



July 29, 2002

5852-7710-59240-15
OGC - 02127

Larry Buzan
Senior Landman
Burlington Resources Canada Ltd.
P.O. Box 4365, Postal Station C
Calgary AB T2T 5N2

Burlington Experimental Project (02)

Dear Mr. Buzan:

**RE: EXPERIMENTAL SCHEME FOR SHALE GAS DEVELOPMENT
MAXHAMISH LAKE, EXSHAW FORMATION**

The Commission has reviewed your application dated June 25, 2002 requesting experimental scheme approval to evaluate and test the viability of shale gas exploration and development in the Exshaw formation of the Maxhamish Lake area in northeast British Columbia.

Attached is Approval 02-15-002 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 viability of shale gas production. Accordingly, the scheme is considered experimental, as it requires ongoing research as to production methodology. No objections were received following the publication of a notice of your application in the B.C. Gazette.

In accordance with section 57 of the *Drilling & Production Regulation* all well reports and well data within the scheme area will be held confidential for a period of 3 years.

Please note that the progress reports, as specified in item 5 of the approval, must be submitted on an annual basis with the first one due on August 31, 2003.

Sincerely,

Craig Gibson, P. Eng.
Manager
Reservoir Engineering and Geology

Attachment

Approval Letters to Industry
GEP, SWD, CONCURRENT PROD,
PRESSURE MAINTENANCE,
WATERFLOOD, ETC.

Copy 10

- Wellfile (originals)
- 59240
- Daily
- Resource Revenue
- S. Chicorelli
- R. Stefik
- G. Farr
- P. Attariwala
- C. Gibson
- D. Krezanoski

ENGINEERING AND GEOLOGY BRANCH

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APPROVAL 02-15-002

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

IN THE MATTER of the experimental scheme of Burlington Resources Canada (Operator) for shale gas exploration and development of the Exshaw Formation in the Maxhamish Lake 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 shale gas from the Exshaw Formation in the Maxhamish Lake area, as such proposal is described in the application to the Commission dated June 25, 2002 is hereby approved, subject to terms and conditions herein contained.
2. The area of the experimental scheme consists of units 36-40, 46-50, 56-60, 66-70, 76-80, and 86-90 of Block J, units 31, 41, 51, 61, 71, and 81 of Block K/94-O-6.
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) a discussion of the overall performance of the scheme,
 - e) representative sample analysis of produced gas and water,
 - f) an evaluation of bottom hole pressures and any other data collected,
 - 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 Manager, Reservoir Engineering and Geology or the Manager, Operations Engineering, 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.



Craig Gibson
Manager
Reservoir Engineering and Geology

DATED AT the City of Victoria, in the Province of British Columbia, this 27th day of July, 2002.