



May 28, 2012

5810-4997-59240-06

Louise Sidorenko, P.Eng.
Sr. Exploitation Engineer
Progress Energy Ltd.
1200, 205- 5th Avenue S.W.
Calgary AB T2P 2V7

Dear Ms. Sidorenko:

**RE: GOOD ENGINEERING PRACTICE SPECIAL PROJECT, AMENDMENT #1
OTHER THAN NORMAL SPACING ORDER
LILY LAKE FIELD -DOIG PHOSPHATE MONTNEY FORMATION**

The Commission has reviewed your application dated March 6, 2012, requesting amendment to a Good Engineering Practice approval granted August 18, 2011 for an area within the Lily Lake field - Montney formation.

This area is located northwest of the regional Northern Montney field - Doig Phosphate Montney formation. The Commission agrees that 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 Doig Phosphate Montney sequence as a single formation, removing commingling as an issue.

The following Orders are attached;

- 1) **Order 11-06-029 Amendment #1** designating Good Engineering Practice within a portion of the Lily Lake field Doig Phosphate Montney formation as a Special Project under section 75 of the *Oil and Gas Activities Act*, and
- 2) **Order 11-06-029-OTN Amendment #1** 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 Ron Stefik at (250) 419-4430 or Curtis Kitchen at (250) 419-4443.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ken Pauson', is written over a horizontal line.

Ken Pauson, P.Eng.
Chief Operating Officer
Oil and Gas Commission

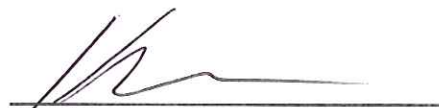
Attachments

IN THE MATTER of an application from Progress Energy Ltd. to the Oil and Gas Commission dated March 6, 2012 to amend a Good Engineering Practice project.

ORDER 11-06-029 Amendment #1

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

- NTS 94-G-2 Block B – Units 58, 59, 68, 69, 78-80, 88-90, 94-100
Block C – Units 71, 81, 91-93
Block E – Units 91
Block F – Units 1-3, 11-13, 21-23, 31-33, 41-43, 51-53, 61-63, 71-75, 81-85, 91-100
Block G – Units 4-10, 14-20, 24-30, 34-40, 44-50, 60, 70, 80, 90, 100
Block J – Units 10, 16-20, 26-30, 34-40, 44-50, 54-60, 64-70, 74-80, 84-90, 96-100
Block K – Units 1-55, 61-65, 71-75, 81-85, 91-97
Block L – Units 1, 11, 21, 31, 41
- NTS 94-G-7 Block B – Units 6-10, 16-20, 26-30
Block C – Units 1-7, 11-17 and 21-27.



Ken Paulson, P.Eng.
Chief Operating Officer
Oil and Gas Commission

DATED AT the City of Victoria, in the Province of British Columbia, this 28th day of May 2012.

IN THE MATTER of an application from Progress Energy Ltd. to the Oil and Gas Commission dated March 6, 2012 to amend their Other Than Normal Spacing approval.

ORDER 11-06-029-OTN Amendment #1


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

NTS 94-G-2 Block B – Units 58, 59, 68, 69, 78-80, 88-90, 94-100
Block C – Units 71, 81, 91-93
Block E – Units 91
Block F – Units 1-3, 11-13, 21-23, 31-33, 41-43, 51-53, 61-63, 71-75, 81-85, 91-100
Block G – Units 4-10, 14-20, 24-30, 34-40, 44-50, 60, 70, 80, 90, 100
Block J – Units 10, 16-20, 26-30, 34-40, 44-50, 54-60, 64-70, 74-80, 84-90, 96-100
Block K – Units 1-55, 61-65, 71-75, 81-85, 91-97
Block L – Units 1, 11, 21, 31, 41

NTS 94-G-7 Block B – Units 6-10, 16-20, 26-30
Block C – Units 1-7, 11-17 and 21-27.

- 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 150 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.



Ron Stefik, EngL
Sr Technical Advisor,
Reservoir Engineering
Oil and Gas Commission

DATED AT the City of Victoria, in the Province of British Columbia, this 28th day of May 2012.