

December 17, 2010

9045-8295-59240-06

Erik Vik
Petrobakken Energy Ltd.
800, 425 – 1st Street SW
CALGARY, AB T2P 3L8

Dear Mr. Vik:

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

The Commission has reviewed the application made on your behalf by Fekete Associates Inc., dated September 2, 2010, requesting approval of Good Engineering Practice for an area within the Horn River Basin - Muskwa formation.

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

As a result of recent legislative changes, authorities previously contained in a single approval document for this activity are now covered in the attached;

- 1) Order 10-06-056 designating Good Engineering Practice within a portion of the regional Horn River field Muskwa-Otter Park shale gas formation as Special Projects under section 75 of the *Oil and Gas Activities Act*, and
- 2) Order 10-06-056–OTN approving Other Than Normal Spacing under section 65.1 of the *Petroleum and Natural Gas Act* for the subject formation 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 posting of a 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 would require submission of the form Notification of Commingled Production.

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Please note that the Other Than Normal Gas Spacing Order issued December 29, 2009 for the well Petrobank HZ Evie b-53-J/94-J-14 (WA# 25177) is hereby rescinded, as noted in condition #4 of that Order.

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

Sincerely,



For

Richard Slocomb, P. Eng.
Supervisor, Reservoir Engineering
Resource Conservation

Attachments

cc: Brian Ohlinger, Fekete Associates Inc.

IN THE MATTER of an application from Petrobakken Energy Ltd. to the Commission dated September 2, 2010 for a Good Engineering Practice project.

ORDER 10-06-056

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

NTS 94-J-14 Block I Units 40, 50, 60, 70
Block J Units 31-35, 41-45, 51-55 and 61-65.



Alex Ferguson
Commissioner
Oil and Gas Commission

DATED AT the City of Victoria, in the Province of British Columbia, this 17 day of December 2010.

IN THE MATTER of an application from Petrobakken Energy Ltd. to the Commission dated September 2, 2010 for Other Than Normal Spacing.

ORDER 10-06-056-OTN

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

NTS 94-J-14 Block I Units 40, 50, 60, 70
Block J Units 31-35, 41-45, 51-55 and 61-65.

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.

For 
Richard Slocomb
Supervisor, Reservoir Engineering
Oil and Gas Commission

DATED AT the City of Victoria, in the Province of British Columbia, this 17th day of December 2010.