



December 17, 2008

9000-8285-59240-15

Dave Bernhardt, P.Eng.  
Group Lead, Horn River Subsurface  
Encana Corporation  
Encana on 9<sup>th</sup>  
150, 9<sup>th</sup> Avenue SW  
Calgary AB T2P 2S5

Dear Mr. Bernhardt:

**RE: EXPERIMENTAL SCHEME APPROVAL, AMENDMENT #2**  
**ETSHO AREA – HORN RIVER FORMATION**

The Commission has reviewed your application received October 14, 2008 requesting an amendment to the existing experimental scheme approval to explore, develop, evaluate and test the shale gas potential of the Horn River formation, in the Etsho area in northeast British Columbia.

Attached is Approval 07-15-002 (Amendment #2) for the application granted under section 100 of the Petroleum and Natural Gas Act. In consideration of the large amendment request and shift in focus to select areas within the basin, EnCana and their partner Apache Canada has agreed to cancel their existing scheme approvals in the Trail and Ootla areas. As such the Commission hereby rescinds Approval 06-15-001, granted March 31, 2006 and Approval 07-15-004, granted March 21, 2007.

Sincerely,

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

Attachments

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**RESOURCE CONSERVATION**

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

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

APPROVAL 07-15-002 (Amendment #2)

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

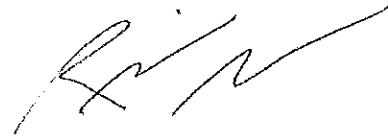
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IN THE MATTER of the experimental scheme of Encana Corporation (Encana) to test the commercial viability of Horn River shale gas in the Etsho area of NE British Columbia.

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 Horn River shale gas in the Etsho area, as such proposal is described in the application to the Commission received October 14, 2008 is hereby amended, subject to terms and conditions herein contained.
2. The area of the experimental scheme consists of:
  - 94-O-8
  - Block J – units 38, 39, 48, 49, 58-60, 68-70, 78-80, 88-90
  - Block K – units 36-40, 46-51, 54-61, 64-90, 96-100
  - Block L – units 31, 41, 51-53, 61-63, 71-73, 81-83, and 91-93.
  
  - 94-O-9
  - Block C – units 6-10
  - Block D – unit 1-3
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 or the Director, Drilling and Production, may issue guidelines regarding the operations of the scheme.
7. The Operator of the scheme shall complete operations as set out in the proposed program described in the application from EnCana to the Commission dated October 14, 2008.
8. The approval or any condition of it may be modified or rescinded, if deemed appropriate.



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

DATED AT the City of Victoria, in the Province of British Columbia, this 17<sup>th</sup> day of December 2008.