

March 1, 2011

9045-8295/8550-59240-06

Kevin Hall  
Storm Gas Resource Corp.  
800, 205 5<sup>th</sup> Ave. SW  
CALGARY, AB T2P 2V7

Dear Mr. Hall:

**RE: GOOD ENGINEERING PRACTICE SPECIAL PROJECTS  
OTHER THAN NORMAL SPACING ORDERS  
HORN RIVER FIELD – MUSKWA-OTTER PARK & EVIE SHALE FORMATIONS**

The Commission has reviewed your application dated January 20, 2011, requesting approval of Good Engineering Practice for areas within the Horn River Basin - Horn River formation.

The Horn River Basin is an area of intense new activity for shale gas development. Gas recovery from this resource will benefit from the ability to produce horizontal wells in optimal locations, drilling from central sites.

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) Orders 11-06-011, 11-06-012, 11-06-013, 11-06-014 and 11-06-015 designating Good Engineering Practice within portions of the regional Horn River field Muskwa-Otter Park and Evie shale gas formations as Special Projects under section 75 of the *Oil and Gas Activities Act*, and
- 2) Orders 11-06-011 OTN, 11-06-012 OTN, 11-06-013 OTN, 11-06-014-OTN and 11-06-015 OTN approving Other Than Normal Spacing under section 65.1 of the *Petroleum and Natural Gas Act* for the subject formations and areas.

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.

For regulatory purposes, the Commission designates the Middle Devonian aged Muskwa-Otter Park as a single formation, and the Evie shale as a separate zone. Therefore, wells completed within the Muskwa-Otter Park formation are not considered commingled, removing any requirement for application, notification or approval. Completing a wellbore for un-segregated production from both the Muskwa-Otter Park and the Evie will require submission of the form Notification of Commingled Production.

Please note that the following Experimental Scheme approvals are hereby terminated, the areas now included within the subject GEP approvals;

**Approval 09-15-011 SGR SHALE GAS PROJECT #1  
Approval 09-15-012 SGR SHALE GAS PROJECT #2**

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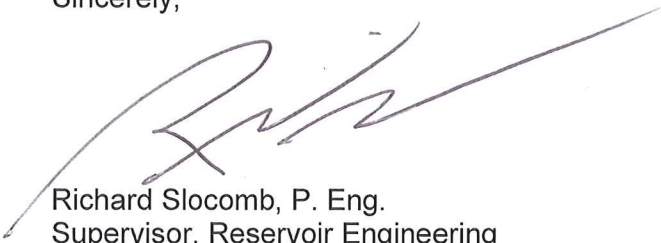
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Any well rig released within the Experimental Schemes prior to October 4, 2010 will retain the remaining portion of the 3-year confidentiality period, however new wells will not obtain Experimental status. A final Progress Report, required as a condition of the Experimental Scheme approval, must be submitted to the Commission within 60 days regardless of the previous reporting cycle.

Should you have any questions, please contact the undersigned at (250) 419-4421 or Travis Mercure at (250) 419-4448.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Richard Slocomb', with a long horizontal flourish extending to the right.

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

Attachments

IN THE MATTER of an application from Storm Gas Resource Corp. to the Commission dated January 20, 2011 for a Good Engineering Practice project.

**ORDER 11-06-0011**

- 1 Under Section 75(1)(a) of the *Oil and Gas Activities Act*, the Horn River field – Muskwa-Otter Park and Evie formations is designated as a special project for the enhanced recovery of natural gas utilizing Good Engineering Practice within the following area;

NTS 94-O-08	Block I – unit 91
NTS 94-O-09	Block A – units 1, 11, 21
NTS 94-P-05	Block K – units 40, 50, 60, 70
	Block L – units 31, 41, 51, 54-57, 61, 64-67, 72-77, 82-87, 92-100
NTS 94-P-12	Block C – units 20, 30, 40, 50
	Block D – units 2-11, 14-21, 24-33, 41-43, 52, 53, 62 and 63.



