



OIL AND GAS COMMISSION

October 2, 2006

8160-2600-59240-06

Neil Horbachewski, P.Eng.  
Senior Exploitation Engineer  
Proex Energy Ltd.  
1400, 440 – 2nd Avenue S.W.  
Calgary AB T2P 5E9

Dear Mr. Horbachewski:

**RE: GOOD ENGINEERING PRACTICE APPROVAL, AMENDMENT #1  
TOWN – BLUESKY “C” POOL**

Commission staff have reviewed your application, dated August 24, 2006 and supplemental information dated September 21, 2006 for an amendment to the Good Engineering Practice (GEP) scheme approval for the subject pool.

The Commission does not have sufficient information at this time to indicate suitable reservoir quality in units 36, 37, 46, and 47/94-B-16 to map the pool over this spacing unit. As such, these four units have been excluded from the amended approval area. Should a successful Bluesky well be drilled within the aforementioned gas spacing unit, Proex may apply to amend the approval area.

The attached Approval 06-06-040 (Amendment #1) is 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.

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

Sincerely,

A handwritten signature in black ink that reads 'D. McKenzie'. The signature is written in a cursive, slightly slanted style.

Doug McKenzie  
Director  
Resource Conservation Branch

Attachment

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**RESOURCE CONSERVATION BRANCH**

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

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**APPROVAL 06-06-040 (Amendment #1)**

**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 Proex Energy Ltd. (Proex) for producing a portion of the Town field Bluesky "C" 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 amends the GEP scheme of Proex for drilling wells without spacing and target restrictions, as such scheme is described in

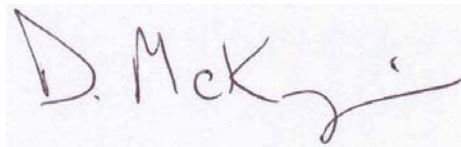
*an Application from Proex to the Commission dated August 24, 2006 and related submissions.*

The scheme approval of June 6, 2006 is hereby amended, subject to the conditions herein contained and, in particular:

1. The area of the project shall consist of:

94-B-16: Block J – units 38-40, 48-50, 60, 70  
Block K – units 31, 41, 51 and 61.

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  
Oil and Gas Commission

DATED AT the City of Victoria, in the Province of British Columbia, this 2nd day of October 2006.