



OIL AND GAS COMMISSION

August 20, 2007

1200-2600-59240-06

David Lui, P.Eng.  
Petroleum Engineering Consultant  
ENCO Gas Ltd.  
c/o Crew Energy Inc.  
1900, 205 – 5<sup>th</sup> Avenue S.W.  
Calgary AB T2P 2V7

Dear Mr. Lui:

**RE: GOOD ENGINEERING PRACTICE APPROVAL**  
**BERNADET BLUESKY "C" POOL**

The Commission has reviewed your application dated June 1, 2007 requesting a Good Engineering Practice (GEP) scheme approval for producing gas from the Bernadet Bluesky "C" pool.

As part of the application process a notice of application was posted on the OGC website, on June 5, 2007, for a period of 21 days. The Commission received a letter of objection, via e-mail, from Iteration Energy Ltd. dated June 26, 2007. At the request of the Commission further details of Iteration Energy's objection were provided in a letter dated July 27, 2007. Iteration argues that one well per gas spacing unit is sufficient to drain all of the reserves within the subject pool. Iteration's objection relies heavily on the exceptional production from the well 17-19-87-24 W6M (WA# 4194; Gp=62.3 10<sup>6</sup> m<sup>3</sup>).

Even with excellent gas recovery from the 17-19 well, pressures from recently drilled offsetting wells were higher than anticipated. The Commission notes in particular, that the well 3-29-87-24 W6M (WA# 21255) had an initial pressure of 7179 kPa in September 2006 (pool Pi = 8943 kPa) despite more than 2 Bcf of gas production from two wells within one mile of this new well. This suggests a degree of reservoir heterogeneity and supports Enco's request for GEP. As such the Commission approves Enco's application for GEP, with the exclusion of section 19-87-24 W6M. Attached is GEP scheme Approval 07-06-028, hereby granted under Part 8, Division 6, Section 101 of the British Columbia *Drilling and Production Regulation*. This approval is intended to allow operational flexibility and to allow in-fill drilling and production of gas wells without spacing and target considerations for maximization of gas recovery.

Should you have any questions, please contact Richard Slocomb at (250) 952-0366.

Sincerely,

Doug McKenzie  
Director  
Resource Conservation Branch

Attachment

Cc Kylan Warriner, Iteration Energy Ltd.

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**RESOURCE CONSERVATION BRANCH**

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APPROVAL 07-06-028

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

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IN THE MATTER of a Good Engineering Practice (GEP) scheme of ENCO Gas Ltd. (ENCO) for producing a portion of the Bernadet Bluesky "C" gas pool without well spacing, target and production 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 ENCO for drilling wells without spacing and target restrictions, as such scheme is described in

*an Application from ENCO to the Commission dated June 1, 2007.*

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

1. The area of the project shall consist of:

Twp 87 Rge 24 W6M - sections 18 and 20.

2. 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.

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.



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Doug McKenzie  
Director  
Resource Conservation Branch

DATED AT the City of Victoria, in the Province of British Columbia, this 20<sup>th</sup> day of August 2007.