

January 19, 2011

8160-5000-59240-06

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

Dear Mr. Woo:

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

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The Commission has reviewed your application dated November 25, 2010, requesting approval of a Good Engineering Practice approval for an area within the Town field - Montney formation.

The application is intended to extend successful development, 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.

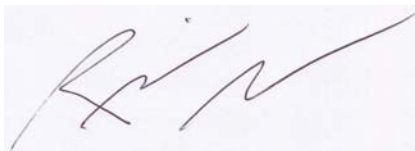
As a result of recent legislative changes, authorities previously contained in a single approval document for this activity are now covered in the attached;

- 1) Order 11-06-003 designating Good Engineering Practice, Shell Project #1, within a portion of the Town - Montney “A” pool as a Special Project under section 75 of the *Oil and Gas Activities Act*, and
- 2) Order 11-06-003-OTN 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 Energy to the Commission dated November 25, 2010 for a Good Engineering Practice project

**ORDER 11-06-003**

- 1 Under Section 75(1)(a) of the *Oil and Gas Activities Act*, the Town 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-A-12 Block D Unit 100  
NTS 94-A-12 Block E Units 10, 20, 30, 40, 50, 60, 70, 80, 90, 100  
NTS 94-A-12 Block L Units 10, 20, 30, 40, 50  
NTS 94-B-09 Block A Unit 91  
NTS 94-B-09 Block H Units 1, 11-13, 21-23, 31-33, 41-43, 51-53, 61-63, 71-73, 81-83, 91-97  
NTS 94-B-09 Block I Units 1-7, 11-19, 21-29, 31-39, 41-49, 52-55, 62-65, 72-77, 82-87, 92-97  
NTS 94-B-16 Block A Units 2-7, 14-19, 24-29, 34-40, 44-50, 56-60, 66-70, 76-79, 86-89, 98-100  
NTS 94-B-16 Block B Units 31, 41, 51-53, 61-63, 72, 73, 82, 83, 91-95  
NTS 94-B-16 Block G Units 1-5, 11-15, 21-25, 34-37, 44-47, 54-59, 64-69, 76-79, 86-89  
NTS 94-B-16 Block H Units 8-10, 18-20, 28-30.

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Alex Ferguson  
Commissioner  
Oil and Gas Commission

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

IN THE MATTER of an application from Shell Canada Energy to the Commission dated November 25, 2010 for Other Than Normal Spacing.

**ORDER 11-06-003-OTN**

- 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-A-12 Block D Unit 100  
NTS 94-A-12 Block E Units 10, 20, 30, 40, 50, 60, 70, 80, 90, 100  
NTS 94-A-12 Block L Units 10, 20, 30, 40, 50  
NTS 94-B-09 Block A Unit 91  
NTS 94-B-09 Block H Units 1, 11-13, 21-23, 31-33, 41-43, 51-53, 61-63, 71-73, 81-83, 91-97  
NTS 94-B-09 Block I Units 1-7, 11-19, 21-29, 31-39, 41-49, 52-55, 62-65, 72-77, 82-87, 92-97  
NTS 94-B-16 Block A Units 2-7, 14-19, 24-29, 34-40, 44-50, 56-60, 66-70, 76-79, 86-89, 98-100  
NTS 94-B-16 Block B Units 31, 41, 51-53, 61-63, 72, 73, 82, 83, 91-95  
NTS 94-B-16 Block G Units 1-5, 11-15, 21-25, 34-37, 44-47, 54-59, 64-69, 76-79, 86-89  
NTS 94-B-16 Block H Units 8-10, 18-20, 28-30.

- 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 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.

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Richard Slocomb  
Supervisor, Reservoir Engineering  
Oil and Gas Commission

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