

May 16, 2011

5200-4997-59240-06

Scott Smith, P.Eng.
Exploitation Engineer
Progress Energy Resources Corp.
1200, 205- 5th Avenue S.W.
Calgary AB T2P 2V7

Dear Mr. Smith:

**RE: GOOD ENGINEERING PRACTICE SPECIAL PROJECT, AMENDMENT #2
OTHER THAN NORMAL SPACING ORDER, AMENDMENT #2
KOBES FIELD – DOIG PHOSPHATE - MONTNEY “C” POOL**

The Commission has reviewed your application dated March 2, 2011, requesting amendment of a Good Engineering Practice approval for the subject pool.

The application intends to extend development beyond the previous approval area, as gas recovery from this resource benefits from the ability to produce horizontal wells in optimal locations, drilling from central sites. For regulatory purposes, the Commission designates the entire Doig Phosphate - Montney sequence as a single formation, removing commingling as an issue.

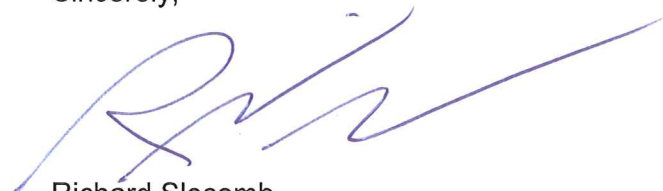
As a result of recent legislative changes, authorities previously contained in a single approval document for this activity are now covered in the attached;

- 1) Order 10-06-020 (Amendment #2) designating Good Engineering Practice, within a portion of the Kobes field Doig Phosphate-Montney formation as a Special Project under section 75 of the *Oil and Gas Activities Act*, and
- 2) Order 10-06-020-OTN (Amendment #2) 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.

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

Sincerely,



Richard Slocomb
Supervisor, Reservoir Engineering
Resource Conservation

Attachments

IN THE MATTER of an application from Progress Energy Resources Corp. to the Oil and Gas Commission (Commission) dated March 2, 2011 for a Good Engineering Practice project amendment.

ORDER 10-06-020 (Amendment #2)

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

NTS 94-B-09 Block E – unit 91
Block F – units 91-97, 100
Block G – unit 100
Block J – units 10, 20, 30, 40, 50, 54-60, 64-70, 74-80, 84-90, 96-100
Block K – units 1-7, 10-17, 20-27, 30-73, 78-83, 88-100
Block L – units 1, 11, 21, 31, 41, 51, 61, 71, 81, 91

NTS 94-B-16 Block B – units 6-10
Block C – units 1-10, 12-20, 22-30, 34, 35, 40, 44, 45, 50, 58-60, 68-70
Block D – units 1, 11-13, 21-23, 31-33, 41-43, 51-53 and 61-63.



Alex Ferguson
Commissioner
Oil and Gas Commission

DATED AT the City of Victoria, in the Province of British Columbia, this 16 day of May 2011.

IN THE MATTER of an application from Progress Energy Resources Corp. to the Oil and Gas Commission (Commission) dated January 13, 2011 for a Good Engineering Practice project amendment.

ORDER 10-06-020 OTN (Amendment #2)

- 1 Under Section 65.1(2) of the *Petroleum and Natural Gas Act*, Other Than Normal Spacing is approved within the Kobes field Doig Phosphate-Montney formation within the following area;

NTS 94-B-09 Block E – unit 91
Block F – units 91-97, 100
Block G – unit 100
Block J – units 10, 20, 30, 40, 50, 54-60, 64-70, 74-80, 84-90, 96-100
Block K – units 1-7, 10-17, 20-27, 30-73, 78-83, 88-100
Block L – units 1, 11, 21, 31, 41, 51, 61, 71, 81, 91

NTS 94-B-16 Block B – units 6-10
Block C – units 1-10, 12-20, 22-30, 34, 35, 40, 44, 45, 50, 58-60, 68-70
Block D – units 1, 11-13, 21-23, 31-33, 41-43, 51-53 and 61-63.

- 2 Under section 65.1(3) of the *Petroleum and Natural Gas Act*, I specify the following:
- the target area for a gas well completed within the project area is not nearer than 150 m to the sides of the Other Than Normal Spacing area,
 - a gas well completed outside the specified target area may be subject to an off-target production penalty,
 - gas wells drilled within the specified project area are not subject to spacing requirements.



Richard Slocomb
Supervisor, Reservoir Engineering
Resource Conservation

DATED AT the City of Victoria, in the Province of British Columbia, this 16 day of May 2011.