



October 4, 2011

9045-8295/8550-59240-06

Kevin Murphy
Mineral Negotiator
Imperial Oil Resources Limited
237 Fourth Ave SW
CALGARY, AB T2G 3M9

Dear Mr. Murphy:

**RE: GOOD ENGINEERING PRACTICE SPECIAL PROJECT
OTHER THAN NORMAL SPACING ORDER
HORN RIVER FIELD – MUSKWA-OTTER PARK & EVIE SHALE FORMATIONS**

The Commission has reviewed your application dated June 29, 2011, requesting approval of Good Engineering Practice for an area within the Horn River Basin – Muskwa-Otter Park and Evie formations.

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

The following Orders are attached;

- 1) Order 11-06-039 designating Good Engineering Practice within a portion of the regional Horn River field Muskwa-Otter Park and Evie shale gas formations as a Special Project under section 75 of the *Oil and Gas Activities Act*, and
- 2) Order 11-06-039-OTN approving Other Than Normal Spacing under section 65.1 of the *Petroleum and Natural Gas Act* for the subject formations and area.

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.

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.

Should you have any questions, please contact Ron Stefik at (250) 419-4430 or Kelly Okuszko at (250) 419-4433.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Paul Jeakins', is written over a light blue circular stamp.

Paul Jeakins
Chief Operating Officer
Oil and Gas Commission

Attachments

IN THE MATTER of an application from Imperial Oil Resources Limited. (Imperial) to the Commission dated June 29, 2011 for a Good Engineering Practice project.

ORDER 11-06-039

- 1 Under Section 75(1)(a) of the *Oil and Gas Activities Act*, the Horn River field – Muskwa-Otter Park and Evie formations is designated as a special project for the enhanced recovery of natural gas utilizing Good Engineering Practice within the following area;

NTS 94-O-2 Block C – units 76-79, 86-89, 96-100
Block D – unit 91
Block E – units 1, 11-13, 21-23, 31-33, 41-43
Block F – units 6-10, 16-20, 26-30, 38-40, 48-50.



Paul Jenkins
Chief Operating Officer
Oil and Gas Commission

DATED AT the City of Victoria, in the Province of British Columbia, this 4th day of October 2011.

IN THE MATTER of an application from Imperial Oil Resources Limited. (Imperial) to the Commission dated June 29, 2011 for Other Than Normal Spacing.

ORDER 11-06-039-OTN

1 Under Section 65.1(2) of the *Petroleum and Natural Gas Act*, Other Than Normal Spacing is approved within the regional Horn River field Muskwa-Otter Park and Evie formations within the following area;

NTS 94-O-2 Block C – units 76-79, 86-89, 96-100
 Block D – unit 91
 Block E – units 1, 11-13, 21-23, 31-33, 41-43
 Block F – units 6-10, 16-20, 26-30, 38-40, 48-50.

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 100 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, ASCT
Sr Technical Advisor, Reservoir Engineering
Oil and Gas Commission

DATED AT the City of Victoria, in the Province of British Columbia, this 4th day of October 2011.