

February 14, 2011

8160-5000-59240-06

Joe Leonard, P.Eng.  
Exploitation Engineer  
Progress Energy Resources Corp.  
1200, 205– 5<sup>th</sup> Avenue S.W.  
Calgary AB T2P 2V7

Dear Mr. Leonard:

**RE: GOOD ENGINEERING PRACTICE SPECIAL PROJECT, AMENDMENT #3  
OTHER THAN NORMAL SPACING ORDER, AMENDMENT #3  
TOWN FIELD – MONTNEY “A” POOL**

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The Commission has reviewed your application dated November 4, 2010, requesting amendment of a Good Engineering Practice approval for the Town field - Montney formation.

The Commission maps this area within the Town field Montney “A” pool. Application is intended to extend successful development beyond the original 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 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 09-06-037 (Amendment #3) designating Good Engineering Practice, within a portion of the Town field Montney formation as a Special Project under section 75 of the *Oil and Gas Activities Act*, and
- 2) Order 09-06-037-OTN (Amendment #3) 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 Richard Slocomb at (250) 419-4421 or Kelly Okuszko at (250) 419-4433.

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 November 4, 2010 for a Good Engineering Practice project.

**ORDER 09-06-037 OTN (Amendment #3)**

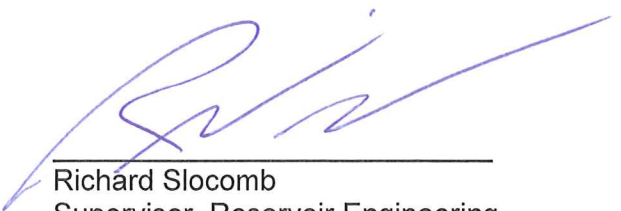
1 Under Section 65.1(2) of the *Petroleum and Natural Gas Act*, Other Than Normal Spacing is approved within the Town field Montney formation within the following area;

NTS 94-B-16 Block A Units 52, 53, 62, 63, 72-75, 82-85, 92-97  
Block G Units 31, 41, 51-53, 61-63, 71-75, 81-85, 91-99  
Block H Units 2-7, 12-17, 22-27, 34-40, 44-50, 52-60, 62-70, 72-80, 82-90, 92-100  
Block I Units 2-10, 18-20, 28-30, 40, 50  
Block J Units 1-9, 11-19, 21-29, 31-50, 52-60, 62-70, 72-80, 82-90, 96-100  
Block K Units 31, 41, 51-57, 61-67, 71-77, 81-87, 91-100  
Block L Units 91-95

NTS 94-G-1 Block B Units 6-10, 20, 30, 40, 50, 60, 70, 80, 90, 100  
Block C Units 1-100  
Block D Units 1-5, 11-15, 21-25, 31-35, 41-45, 51-57, 61-67, 71-77, 81-87, 91-97  
Block E Units 1-7  
Block F Units 1-10  
Block G Unit 10

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  
Resource Conservation

DATED AT the City of Victoria, in the Province of British Columbia, this 14 day of February 2011.

IN THE MATTER of an application from Progress Energy Resources Corp. to the Oil and Gas Commission (Commission) dated November 4, 2010 for a Good Engineering Practice project.

**ORDER 09-06-037 (Amendment #3)**

1 Under Section 75(1)(a) of the *Oil and Gas Activities Act*, the Town 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-B-16 Block A Units 52, 53, 62, 63, 72-75, 82-85, 92-97  
Block G Units 31, 41, 51-53, 61-63, 71-75, 81-85, 91-99  
Block H Units 2-7, 12-17, 22-27, 34-40, 44-50, 52-60, 62-70, 72-80, 82-90, 92-100  
Block I Units 2-10, 18-20, 28-30, 40, 50  
Block J Units 1-9, 11-19, 21-29, 31-50, 52-60, 62-70, 72-80, 82-90, 96-100  
Block K Units 31, 41, 51-57, 61-67, 71-77, 81-87, 91-100  
Block L Units 91-95

NTS 94-G-1 Block B Units 6-10, 20, 30, 40, 50, 60, 70, 80, 90, 100  
Block C Units 1-100  
Block D Units 1-5, 11-15, 21-25, 31-35, 41-45, 51-57, 61-67, 71-77, 81-87, 91-97  
Block E Units 1-7  
Block F Units 1-10  
Block G Unit 10



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Alex Ferguson  
Commissioner  
Oil and Gas Commission

DATED AT the City of Victoria, in the Province of British Columbia, this 14 day of February 2011.