



November 14, 2006

7900-4580-59240-07

Kevin Gunning  
Reservoir Engineer  
Pengrowth Corporation  
2900, 240 – 4<sup>th</sup> Avenue S.W.  
Calgary AB T2P 4H4

Dear Mr. Gunning:

**RE: CONCURRENT PRODUCTION APPROVAL  
SQUIRREL – NORTH PINE “C” POOL**

Commission staff have reviewed your application, dated October 24, 2006, to commence production of the Squirrel field North Pine “C” pool gascap reserves.

Pool oil reserves have reached an advanced state of depletion. Efficient exploitation has been achieved by initial gas re-injection, followed by the present waterflood pressure maintenance project and additional delineation/infill drilling. Apparent reservoir discontinuities, based on depositional dune trend modeling and supporting reservoir pressure and production data, would support the commencement of gascap production from selective locations. Managed gas production, with continued waterflood injection, should optimize pool hydrocarbon resource potential by supporting the economic life of the existing production infrastructure.

Approval 06-07-007 is hereby granted under Section 97 of the Petroleum and Natural Gas Act. This approval will specifically allow production of the gascap well 11-6-88-19 (WA# 18590) and continued high gas-oil ratio production from 7-1-88-18 (WA# 18567) under a project daily gas allowable. The gascap well 07-31-87-19 (WA# 12336) is excluded from this approval area. Future amendment to include this or other wells will be dependent on response to the initial gascap production program.

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.

Also attached is amendment #6 to waterflood pressure maintenance Approval 01-09-001 for the subject pool, removing the voidage replacement based production allowable.

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

Sincerely,

Doug McKenzie  
Director  
Resource Conservation Branch

Attachments

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**RESOURCE CONSERVATION BRANCH**

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**APPROVAL 06-07-007**

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

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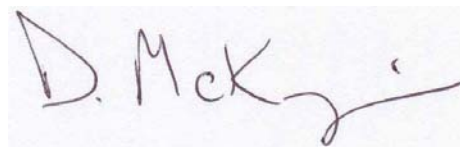
IN THE MATTER of a Concurrent Production scheme of Pengrowth Corporation (Pengrowth) for producing gascap gas from the Squirrel North Pine "C" pool with a project gas allowable.

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

*an Application to the Commission dated October 24, 2006 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  
Twp 88 Rge 19 W6M – section 6  
Twp 88 Rge 20 W6M – section 1.
2. The project daily gas production limit is  $90.0 \times 10^3 \text{m}^3$ .
3. Gas production from the well 07-01-88-20 W6M (WA# 18567) is limited to  $15.0 \times 10^3 \text{m}^3/\text{d}$ .
4. All produced gas must be conserved.
5. The requirements of Section 10 of the *Drilling and Production Regulation* are hereby waived, provided that gas wells within the scheme area are not completed nearer than 250 m to the sides of the approved area.
6. This approval may be modified or rescinded at a later date if deemed appropriate.



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Doug McKenzie  
Director  
Resource Conservation Branch

DATED AT the City of Victoria, in the Province of British Columbia, this 14th day of November, 2006.

**APPROVAL 01-09-001 (Amendment #6)**

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

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IN THE MATTER of a pressure maintenance scheme of Pengrowth Corporation (Pengrowth) for recovery of oil by water and gas injection in the Squirrel North Pine "C" Pool.

NOW THEREFORE, the Commission, pursuant to Section 100 of the Petroleum and Natural Gas Act, R.S.B.C. 1996, c.361 orders as follows:

The pressure maintenance scheme of Pengrowth for recovery of oil by waterflooding and produced gas re-injection in the Squirrel North Pine "C" Pool as described in the application to the Commission dated February 6, June 14, September 7, 2001, November 16, 2001, March 8, 2002, March 22, 2005 and October 24, 2006 is amended, subject to the following terms:

1. The project area of the pressure maintenance scheme consists of;  
Twp 87 Rge 19 W6M - NW/4 section 30 and section 31  
Twp 87 Rge 20 W6M - N/2 and SE/4 section 25, NE/4 section 26, sections 35, 36  
Twp 88 Rge 19 W6M - section 6  
Twp 88 Rge 20 W6M - section 1, S/2 and NE/4 section 2.
2. The project oil allowable is waived.
3. Water may be injected into the Squirrel North Pine "C" pool through the wells 16-25, 3-35, 7-36-87-20, 4-6-88-19 and 1-2-88-20 W6M.
4. Produced gas may be re-injected into the Squirrel North Pine "C" pool through the well 7-31-87-19 W6M.
5. The injection pressure measured at the sandface must not exceed the formation fracture pressure.
6. An oil well may be completed anywhere within the project area provided that it is not nearer than 100 m to the sides of the project area.
7. Progress reports shall be filed as stipulated in Section 8 of the *Petroleum and Natural Gas General Regulation*.
8. The operations of the pressure maintenance scheme will be subject to periodic review and modification to the approval may be ordered, if deemed appropriate.

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Doug McKenzie  
Director  
Resource Conservation Branch

DATED AT the City of Victoria, in the Province of British Columbia, this 14th day of November 2006.