

July 18, 2012

9022-4997-59240-06

Sean A. Kleiner, P.Geol.
New Ventures Manager
Canadian Spirit Resources Inc.
Suite 1950, 633 - 6th Avenue S.W.
Calgary AB T2P 2Y5

Dear Mr. Kleiner:

**RE: GOOD ENGINEERING PRACTICE SPECIAL PROJECT
OTHER THAN NORMAL SPACING ORDER
REGIONAL NORTHERN MONTNEY – DOIG PHOSPHATE-MONTNEY “A” POOL**

The Commission has reviewed your application dated June 12, 2012, requesting approval of Good Engineering Practice for an area within the Farrell Creek area of the Northern Montney regional field – Doig Phosphate Montney “A” pool

Gas recovery from this resource will benefit from the ability to produce horizontal wells in optimal locations, drilling from central sites. For regulatory purposes, the Commission designates the entire Montney-Doig Phosphate sequence as a single formation, removing commingling as an issue.

The following Orders are attached;

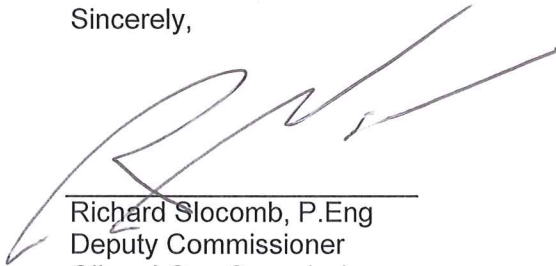
- 1) Order 12-06-018 designating Good Engineering Practice within a portion of the Regional Northern Montney Field – Doig Phosphate Montney “A” pool as a Special Project under section 75 of the *Oil and Gas Activities Act*, and
- 2) Order 12-06-018-OTN approving Other Than Normal Spacing under section 65.1 of the *Petroleum and Natural Gas Act* for the subject pool and area.

Several sections of land in the application area not included in this Order may be requested in a future amendment application, once additional development has occurred.

As a Good Engineering Practice special project, the applicant intends to locate, complete and operate wells in a manner to optimize resource recovery while minimizing surface impacts. No objections were received following notice of application on the OGC website.

Should you have any questions, please contact Ron Stefik at (250) 419-4430 or Curtis Kitchen at (250) 419-4443.

Sincerely,



Richard Slocomb, P.Eng
Deputy Commissioner
Oil and Gas Commission

Attachments

IN THE MATTER of an application from Canadian Spirit Resources Inc. to the Oil and Gas Commission dated June 12, 2012 for a Good Engineering Practice project.

ORDER 12-06-018

- 1 Under Section 75(1)(a) of the *Oil and Gas Activities Act*, the Northern Montney regional field – Doig Phosphate-Montney “A” pool is designated as a special project for the enhanced recovery of natural gas utilizing Good Engineering Practice within the following area;

DLS Twp 82 Rge 24 W6M - Sections 30, 31
Twp 82 Rge 25 W6M - Section 36
Twp 83 Rge 24 W6M - Sections 4, 10, 15, 16 and 22.



Richard Slocomb, P.Eng
Deputy Commissioner
Oil and Gas Commission

DATED AT the City of Victoria, in the Province of British Columbia, this 18th day of July 2012.

IN THE MATTER of an application from Canadian Spirit Resources Inc. to the Oil and Gas Commission dated June 12, 2012 for Other Than Normal Spacing.

ORDER 12-06-018-OTN

- 1 Under Section 65.1(2) of the *Petroleum and Natural Gas Act*, Other Than Normal Spacing is approved within the Regional Northern Montney Field – Doig Phosphate Montney “A” formation within the following area;

DLS Twp 82 Rge 24 W6M - Sections 30, 31

Twp 82 Rge 25 W6M - Section 36

Twp 83 Rge 24 W6M - Sections 4, 10, 15, 16 and 22.

- 2 Under section 65.1(3) of the *Petroleum and Natural Gas Act*, I specify the following:
- a) the target area for a gas well completed within the project area is not nearer than 150 m to the sides of the Other Than Normal Spacing area,
 - b) a gas well completed outside the specified target area may be subject to an off-target production penalty,
 - c) gas wells drilled within the specified project area are not subject to spacing requirements.



Ron Stefik, EngL
A/Supervisor, Reservoir Engineering
Oil and Gas Commission

DATED AT the City of Victoria, in the Province of British Columbia, this 18th day of July 2012.