



July 11, 2012

8175/4370/7300-5000-59240-06

Davin Yee, P.Eng.
Sr. 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
TRUTCH/GREEN CREEK/POCKETKNIFE FIELDS
MONTNEY FORMATION**

The Commission has noted an error occurred when generating GEP approval Order 12-06-012. The previous issued Order with that number is hereby replaced with Order 12-06-017, there are no changes other than the approval number. Please replace with the attached, we apologize for any inconvenience.

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.

The following Orders are attached;


- 1) Order 12-06-017 designating Good Engineering Practice within portions of the Trutch, Green Creek and Pocketknife fields Montney formation as a Special Project under section 75 of the *Oil and Gas Activities Act*, and
- 2) Order 12-06-017-OTN approving Other Than Normal Spacing under section 65.1 of the *Petroleum and Natural Gas Act* for the subject pool 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.

The approved area includes locations of planned operations for 2012 and 2013. Amendment may be requested once supported by sufficient development.

Should you have any questions, please contact Ron Stefik at (250) 419-4430 or Curtis Kitchen at (250) 419-4443.

Sincerely,



Richard Slocomb, P.Eng
Deputy Commissioner
Oil and Gas Commission

Attachments

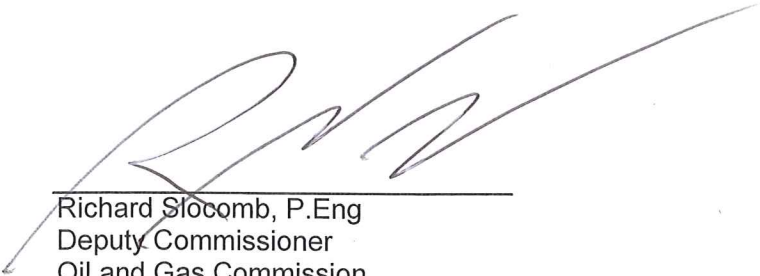
IN THE MATTER of an application from Progress Energy Ltd. to the Oil and Gas Commission dated April 16, 2012 for a Good Engineering Practice project.

ORDER 12-06-017

1 Under Section 75(1)(a) of the *Oil and Gas Activities Act*, the Trutch/Green Creek/Pocketknife field – 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-7 Block K – 72-80, 82-90, 92-100
Block L – 71-77, 81-87, 91-97

NTS 94-G-10 Block B – Units 20, 30, 40, 50, 60, 70, 80, 90, 100
Block C – Units 2-100
Block D – Units 1-7, 11-17, 21-27, 31-37, 41-47, 51-57, 61-67, 71-77, 81-87, 91-97
Block E – Units 1-7, 11-17, 21-27
Block F – Units 1-30, 32-37, 42-47
Block G – Units 10, 20, 30



Richard Slocomb, P.Eng
Deputy Commissioner
Oil and Gas Commission

DATED AT the City of Victoria, in the Province of British Columbia, this 11th day of July 2012.

IN THE MATTER of an application from Progress Energy Ltd. to the Oil and Gas Commission dated April 16, 2012 for Other Than Normal Spacing.

ORDER 12-06-017-OTN

1 Under Section 65.1(2) of the *Petroleum and Natural Gas Act*, Other Than Normal Spacing is approved within the Trutch/Green Creek/Pocketknife fields – Montney formation within the following area;

NTS 94-G-7 Block K – 72-80, 82-90, 92-100
Block L – 71-77, 81-87, 91-97

NTS 94-G-10 Block B – Units 20, 30, 40, 50, 60, 70, 80, 90, 100
Block C – Units 2-100
Block D – Units 1-7, 11-17, 21-27, 31-37, 41-47, 51-57, 61-67, 71-77, 81-87, 91-97
Block E – Units 1-7, 11-17, 21-27
Block F – Units 1-30, 32-37, 42-47
Block G – Units 10, 20, 30

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
A/Supervisor, Reservoir Engineering
Oil and Gas Commission

DATED AT the City of Victoria, in the Province of British Columbia, this 11th day of July 2012.