



OIL AND GAS COMMISSION

September 7, 2006

5852-7710-59240-15

Lance Hartwell
Project Geologist
EOG Resources Canada Inc.
1300, 700 – 9th Avenue S.W.
Calgary AB T2P 3V4

Dear Mr. Hartwell:

RE: EXPERIMENTAL SCHEME APPROVAL
MAXHAMISH AREA – DEVONIAN FORMATION

The Commission has reviewed your application received July 10, 2006 requesting experimental scheme approval to explore, develop, evaluate and test the shale gas potential of the Devonian sequence in the Maxhamish area in northeast British Columbia.

Attached is Approval 06-15-004 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 Devonian formations in the subject area. Accordingly, the scheme is considered experimental, as it requires 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 for a well forming part of this experimental scheme.

Please note that progress reports, as specified in item 4 of the approvals, must be submitted on an annual basis with the first one due on the first anniversary of the commencement date.

Sincerely,

Doug McKenzie
Director
Resource Conservation Branch

Attachments

RESOURCE CONSERVATION BRANCH

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APPROVAL 06-15-004

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

IN THE MATTER of the experimental scheme of EOG Resources Canada Inc. (Operator) to test the commercial viability of Devonian shale gas in the Maxhamish 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 Devonian shale gas in the Maxhamish area, as such proposal is described in the application to the Commission received July 10, 2006 is hereby approved, subject to terms and conditions herein contained.
2. The area of the experimental scheme consists of units 12, 13, 22 and 23 of Block L/94-O-15.
3. The gas wells within the scheme area may be produced without individual well allowable restrictions.
4. 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.
5. 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.
6. 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 7th day of September 2006.