



April 17, 2014

9046-7730-32640-02

Robert Spitzer
Vice President; Kitimat Upstream
Apache Canada Ltd.
2800, 421 – 7th Avenue SW
Calgary, AB T2P 2S5

Dear Mr. Spitzer:

**RE: APPLICATION FOR SPECIAL PROJECT ORDER
APACHE PATRY b-23-K/94-O-5; WA# 26990
LIARD BASIN AREA – BESA RIVER FORMATION**

Oil and Gas Commission staff have reviewed the application by Apache Canada Ltd. (Apache), dated April 1, 2014, requesting approval of a Special Project under section 75(1)(b) and (d) of the Oil and Gas Activities Act for the subject well, drilled to evaluate the hydrocarbon potential of the Besa River shale formation in the Liard Basin area.

Section 10 of the Oil and Gas Activities Act General Regulation states;

- 10 (1)** For the purposes of section 75 (1) (b) of the Act, "**innovative technology**" means technology that is unproven to produce petroleum, natural gas or both in a particular application.
- (2) The following activities are prescribed for the purposes of section 75 (1) (d) of the Act:
- (a) the operation or use of a storage reservoir, including the disposal of produced water or acid gases;
 - (b) the disposal of petroleum, natural gas, water produced in relation to the production of petroleum or natural gas, or waste;
 - (c) the development or production of coalbed gas and of shale gas.

In regard to section 75(1)(b), Apache has failed to provide evidence of the application of a process that could be considered innovative technology to produce natural gas.

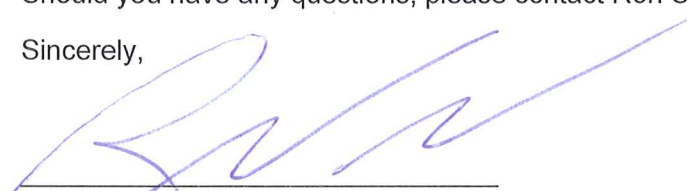
In regard to section 75(1)(d), a Special Project designation other than Innovative Technology does not alter the well classification to extend well data confidentiality. Your application does not request any specific development considerations or area of application. The Liard Field – Besa River formation is defined as an Unconventional Zones under Schedule 2 of the Drilling and Production Regulation, granting many of the advantages of a Special Project in regard to well spacing, target areas and data collection requirements.

We note that the well b-23-K was designated a Special Data Well, granting an 18-month initial confidentiality period, in recognition of the high value placed on the core referenced in your application, and the specialty petrophysical logs run.

Therefore, your application for a Special Project Order under section 75 of OGAA is hereby denied.

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

Sincerely,



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