



OIL AND GAS COMMISSION

October 31, 2005

8200-2850-59240-06

OGC - 05292

Max Vorobiev, P.Eng.  
Exploitation Engineer  
Progress Energy Ltd.  
Suite 1400, 440 - 2nd Avenue S.W.  
Calgary AB T2P 5E9

Progress Project (02)

Dear Mr. Vorobiev:

**RE: GOOD ENGINEERING PRACTICE APPROVAL  
TWO RIVERS - NIKANASSIN "A" POOL**

Commission staff have reviewed your application of August 24, 2005, requesting Good Engineering Practice (GEP) scheme approval for the subject pool.

The attached Approval 05-06-044 is hereby granted under Part 8, Division 6, Section 101 of the *Drilling and Production Regulation*.

This approval is intended to allow production of gas wells without spacing considerations for maximization of gas recovery, specifically, allowing the re-completion of the well Progress et al Two Rivers 14-05-83-16 (WA 12253), resulting in 2 wells per gas spacing area. An off-target penalty waiver order was issued by the OGC for this well on October 21, 2005. The requested area of six sections has been limited to an approval area of the single section 5-83-16 W6M. This area may be modified in a future amendment should production performance support the need for additional reduced spacing locations.

While the OGC is supportive in the assumption that more than one well may be required to effectively drain the gas reserves of the Two Rivers Nikanassin "A" pool, we remain concerned that wells presently producing from the Two Rivers - Siphon "A" oil pool are not prematurely re-completed for preferential Nikanassin gas production. Lack of oil capture during the ongoing Siphon waterflood, while the flood-bank is moving, may harm potential pool recovery.

Should you have any questions, please contact Ron Stefik at (250) 952-0310.

Sincerely,

**Approval Letters to Industry  
GEP, SWD, CONCURRENT PROD,  
PRESSURE MAINTENANCE,  
WATERFLOOD, ETC.**

Copy 10

Richard Slocomb, P. Eng.  
A/Director  
Resource Conservation Branch

- Wellfile (originals)
- 59240
- Daily
- Resource Revenue
- S. Chicorelli
- R. Stefik
- G. Farr
- R. Slocomb
- J. Pickell
- D. Krezanoski

Attachment

**RESOURCE CONSERVATION BRANCH**

PO Box 9329 Stn Prov Gov't, Victoria BC V8W 9N3 Tel: (250) 952-0302 Fax: (250) 952-0301  
Location: 6<sup>th</sup> Flr 1810 Blanshard St, Victoria BC

Headquarters: #200, 10003 110<sup>th</sup> Ave, Fort St. John BC V1J 6M7 Tel: (250) 261-5729 Fax: (250) 261-5744 www.ogc.gov.bc.ca

APPROVAL 05-06-044

**THE PROVINCE OF BRITISH COLUMBIA**  
**PETROLEUM AND NATURAL GAS ACT**  
**DRILLING AND PRODUCTION REGULATION**  
**OIL AND GAS COMMISSION**

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IN THE MATTER of a Good Engineering Practice (GEP) scheme of Progress Energy Ltd. (Progress) for producing a portion of the Two Rivers Nikanassin "A" gas pool without well spacing and production restrictions.

NOW, THEREFORE, the Commission, pursuant to Part 8, Division 6, Section 101 of the *Drilling and Production Regulation*, hereby approves the GEP scheme of Progress for producing wells without spacing restriction, as such scheme is described in

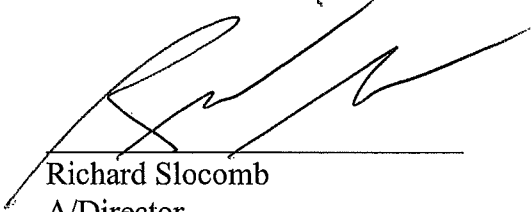
*an Application from Progress to the Commission dated August 24, 2005, and related submissions.*

This scheme is approved, subject to the conditions herein contained and, in particular:

1. The area of the project shall consist of:

Twp 83 Rge 16 W6M – section 5.

2. The requirements of Section 10 of the *Drilling and Production Regulation* are hereby waived, provided that gas wells within the project area are not completed nearer than 250 m to the sides of the approved project area.
3. The gas wells within the project area may be produced without individual well allowable restrictions.
4. This approval may be modified or rescinded at a later date if deemed appropriate.

  
Richard Slocomb  
A/Director  
Resource Conservation Branch

DATED AT the City of Victoria, in the Province of British Columbia, this 31<sup>st</sup> day of October 2005.