

November 24, 2010

9021-5000-59240-06

Byron Woo
Shell Canada Limited
1500, 202 – 6th Avenue S.W.
Calgary AB T2P 2R9

Dear Mr. Woo:

**RE: GOOD ENGINEERING PRACTICE SPECIAL PROJECT, AMENDMENT #7
OTHER THAN NORMAL SPACING ORDER, AMENDMENT #7
HERITAGE FIELD – MONTNEY “A” POOL**

The Commission has reviewed your application dated October 13, 2010, requesting amendment of a Good Engineering Practice approval for the Heritage field - Montney formation.

The Commission maps this area within the regional Heritage 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.

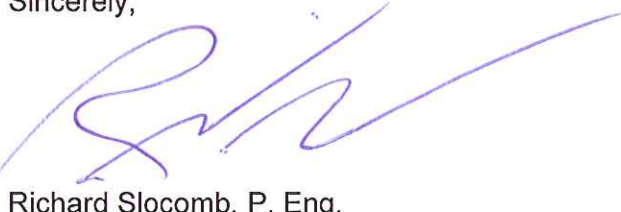
As a result of recent legislative changes, authorities previously contained in a single approval document for this activity are now covered in the attached;

- 1) Order 04-06-001 (Amendment #7) designating Good Engineering Practice, Shell Project #1, within a portion of the regional Heritage field Montney formation as a Special Project under section 75 of the *Oil and Gas Activities Act*, and
- 2) Order 04-06-001-OTN (Amendment #7) 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 the undersigned at (250) 419-4421 or Travis Mercure at (250) 419-4448.

Sincerely,



Richard Slocomb, P. Eng.
Supervisor, Reservoir Engineering
Resource Conservation

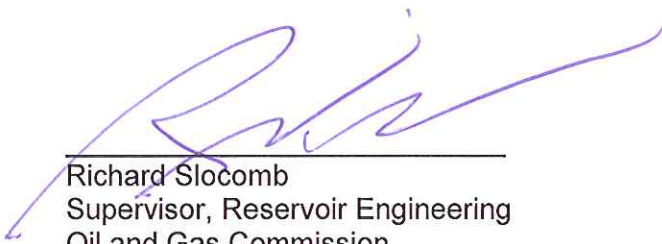
Attachments

IN THE MATTER of an application from Shell Canada Upstream to the Commission dated October 13, 2010 for a Good Engineering Practice project.

ORDER 04-06-001 (Amendment #7)

- 1 Under Section 75(1)(a) of the *Oil and Gas Activities Act*, the Heritage 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;

DLS 77-19 W6M Sections 19 – 22, 28 – 33
DLS 77-20 W6M Sections 12, 13, 23 – 26, 34 – 36
DLS 78-18 W6M Sections 5 – 8, 18
DLS 78-19 W6M Sections 1, 2, 5 – 23, 27 – 33
DLS 78-20 W6M Sections 1, 2, 23 – 28, 34 – 36
DLS 79-18 W6M Sections 5 – 10, 15 – 22, 27, 28, 33, 34
DLS 79-19 W6M Sections 1 – 35
DLS 79-20 W6M Sections 1, 2, 10 – 16, 21 – 36
DLS 80-18 W6M Sections 3, 4, 7, 9, 15 – 21, 24, 26 – 34
DLS 80-19 W6M Sections 1 – 25, 36
DLS 80-20 W6M Sections 1 – 18, 20, 21, 23, 24, 29-32
DLS 80-21 W6M Sections 9-12, 14-16, 22-24, 26, 27, 34, 36
DLS 81-19 W6M Sections 2, 12
DLS 81-20 W6M Sections 6, 7
DLS 81-21 W6M Sections 2 - 4, 9 – 12, 15, 22, 27



Richard Slocomb
Supervisor, Reservoir Engineering
Oil and Gas Commission

DATED AT the City of Victoria, in the Province of British Columbia, this 24 day of November 2010.

IN THE MATTER of an application from Shell Canada Upstream to the Commission dated October 13, 2010 for Other Than Normal Spacing.

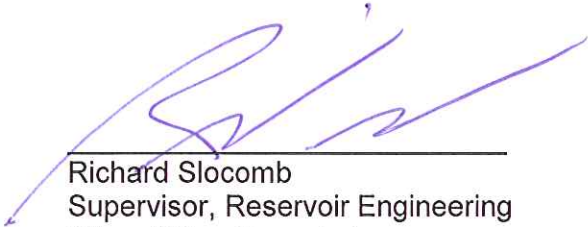
ORDER 04-06-001-OTN (Amendment #7)

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

DLS 77-19 W6M Sections 19 – 22, 28 – 33
DLS 77-20 W6M Sections 12, 13, 23 – 26, 34 – 36
DLS 78-18 W6M Sections 5 – 8, 18
DLS 78-19 W6M Sections 1, 2, 5 – 23, 27 – 33
DLS 78-20 W6M Sections 1, 2, 23 – 28, 34 – 36
DLS 79-18 W6M Sections 5 – 10, 15 – 22, 27, 28, 33, 34
DLS 79-19 W6M Sections 1 – 35
DLS 79-20 W6M Sections 1, 2, 10 – 16, 21 – 36
DLS 80-18 W6M Sections 3, 4, 7, 9, 15 – 21, 24, 26 – 34
DLS 80-19 W6M Sections 1 – 25, 36
DLS 80-20 W6M Sections 1 – 18, 20, 21, 23, 24, 29-32
DLS 80-21 W6M Sections 9-12, 14-16, 22-24, 26, 27, 34, 36
DLS 81-19 W6M Sections 2, 12
DLS 81-20 W6M Sections 6, 7
DLS 81-21 W6M Sections 2 - 4, 9 – 12, 15, 22, 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.



Richard Slocomb
Supervisor, Reservoir Engineering
Oil and Gas Commission

DATED AT the City of Victoria, in the Province of British Columbia, this 24 day of November 2010.