



March 3, 2009

9045-8550-59240-06

Willem Rehm
Senior Reservoir Engineer
Petro-Canada Oil and Gas
P.O. Box 2844
Calgary AB T2P 3E3

Dear Mr. Rehm:

**RE: GOOD ENGINEERING PRACTICE APPROVAL
HORN RIVER – EVIE**

Commission staff have reviewed your Good Engineering Practice (GEP) scheme approval request for producing Evie formation gas in the Horn River area.

Petro-Canada submitted a request, dated January 21, 2009, for an experimental scheme approval for shale gas exploration over six gas spacing units within the horn river basin. This experimental scheme approval is currently under review by OGC staff and as part of the application review process will require a notice to be posted to the OGC website. The OGC anticipates a minimum of four to six weeks before a decision will be made.

Petro-Canada has drilled two horizontal wells in the Evie formation and anticipates having these wells ready for production by early March 2009. Both wells cross into adjacent spacing areas and require a scheme approval in order to place the wells on production. As such, the Commission will not be in a position to make a decision on the experimental scheme approval request in time to accommodate having these wells on production. Petro-Canada has requested an interim GEP approval in an effort to place these wells on production.

The requested GEP area is completely surrounded by 100% Petro-Canada owned P&NG rights. The OGC acknowledges that wells drilled in this unconventional shale gas play have very small drainage radii and will not pose a risk to correlative rights. Furthermore, proposed in-line testing will minimize the amount of natural gas flared at the well site. For these reasons the Commission has waived the requirement to post a notice of application on its website in an effort to expedite the GEP approval process and to allow these wells to be tested in-line.

The attached Approval 09-06-008 is hereby granted under Part 8, Division 6, Section 101 of the *Drilling and Production Regulation*. This approval is intended to allow the production of gas wells without spacing and target consideration for maximization of gas recovery.

.../2

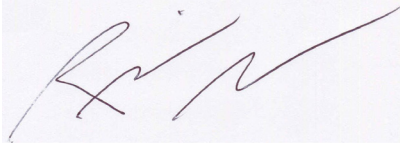
RESOURCE CONSERVATION

PO Box 9329 Stn Prov Gov't, Victoria BC V8W 9N3 Tel: (250) 952-0302 Fax: (250) 952-0301
Location: 6th Flr 1810 Blanshard St, Victoria BC

Headquarters: #200, 10003 110th Ave, Fort St. John BC V1J 6M7 Tel: (250) 261-5729 Fax: (250) 261-5744 www.ogc.gov.bc.ca

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

Sincerely,

A handwritten signature in dark ink, appearing to read 'R. Slocomb', is written over a light blue rectangular background.

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

Attachment

APPROVAL 09-06-008

**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 Petro-Canada Oil and Gas (Petro-Canada) for producing Evie formation gas from the Horn River area without well 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 Petro-Canada for drilling wells without spacing and target restrictions, as such scheme is described in

an Application from Petro-Canada to the Commission dated February 20, 2009.

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

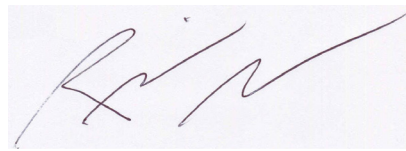
1. The area of the project shall consist of:

94-P-4: Block A – units 12-15, 22-25, 32-35, 42-45.

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.



Richard Slocomb
Supervisor, Reservoir Engineering
Resource Conservation

DATED AT the City of Victoria, in the Province of British Columbia, this 3rd day of March 2009.