



May 9, 2011

1400-5000-59240-06

Davin Yee, P. Eng.
Exploitation Engineer
Progress Energy Ltd.
1200, 205 – 5th Avenue S.W.
CALGARY, AB T2P 2V7

Dear Mr. Yee:

**RE: GOOD ENGINEERING PRACTICE SPECIAL PROJECT
OTHER THAN NORMAL SPACING ORDER
BLUEBERRY FIELD – MONTNEY FORMATION**

The Commission has reviewed your application dated March 30, 2011, requesting approval of Good Engineering Practice for an area within the Blueberry field - Montney formation.

The Commission maps this area within the Blueberry field Montney "A" pool. Gas recovery from this resource will benefit from the ability to produce horizontal wells in optimal locations, drilling from central sites. For regulatory purposes, the Commission designates the entire Montney sequence as a single formation, removing commingling as an issue.

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 11-06-022 designating a Good Engineering Practice within the Blueberry field Montney gas formation as a Special Project under section 75 of the *Oil and Gas Activities Act*, and
- 2) Order 11-06-022–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 notice of application on the OGC website.

Should you have any questions, please contact the undersigned at (250) 419-4421 or Travis Mercure at (250) 419-4448.

Sincerely,

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

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

Attachments

IN THE MATTER of an application from Progress Energy Ltd. to the Commission dated March 30, 2011 for a Good Engineering Practice project.

ORDER 11-06-022

- 1 Under Section 75(1)(a) of the *Oil and Gas Activities Act*, the Blueberry field – Montney “A” pool is designated as a special project for the enhanced recovery of natural gas utilizing Good Engineering Practice within the following area;

NTS 94-A-12 Block L Units 92, 93

NTS 94-A-13 Block D Units 2, 3, 12-15, 22-25, 34, 35, 44, 45, 54, 55, 64, 65, 74, 75, 84 and 85.



Alex Ferguson
Commissioner
Oil and Gas Commission

DATED AT the City of Victoria, in the Province of British Columbia, this 9 day of May 2011.

IN THE MATTER of an application from Progress Energy Ltd. to the Commission dated March 30, 2011 for a Good Engineering Practice project.

ORDER 11-06-022-OTN

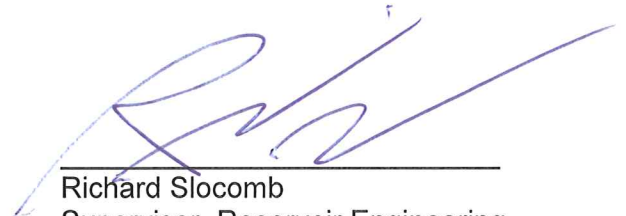
1 Under Section 65.1(2) of the *Petroleum and Natural Gas Act*, Other Than Normal Spacing is approved within the Blueberry field – Montney “A” pool within the following area;

NTS 94-A-12 Block L Units 92, 93

NTS 94-A-13 Block D Units 2, 3, 12-15, 22-25, 34, 35, 44, 45, 54, 55, 64, 65, 74, 75, 84 and 85.

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 250 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.



Richard Slocomb
Supervisor, Reservoir Engineering
Oil and Gas Commission

DATED AT the City of Victoria, in the Province of British Columbia, this 9 day of May 2011.