



April 27, 2007

9000-8285-59240-15

Joe English, P.Geol.
Geologist
Nexen Inc.
Canadian Oil and Gas Division
801 – 7th Avenue SW
Calgary, Alberta T2P 3P7

Dear Mr. English:

**RE: EXPERIMENTAL SCHEME APPROVAL
OOTLA AREA – HORN RIVER FORMATION**

The Commission has reviewed your application received March 22, 2007 requesting experimental scheme approval to explore, develop, evaluate and test the shale gas potential of the Devonian shale sequence, specifically the Muskwa, Otter Park and Evie formations, in the Ootla area in northeast British Columbia.

For ease and consistency of terminology, the three shale formations under application (Muskwa, Otter Park and Evie) as a group will be referred to as the Horn River formation. Attached are Approvals 07-15-005 (Nexen Project #1), 07-15-006 (Nexen Project #2), 07-15-007 (Nexen Project #3) and 07-15-008 (Nexen Project #4) granted under section 100 of the Petroleum and Natural Gas Act. At this time there is limited information available for the shale gas potential in the Horn River formation 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 posting of a notice of your application on the OGC website.

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 5 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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Location: 6th Flr 1810 Blanshard St. Victoria BC

Headquarters: #200, 10003 110th Ave, Fort St. John BC V1J 6M7 Tel: (250) 261-5700 Fax: (250) 261-5744 www.ogc.gov.bc.ca

APPROVAL 07-15-005

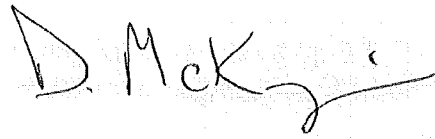
THE PROVINCE OF BRITISH COLUMBIA
PETROLEUM AND NATURAL GAS ACT
OIL AND GAS COMMISSION

IN THE MATTER of the experimental scheme of Nexen Inc. (Operator) to test the commercial viability of Horn River 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 Horn River shale gas in the Ootla area, as such proposal is described in the application to the Commission received March 26, 2007 is hereby approved, subject to terms and conditions herein contained.
2. The area of the experimental scheme consists of:
94-O-9
Block G – units 32-37, 42-47, 52-57, and 62-67.
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 project area are not completed nearer than 250 m to the sides of the approved project 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 Operator of the scheme shall complete operations as set out in the proposed program described in the application from Nexen to the Commission dated March 22, 2007.

8. The approval or any condition of it may be modified or rescinded, if deemed appropriate.

A handwritten signature in black ink, appearing to read "D. McKenzie". The signature is written in a cursive style with a long horizontal stroke at the end.

Doug McKenzie
Director
Resource Conservation Branch

DATED AT the City of Victoria, in the Province of British Columbia, this 27th day of April 2007.

APPROVAL 07-15-006

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

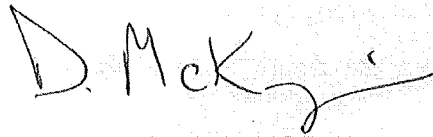
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2. The area of the experimental scheme consists of:
 - 94-O-8
Block J – units 98-100
Block K – unit 91

 - 94-O-9
Block B – units 8-10, 18-20, 28-30, 38-40, 48-50
Block C – units 1, 11, 21, 31, and 41.
3. The gas wells within the scheme area may be produced without individual well allowable restrictions.
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Doug McKenzie
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Resource Conservation Branch

DATED AT the City of Victoria, in the Province of British Columbia, this 27th day of April 2007.

APPROVAL 07-15-007

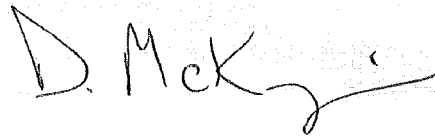
THE PROVINCE OF BRITISH COLUMBIA
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2. The area of the experimental scheme consists of:
94-O-8
Block H – units 94-99
Block I – units 4-9, 14-19, and 24-29.
3. The gas wells within the scheme area may be produced without individual well allowable restrictions.
4. The requirements of Section 10 of the *Drilling and Production Regulation* are hereby waived, provided that gas wells within the project area are not completed nearer than 250 m to the sides of the approved project 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:
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Doug McKenzie
Director
Resource Conservation Branch

DATED AT the City of Victoria, in the Province of British Columbia, this 27th day of April 2007.

APPROVAL 07-15-008

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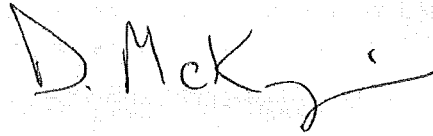
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2. The area of the experimental scheme consists of:
 - 94-O-8
 - Block A – units 91-95
 - Block H – units 1-5, 11-15, 21-25

 - 94-P-5
 - Block D – unit 100
 - Block E – units 10, 20, and 30.
3. The gas wells within the scheme area may be produced without individual well allowable restrictions.
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