



May 15, 2006

9000-8290-59240-15
OGC - 06187

Ayn Becze
Reservoir Engineer
Apache Canada Ltd.
1000, 700 - 9th Avenue S.W.
Calgary AB T2P 3V4

Dear Ms. Becze:

**RE: EXPERIMENTAL SCHEME APPROVALS
OOTLA AREA - MUSKWA FORMATION**

The Commission has reviewed your application dated February 22, 2006 requesting experimental scheme approvals to explore, develop, evaluate and test the shale gas potential of the Muskwa Formation in the Ootla area in northeast British Columbia.

Attached are Approvals 06-15-002 and 06-15-003 for the application granted under section 100 of the Petroleum and Natural Gas Act. At this time there is very limited information available for the shale gas potential in the Muskwa formation in the subject areas. Accordingly, the schemes are considered experimental, as they require ongoing research as to drilling, completion and production methodology. No objections were received following the publication of a notice of your application in the B.C. Gazette.

The Commission must be notified in writing of the effective commencement date of activity for the scheme approval. In accordance with section 57 of the *Drilling & Production Regulation* all well reports and well data will be held confidential for a period of 3 years after the date of release of the drilling rig.

Please note that progress reports, as specified in item 5 of the approvals, must be submitted on an annual basis with the first one due on the first anniversary of the commencement date.

If you have any questions please contact Richard Slocomb at (250) 952-0366.

Sincerely,

Doug McKenzie
Director
Resource Conservation Branch

Attachments

**Approval Letters to Industry
Experimental Schemes -
CBM, SHALE GAS, Etc.**

Copy 10

- Daily
- Wellfile (originals)
- 59240
- R. Slocomb
- R. Stefik
- G. Farr
- Resource Revenue
- S. Chicorelli
- D. Krezanoski (FSJ)
- L. Stellmaker (FSJ)

RESOURCE CONSERVATION BRANCH

PO Box 9329 Stn Prov Gov't, Victoria BC V8W 9N3 Tel: (250) 952-0302 Fax: (250) 952-0291
Location: 6th Flr 1810 Blanshard St. Victoria BC

Headquarters: #200, 10003 110th Ave, Fort St. John BC V1J 6M7 Tel: (250) 261-5729 Fax: (250) 261-5744
www.ogc.gov.bc.ca

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

IN THE MATTER of the experimental scheme of Apache Canada Ltd. (Operator) to test the commercial viability of Muskwa shale gas in the Ootla area of NE British Columbia.

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

1. The experimental scheme for the exploration and development of Muskwa shale gas in the Ootla area, as such proposal is described in the application to the Commission dated February 22, 2006 is hereby approved, subject to terms and conditions herein contained.
2. The area of the experimental scheme consists of:
 - 094-O-09
 - Block A – units 71-75, 81-85, 92, 93
 - Block H – units 2, 3, 12, 13, 22, 23, 32, 33, 42, 43, 52, 53, 62, 63
 - 094-P-12
 - Block D – units 80 and 90.
3. The gas wells within the scheme area may be produced without individual well allowable restrictions.
4. 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 scheme area.
5. The Operator must submit a progress report to the Commission annually. The progress report is due within 60 days after the end of each period and must contain:
 - a) the daily average rate of gas and water produced during each month for each producing well, and for the scheme as a whole,
 - b) the monthly cumulative gas and water production from each producing well, and for the scheme as a whole,
 - c) details of any workover or fracture treatment program done on any of the wells with results of the workovers or fracture treatment,
 - d) an evaluation of bottom hole pressures and any other data collected,
 - e) representative sample analysis of produced gas and water,
 - f) a discussion of the overall performance of the scheme,
 - g) any other information that is considered necessary, in the opinion of the Commission, to evaluate the progress, performance and efficiency of the scheme.

6. The operations of the experimental scheme will be subject to review by the Commission. The Director, Resource Conservation Branch or the Director, Operations Engineering Branch, may issue guidelines regarding the operations of the scheme.
7. The approval or any condition of it may be modified or rescinded, if deemed appropriate.



Doug McKenzie
Director
Resource Conservation Branch

DATED AT the City of Victoria, in the Province of British Columbia, this 15 day of May 2006.

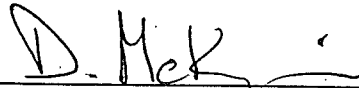
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2. The area of the experimental scheme consists of:
094-P-12
Block E – units 18, 19, 28, and 29.
3. The gas wells within the scheme area may be produced without individual well allowable restrictions.
4. The requirements of Section 10 of the Drilling 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 scheme area.
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 - a) the daily average rate of gas and water produced during each month for each producing well, and for the scheme as a whole,
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