



OIL AND GAS COMMISSION

December 21, 2007

7600-4800-59240-07

David Grohs, P.Eng.
President & CEO
Pavilion Energy Corp.
222 – 10451 Shellbridge Way
Richmond, BC V6X 2W8

Dear Mr. Grohs:

**RE: CONCURRENT PRODUCTION APPROVAL
RIGEL – HALFWAY “C” POOL**

Commission staff have reviewed your application, dated October 4, 2007, to commence production of the Rigel field Halfway “C” pool gascap reserves.

Pool oil reserves have reached an advanced state of depletion, with remaining wells operating very close to their apparent economic limit. Efficient exploitation has been achieved by two waterflood pressure maintenance projects operating in this pool. Managed gas production should optimize pool hydrocarbon resource potential by supporting the economic life of the existing oil production infrastructure.

Approval 07-07-010 is hereby granted under Section 97 of the Petroleum and Natural Gas Act. This approval will specifically allow production of the gascap well c-40-L/94-A-9 (WA# 4957).

An objection to this application was filed by Canadian Natural Resources Limited, the operator of oil wells in this pool. The significant volume of water injected at the well c-20-L/94-A-9 (WA# 7521) should provide an effective “water-fence”, isolating the controlled gas cap production at c-40-L from the producing oil wells for sufficient time to capture remaining recoverable reserves.

Please note that the project allowable may be amended if gascap withdrawal is observed to be having an adverse impact on remaining pool oil recovery.

Should you have any questions, please contact Ron Stefik at (250) 952-0310.

Sincerely,

Richard Slocomb, P.Eng.
Supervisor, Reservoir Engineering
Resource Conservation

Attachment

cc: Canadian Natural Resources Limited (attn Gerard Iannattone)

RESOURCE CONSERVATION

PO Box 9329 Stn Prov Gov't, Victoria BC V8W 9N3 Tel: (250) 952-0302 Fax: (250) 952-0301
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APPROVAL 07-07-010

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

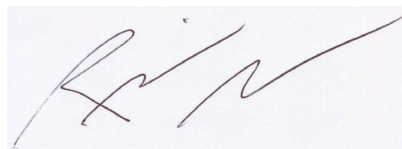
IN THE MATTER of a Concurrent Production scheme of Pavilion Energy Corp. (Pavilion) for producing gascap gas from the Rigel Halfway "C" pool with a project gas allowable.

NOW, THEREFORE, the Commission, pursuant to Section 97 of the Petroleum and Natural Gas Act, hereby approves a Concurrent Production scheme of Pavilion for gas production with project allowable, as such scheme is described in

an Application to the Commission dated October 4, 2007 and related submissions.

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

1. The area of the scheme shall consist of:
94-A-9 Block L Units 40, 50
94-A-10 Block I Units 31 and 41.
2. The project daily gas allowable, from the well c-40-L/94-A-9 (WA# 4957), is limited to $22.5 \times 10^3 \text{m}^3/\text{d}$.
3. All produced gas must be conserved.
4. This approval may be modified or rescinded at a later date if deemed appropriate.



Richard Slocomb
Supervisor, Reservoir Engineering
Resource Conservation

DATED AT the City of Victoria, in the Province of British Columbia, this 21st day of December, 2007.