



December 31, 2002

9000-1750²⁵/1870/2700-59240-15
OGC - 02242

Peace River CBM Experimental (05)

Benjamin M. Jones
President
Peace River Corporation
6161 Perkins Road, Suite 1C
Baton Rouge
Louisiana 70808-4119

Dear Mr. Jones:

**RE: EXPERIMENTAL SCHEME APPROVAL FOR COAL BED METHANE
HUDSON'S HOPE AREA, GATES, MOOSEBAR AND GETHING FORMATION COALS**

The Commission has reviewed your application dated November 19, 2002 requesting experimental scheme approval for coalbed methane (CBM) exploration and production from the Gates, Moosebar and Gething Formation coals in the Hudson's Hope area of northeast British Columbia.

The CBM scheme is considered experimental as it involves a potentially long dewatering period with unknown gas flow rates. Approval of an experimental scheme allows determining permeability and production testing of the wells for a long period with sweet gas flaring. No objections were received following the publication of a notice of your application in the B.C. Gazette.

Attached is Approval 02-15-016 for the application granted under section 100 of the Petroleum and Natural Gas Act

Disposal of produced water will be to an underground formation as specified by section 94 of the *Drilling and Production Regulation (D & P Regulation)* unless otherwise approved by the Commission. Gas analyses will be required as specified by section 90 of the *D & P Regulation* unless otherwise approved by the Commission.

Sincerely,

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

Attachment

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

Copy 9

<input type="checkbox"/>	Wellfile (originals)
<input type="checkbox"/>	59240
<input type="checkbox"/>	Daily
<input type="checkbox"/>	Resource Revenue
<input type="checkbox"/>	S. Chicorelli
<input type="checkbox"/>	R. Stefik
<input type="checkbox"/>	G. Farr
<input type="checkbox"/>	P. Attariwala
<input type="checkbox"/>	D. Krezanoski

ENGINEERING AND GEOLOGY BRANCH

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

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

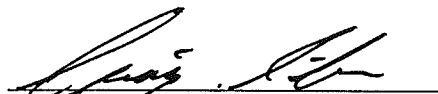
THE PROVINCE OF BRITISH COLUMBIA
PETROLEUM AND NATURAL GAS ACT
OIL AND GAS COMMISSION

IN THE MATTER of the experimental scheme of Peace River Corporation (Peace River), to evaluate the coalbed methane potential of the Gates, Moosebar and Gething Formation coals of the Hudson's Hope area of northeast British Columbia.

NOW THEREFORE, the Commission, pursuant to section 100 of the Petroleum and Natural Gas Act, R.S.B.C. 1996, c.361 orders as follows:

1. The experimental scheme to evaluate coalbed methane potential by exploration and production from the Gates, Moosebar and Gething Formation coals in the Hudson's Hope area as described in the application from Peace River to the Commission dated November 19, 2002 is hereby approved, subject to terms and conditions herein contained.
2. The area of the experimental scheme consists of the following lands:
 - Township 81-Range 24: Sections 19, 30 and 31
 - Township 81-Range 25: Sections 24, 25, 26, 31, 35 and 36
 - Township 81-Range 26: Sections 23F, 26F, 35F and 36
 - Township 82-Range 24: Sections 6 and 7
 - Township 82-Range 25: Sections 1, 2, 4, 5, 7-10, 12, 15-17, and 21-23
 - Township 82-Range 26: Sections 1, 2F, 11F, 12, 14FS
 - 94-A-4/Block D: units 20, 30, 37F, 38-40, 47F, 48-50, 57F, 58-60, 67F, 68-70, 77F, 78-80, 87F, 88-90, 97F and 98-100
 - 94-A-4/Block E: units 7F, 8-10, 17F, 18-20, 27F and 28-30
 - 94-B-1/Block A: 11-13, 21-23, 31-33, 41-43, 51, 61, 71-73, 81-83 and 91-93
 - 94-B-1/Block H: units 1-3, 11-13 and 21-23.
3. Submit a report of the progress, performance and efficiency of the scheme every 6 months in the first year, and then annually thereafter, within 60 days after the end of each period. The following information must be included in the progress report:
 - The daily average rate of gas and water production during each month for each producing well, and for the scheme as a whole;
 - The monthly cumulative gas and water production for each producing well, and for the scheme as a whole;
 - Representative sample analysis of produced water obtained once each 6 months;
 - The date and type of any well treatment or workover for any well in the scheme;
 - All information gathered to evaluate the coal's reservoir qualities such as gas content, desorption analysis, injectivity tests and permeabilities of coal seams.
 - Any other information that is considered necessary, in the opinion of the Commission, to evaluate the progress, performance and efficiency of the scheme.

4. Associated gas produced during the pilot testing may be flared for a maximum period of 6 months with a total volume not to exceed $255 \times 10^3 \text{ m}^3/\text{well}$.
5. A well may be drilled anywhere within the scheme area provided that it is not nearer than 100 m to the sides of the scheme area.
6. The requirement to test and determine the absolute open flow potential of the wells as set out in Section 84 of the *Drilling and Production Regulation* is hereby waived.
7. The requirement to measure the static bottom hole pressure of each well prior to production as set out in Section 95 of the *Drilling and Production Regulation* is hereby waived.
8. All information and analysis related to the scheme shall be made available to the Commission upon request.
9. The approval or any condition of it may be modified or rescinded upon application or if deemed appropriate by the Commission.



Craig Gibson
Manager
Reservoir Engineering and Geology
Oil and Gas Commission

DATED AT the City of Victoria, in the Province of British Columbia, this 31st day of December 2002.