



August 23, 2007

5852-8285-59240-15

Colleen Marples
Senior Reservoir Engineer
EOG Resources Canada Inc.
1300, 700 – 9th Avenue S.W.
Calgary AB T2P 3V4

Dear Ms. Marples:

**RE: EXPERIMENTAL SCHEME APPROVAL (AMENDMENT #1)
MAXHAMISH AREA – HORN RIVER FORMATION**

The Commission has reviewed your application dated July 26, 2007 requesting an amendment to the 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.

The Commission has designated the formations within the area of application as the Horn River. The Commission believes that the Horn River formation is a more accurate description of the shale formations being explored and is consistent with other approvals issued within this area of the Province.

Additionally, in their original application EOG proposed to drill multiple wells per gas spacing unit in order to maximize recovery of the shale gas resource. The Commission neglected to waive the requirements of Section 10 of the *Drilling and Production Regulation* to allow for increased drilling density within the experimental scheme area. This oversight has been corrected in the attached approval amendment. Attached is Approval 06-15-004 (Amendment #1) for the application granted under section 100 of the Petroleum and Natural Gas Act. No objections were received following the publication of a notice of your application in the B.C. Gazette.

Please note that the first progress report for this project is due October 27, 2007, as specified in item 5 of the approval.

Sincerely,

Doug McKenzie
Director
Resource Conservation Branch

Attachments

RESOURCE CONSERVATION BRANCH

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Location: 6th Flr 1810 Blanshard St. Victoria BC

APPROVAL 06-15-004 (Amendment #1)

**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 Horn River 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 Horn River shale gas in the Maxhamish area, as such proposal is described in the application to the Commission received July 26, 2007 is hereby amended, subject to terms and conditions herein contained.
2. The area of the experimental scheme consists of;
94-O-15 Block E – units 91-93
Block F – unit 100
Block K – units 10, 20, 30
Block L – units 1-3, 11-13, and 21-23
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.

A handwritten signature in dark ink, appearing to read "D. McKenzie", is written over a light-colored rectangular background. The signature is cursive and includes a long horizontal flourish extending to the right.

Doug McKenzie
Director
Resource Conservation Branch

DATED AT the City of Victoria, in the Province of British Columbia, this 23rd day of August 2007.