

September 10, 2010

9045-8295/8550-59240-06

Dave Bernhardt, P. Eng.
EnCana Corporation
150 – 9th Avenue S.W.
P.O. Box 2850
Calgary AB T2P 2S5

Dear Mr. Bernhardt:

**RE: GOOD ENGINEERING PRACTICE APPROVAL
HORN RIVER FIELD – MUSKWA-OTTER PARK & EVIE “A” POOLS**

Commission staff have reviewed your application, dated August 17, 2010, requesting Good Engineering Practice (GEP) approval for producing gas from the Horn River field (Trail/Two Island Lake area), Horn River shale; including the Muskwa, Otter Park and Evie formations.

The Horn River Basin is an area of intense new activity for shale gas development. Numerous wells from multiple pads have been drilled within the area of application. Gas recovery from this resource will continue to benefit from the ability to produce horizontal wells in optimal locations, drilling from central pads.

Attached is GEP Approval 10-06-042, hereby granted under Part 8, Division 6, Section 101 of the *Drilling and Production Regulation*. This approval is intended to allow the drilling and production of gas wells at increased density without regard for normal spacing and target areas for maximization of gas recovery. The project target area has been adjusted where consent from off-setting tenure holders has been provided, for efficient reserves recovery. No objections were received following notice of application on the OGC website.

For regulatory purposes, the Commission designates the Middle Devonian aged Muskwa-Otter Park as a single formation, and the Evie shale as a separate zone. Therefore, wells completed within the Muskwa-Otter Park formation are not considered commingled, removing any requirement for application, notification or approval. Completing a wellbore for un-segregated production from both the Muskwa-Otter Park and the Evie will require submission of the form Notification of Commingled Production.

Please note that the following Experimental Scheme approval is hereby terminated, the areas now included within the subject GEP approvals;

Approval 07-15-002 ENCANA SHALE GAS PROJECT #1

94-O-8 Block J - units 38, 39, 48, 49, 58-60, 68-70, 78-80, 88-90
 Block K - units 36-40, 46-51, 54-61, 64-90, 96-100
 Block L - units 31, 41, 51-53, 61-63, 71-73, 81-83, and 91-93.

94-O-9 Block C - units 6-10
 Block D - unit 1-3

...2

APPROVAL 10-06-042

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

IN THE MATTER of a Good Engineering Practice (GEP) scheme of Encana Corporation (Encana) for producing gas from the Horn River field – Muskwa-Otter Park & Evie “A” regional pools without spacing and target restrictions.

NOW, THEREFORE, the Commission, pursuant to Part 8, Division 6, Section 101 of the *Drilling and Production Regulation*, hereby approves the GEP scheme of Encana as such scheme is described in

an Application from Encana to the Commission dated August 17, 2010.

This scheme is approved, subject to the conditions herein contained and, in particular:

1. The area of the scheme shall consist of:

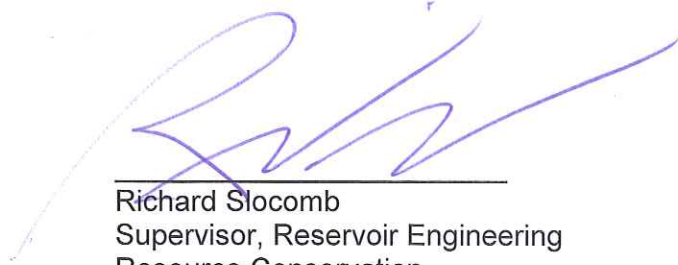
- 94-O-08 Block E Units 11-19, 21-29, 31-39, 41-49, 51-59, 61-69, 71-79, 81-89, 91-99
Block F Units 18-20, 28-30, 38-40, 48-50, 58-60, 68-70, 72-80, 82-90, 92-100
Block J Units 38-40, 48-50, 58-60, 68-70, 78-80, 88-90
Block K Units 2-10, 12-20, 22-30, 31-90, 96-100
Block L Units 1-9, 11-19, 21-29, 31-39, 41-49, 51-59, 61-69, 71-79, 81-89,
91-99
- 94-O-09 Block C Units 6-10, 16-20, 26-30, 36-40, 46-50, 56-60, 66-70, 76-80, 86-90
Block D Units 1-9, 11-90, 92-100
Block E Units 2-10
- 94-O-10 Block A Units 11, 21, 31, 41, 51, 61, 71, 81, 91
Block H Unit 1.

2. 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 project area, except for 100 m to the;

- East boundary of the approved project area at 38, 48, 58, 68, 78 and 88-J/94-O-8.
North boundary of the approved project area ranging from 82-K/94-O-8 to 85-K/94-O-8.
East boundary of the approved project area at 96-K/94-O-8.
East boundary of the approved project area at 6, 16, 26, 36, 46, 56, 66, 76 and 86-C/94-O-9.
North boundary of the approved project area ranging from 86-C/94-O-9 to 90-C/94-O-9.
North boundary of the approved project area at 81-D/94-O-9.
East boundary of the approved project area at 92-D/94-O-9 and 2-E/94-O-9.
North boundary of the approved project area ranging from 2-E/94-O-9 to 10-E/94-O-9.
North boundary of the approved project area at 1-H/94-O-10.

3. The gas wells within the project area may be produced without individual well allowable restrictions.

4. This approval may be modified or rescinded at a later date if deemed appropriate.



Richard Slocomb
Supervisor, Reservoir Engineering
Resource Conservation
Oil and Gas Commission

DATED AT the City of Victoria, in the Province of British Columbia, this 10th day of September 2010.