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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 March 2011.

IN THE MATTER of an application from Storm Gas Resource Corp. to the Commission dated January 20, 2011 for a Good Engineering Practice project.

**ORDER 11-06-0012**

- 1 Under Section 75(1)(a) of the *Oil and Gas Activities Act*, the Horn River field – Muskwa-Otter Park and Evie formations is designated as a special project for the enhanced recovery of natural gas utilizing Good Engineering Practice within the following area;

NTS 94-P-12      Block D – units 56, 57, 66, 67, 76-79, 86-89.



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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 March 2011.

IN THE MATTER of an application from Storm Gas Resource Corp. to the Commission dated January 20, 2011 for a Good Engineering Practice project.

**ORDER 11-06-0013**

- 1 Under Section 75(1)(a) of the *Oil and Gas Activities Act*, the Horn River field – Muskwa-Otter Park and Evie formations is designated as a special project for the enhanced recovery of natural gas utilizing Good Engineering Practice within the following area;

NTS 94-P-12      Block L – units 52, 53, 62, and 63.

A handwritten signature in black ink, appearing to read 'Alex Ferguson', is written over a horizontal line.

Alex Ferguson  
Commissioner  
Oil and Gas Commission

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

IN THE MATTER of an application from Storm Gas Resource Corp. to the Commission dated January 20, 2011 for a Good Engineering Practice project.

**ORDER 11-06-0014**

- 1 Under Section 75(1)(a) of the *Oil and Gas Activities Act*, the Horn River field – Muskwa-Otter Park and Evie formations is designated as a special project for the enhanced recovery of natural gas utilizing Good Engineering Practice within the following area;

NTS 94-P-12      Block D – units 12, 13, 22, and 23.

A handwritten signature in black ink, appearing to read 'Alex Ferguson', is written over a horizontal line. The signature is stylized and cursive.

Alex Ferguson  
Commissioner  
Oil and Gas Commission

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

IN THE MATTER of an application from Storm Gas Resource Corp. to the Commission dated January 20, 2011 for a Good Engineering Practice project.

**ORDER 11-06-0015**

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NTS 94-P-12      Block D – units 74, 75, 84, and 85.

A handwritten signature in black ink, appearing to read 'Alex Ferguson', is written over a horizontal line. The signature is stylized and cursive.

Alex Ferguson  
Commissioner  
Oil and Gas Commission

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

IN THE MATTER of an application from Storm Gas Resource Corp. to the Commission dated January 20, 2011 for Other Than Normal Spacing.

**ORDER 11-06-0011-OTN**

- 1 Under Section 65.1(2) of the *Petroleum and Natural Gas Act*, Other Than Normal Spacing is approved within the regional Horn River field Muskwa-Otter Park and Evie formations within the following area;

NTS 94-O-08	Block I – unit 91
NTS 94-O-09	Block A – units 1, 11, 21
NTS 94-P-05	Block K – units 40, 50, 60, 70 Block L – units 31, 41, 51, 54-57, 61, 64-67, 72-77, 82-87, 92-100
NTS 94-P-12	Block C – units 20, 30, 40, 50 Block D – units 2-11, 14-21, 24-33, 41-43, 52, 53, 62 and 63.

- 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 100 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 1 day of March 2011.



IN THE MATTER of an application from Storm Gas Resource Corp. to the Commission dated January 20, 2011 for Other Than Normal Spacing.

**ORDER 11-06-0012-OTN**

- 1 Under Section 65.1(2) of the *Petroleum and Natural Gas Act*, Other Than Normal Spacing is approved within the regional Horn River field Muskwa-Otter Park and Evie formations within the following area;

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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 1 day of March 2011.

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**ORDER 11-06-0013-OTN**

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NTS 94-P-05      Block L – units 52, 53, 62, and 63.

- 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 100 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,
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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 1 day of March 2011.

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Richard Slocomb  
Supervisor, Reservoir Engineering  
Oil and Gas Commission

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  - 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 7 day of March 2011.