



March 9, 2012

2000-4800-59240-07

Gordon Thompson
Consultant
KXL Exploration Ltd.
1200, 700 – 4th Ave. SW
CALGARY, AB T2P 3J4

Dear Mr. Thompson:

**RE: CONCURRENT PRODUCTION SPECIAL PROJECT
OTHER THAN NORMAL SPACING ORDER
BOUNDARY LAKE FIELD – HALFWAY FORMATION**

The Commission has reviewed your application dated December 16, 2011, requesting approval of Good Engineering Practice and Concurrent Production for the Boundary Lake field – upper and lower Halfway pools.

The Commission maps the upper and lower Halfway pools over the application area as a single formation, removing commingling as an issue. The Boundary Lake Halfway completions have been producing from well KXL BOUNDARY 10-25-85-14 (WA# 24909) since September 2009.

The OGC agrees with KXL that approving project based Oil Allowable and Daily Gas Limit would help improve production capabilities for the 10-25 well within the project area without significantly sacrificing recoverable oil and gas reserves.

The following Orders are attached:

- 1) Order 12-07-001 designating Concurrent Production for the Boundary Lake field - Halfway pool as a Special Project under section 75 of the *Oil and Gas Activities Act*, and
- 2) Order 12-07-001-OTN approving Other Than Normal Spacing under section 65.1 of the *Petroleum and Natural Gas Act* for the subject field and pool (formerly conferred under GEP approval).

Should you have any questions, please contact Ron Stefik at (250) 419-4430 or Kelly Okuszko (250) 419-4433.

Sincerely,

A handwritten signature in black ink, appearing to read 'Paul Jeakins', is written over a light blue horizontal line.

Paul Jeakins
Commissioner & CEO
Oil and Gas Commission

Attachments

IN THE MATTER of an application from KXL Exploration Ltd. to the Commission dated December 16, 2011 for a Concurrent Production project.

ORDER 12-07-001

- 1 Under Section 75(1)(a) of the *Oil and Gas Activities Act*, the Boundary Lake field – Halfway formation is designated as a special project for enhanced recovery of petroleum and natural gas utilizing Concurrent Production within the following area;
DLS Twp 85 Rge 14 W6M – N/2 Section 25.
- 2 Under section 75(2) of the *Oil and Gas Activities Act*, I specify the following:
 - a) The project daily oil allowable is 33.2 m³.
 - b) The project daily gas limit is 46.6 10³m³.
 - c) All produced gas must be conserved.



Paul Jeakins
Commissioner & CEO
Oil and Gas Commission

DATED AT the City of Victoria, in the Province of British Columbia, this 9th day of March 2012.

IN THE MATTER of an application from KXL Exploration Ltd. to the Commission dated December 16, 2011 for Other Than Normal Spacing.

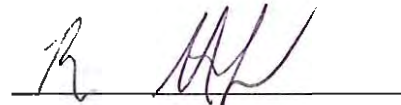
ORDER 12-07-001-OTN

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 oil pool within the following area;

DLS Twp 85 Rge 14 W6M –N/2 Section 25.

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.



Ron Stefik, AScT
Sr Technical Advisor,
Reservoir Engineering
Oil and Gas Commission

DATED AT the City of Victoria, in the Province of British Columbia, this 9th day of March 2012.