SPACING ORDERS – AMENDMENT #1
BOUNDARY LAKE FIELD – HALFWAY “K” AND “M” POOLS**

Concurrent Production approvals for the Boundary Lake Halfway “K” and “M” pools were issued on January 11, 2011. A requested review of porosity and water saturation values within the Triassic pay zones, based on available core analysis correlations, has resulted in a revision to the values used in the calculation of well Daily Oil Allowables (DOAs).

The following Orders, amended to reflect increases in pool DOAs and associated Daily Gas Limits (DGLs), are attached:

- 1) Orders 11-07-001 Amendment #1 and 11-07-002 Amendment #1 designating Concurrent Production for the Boundary Lake field Halfway “K” and “M” pools as Special Projects under section 75 of the *Oil and Gas Activities Act*, and
- 2) Orders 11-07-001-OTN Amendment #1 and 11-07-002-OTN Amendment #1 approving Other Than Normal Spacing under section 65.1 of the *Petroleum and Natural Gas Act* for the subject field and pools.

Should you have any questions, please contact Ron Stefik at (250) 419-4430 or Travis Mercure (250) 419-4448.

Sincerely,

A handwritten signature in black ink, appearing to read 'Alex Ferguson', is written over a horizontal line.

Alex Ferguson
Commissioner
Oil and Gas Commission

Attachments

IN THE MATTER of an application from KXL Energy Ltd. to the Commission dated July 25, 2011 for a Concurrent Production project amendment.

ORDER 11-07-001 AMENDMENT #1

1. Under Section 75(1)(a) of the *Oil and Gas Activities Act*, the Boundary Lake field – Halfway “K” pool is designated as a special project for enhanced recovery of petroleum and natural gas utilizing Concurrent Production within the following area;

DLS Twp 86 Rge 13 W6M – NW/4 Fractional Section 4
DLS Twp 86 Rge 13 W6M – NE/4 Section 5
DLS Twp 86 Rge 13 W6M – Section 8
DLS Twp 86 Rge 13 W6M – W/2 Fractional Section 9
DLS Twp 86 Rge 13 W6M – SW/4 Fractional Section 16
DLS Twp 86 Rge 13 W6M – SE/4 Section 17.
2. The project daily oil allowable is 97.0 m³.
3. The project daily gas limit is 34.4 10³m³.
4. All produced gas must be conserved.



Alex Ferguson
Comissioner
Oil and Gas Commission

DATED AT the City of Victoria, in the Province of British Columbia, this 2 day of August 2011.

IN THE MATTER of an application from KXL Energy Ltd. to the Commission dated July 25, 2011 for Other Than Normal Spacing.

ORDER 11-07-001-OTN AMENDMENT #1

- 1 Under Section 65.1(2) of the *Petroleum and Natural Gas Act*, Other Than Normal Spacing is approved within the Boundary Lake field Halfway "K" oil pool within the following area;

DLS Twp 86 Rge 13 W6M – NW/4 Fractional Section 4
DLS Twp 86 Rge 13 W6M – NE/4 Section 5
DLS Twp 86 Rge 13 W6M – Section 8
DLS Twp 86 Rge 13 W6M – W/2 Fractional Section 9
DLS Twp 86 Rge 13 W6M – SW/4 Fractional Section 16
DLS Twp 86 Rge 13 W6M – SE/4 Section 17.

- 2 Under section 65.1(3) of the *Petroleum and Natural Gas Act*, I specify the following:

- a) the target area for an oil well completed within the project area is not nearer than 100 m to the sides of the Other Than Normal Spacing area,
- b) an oil well completed outside the specified target area may be subject to an off-target production penalty,
- c) oil wells drilled within the specified project area are not subject to spacing requirements.



Richard Slocomb
Supervisor, Reservoir Engineering
Oil and Gas Commission

DATED AT the City of Victoria, in the Province of British Columbia, this 2 day of August 2011.

IN THE MATTER of an application from KXL Energy Ltd. to the Commission dated July 25, 2011 for a Concurrent Production project amendment.

ORDER 11-07-002 AMENDMENT #1

1. Under Section 75(1)(a) of the *Oil and Gas Activities Act*, the Boundary Lake field – Halfway “M” pool is designated as a special project for enhanced recovery of petroleum and natural gas utilizing Concurrent Production within the following area;


DLS Twp 86 Rge 13 W6M – NW/4 Fractional Section 16

DLS Twp 86 Rge 13 W6M – NE/4 Section 17

DLS Twp 86 Rge 13 W6M – Section 20

DLS Twp 86 Rge 13 W6M – W/2 Fractional Section 21.

2. The project daily oil allowable is 65.3 m³.
3. The project daily gas limit is 23.2 10³m³.
4. All produced gas must be conserved.



Alex Ferguson
Commissioner
Oil and Gas Commission

DATED AT the City of Victoria, in the Province of British Columbia, this 2 day of August 2011.

IN THE MATTER of an application from KXL Energy Ltd. to the Commission dated July 25, 2011 for Other Than Normal Spacing.

ORDER 11-07-002-OTN AMENDMENT #1

- 1 Under Section 65.1(2) of the *Petroleum and Natural Gas Act*, Other Than Normal Spacing is approved within the Boundary Lake field Halfway "M" oil pool within the following area;

DLS Twp 86 Rge 13 W6M – NW/4 Fractional Section 16

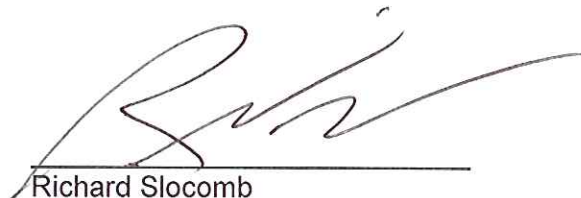
DLS Twp 86 Rge 13 W6M – NE/4 Section 17

DLS Twp 86 Rge 13 W6M – Section 20

DLS Twp 86 Rge 13 W6M – W/2 Fractional Section 21.

- 2 Under section 65.1(3) of the *Petroleum and Natural Gas Act*, I specify the following:

- a) the target area for an oil well completed within the project area is not nearer than 100 m to the sides of the Other Than Normal Spacing area,
- b) an oil well completed outside the specified target area may be subject to an off-target production penalty,
- c) oil wells drilled within the specified project area are not subject to spacing requirements.



Richard Slocomb
Supervisor, Reservoir Engineering
Oil and Gas Commission

DATED AT the City of Victoria, in the Province of British Columbia, this 2 day of August 2011.