



December 8, 2008

2940-4800-59240-06

Cheryl Leitch, CET
Senior Engineering Technologist
ProEx Energy Ltd.
1200, 205 – 5th Avenue S.W.
Calgary AB T2P 4B9

Dear Ms. Leitch:

**RE: GOOD ENGINEERING PRACTICE APPROVAL
CARIBOU - HALFWAY “A” POOL**

Commission staff have reviewed your application, dated June 19, 2008, requesting Good Engineering Practice (GEP) scheme approval for producing Halfway formation gas in the Caribou field.

The OGC maps the wells of application as the Caribou field - Halfway “A” gas pool. An objection to this application, dated July 17, 2008, was received from Canadian Natural Resources Limited following posting of notice on the OGC website. The Commission agreed that, based on the information presented in the initial application, the need for reduced well spacing to improve gas recovery was not sufficiently demonstrated. Recent additional submissions by ProEx contain data to now characterize production performance; existing wells producing at reduced rates with limited drainage areas that demonstrate an opportunity to improve recovery from gas spacing areas currently penetrated by individual wells. An objection filed by Painted Pony Petroleum Ltd. on July 15, 2008 was subsequently withdrawn.

Attached is GEP Approval 08-06-048 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 without spacing and target considerations, for maximization of gas recovery. The Commission expects that further drilling will target locations that will improve reservoir recovery without accelerating production from inner drainage areas contacted by existing wells.

The well ProEx Caribou d-50-J/94-G-7 (WA 23098) was previously designated a Halfway pool discovery well, as such an off-target production penalty did not apply. A Commission letter dated October 31, 2008 rescinded this designation. Attached is a penalized Daily Gas Allowable for this well, included as a condition of approval.

Should you have any questions, please contact Ron Stefik at (250) 952-0310.

Sincerely,

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

Attachment

cc: Tyler Brown – Canadian Natural Resources Limited

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

APPROVAL 08-06-048

**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 ProEx Energy Ltd. (ProEx) for producing the Caribou field Halfway "A" gas pool 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 ProEx for drilling wells without spacing and target restrictions, as such scheme is described in

*an Application from ProEx to the Commission dated June 19, 2008
and related submissions.*

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

1. The area of the project shall consist of:

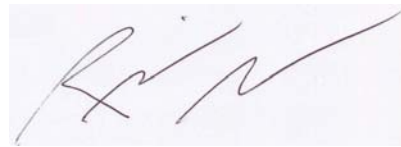
94-G-7 Block F Unit 91
Block G Units 54, 55, 64, 65, 74-77, 84-87, 96-100
Block J Units 6-10, 16-20, 26-30, 38-40, 48-50, 60, 70, 80, 90
Block K Units 1, 11, 21, 31, 41, 51, 61, 71 and 81.

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. The well ProEx Caribou d-50-J/94-G-7 (WA 23098) is restricted to an off-target penalized daily gas allowable of $2.2 \text{ e}^3\text{m}^3/\text{d}$.

5. 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 8th day of December 2008.