



OIL AND GAS

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

August 27, 1999

Mr. Gilbert Cordell
District Reservoir Engineer
Canadian Hunter Exploration Ltd.
2000, 605 - 5th Avenue S.W.
Calgary, AB T2P 3H5

- Copy
- Wellfile (originals)
 - 59240
 - Daily
 - Resource Revenue
 - R. Stefik
 - G. Farr
 - P. Attariwala
- Email
- D. Krezanoski
 - S. Chicorelli

OGC 990444
210-2600-55140-07

Canhunter Project

Dear Mr. Cordell:

**RE: UNDERGROUND NATURAL GAS STORAGE
AITKEN CREEK NORTH FIELD; BLUESKY "A" POOL**

The application by Canadian Hunter Exploration Ltd. (CHEL) dated May 28, 1999 requesting approval for a storage licence for underground natural gas storage in the Aitken Creek North Bluesky "A" pool is approved. Approval # 99-55140-07-1 granted under Part 14, section 131 of the Petroleum and Natural Gas Act is attached.

Objections were received from Unocal Canada Limited (Unocal) and Canadian Natural Resources Limited (CNRL) following publication of a notice of the application in the June 10 and 17, 1999 issues of the British Columbia Gazette. The Commission believes that the available geological, geophysical and engineering data does not support the premise that the pool extends beyond the tenure held by CHEL. Accordingly, the Commission has concluded that there is no technical justification for the objections of Unocal and CNRL. If and when compelling evidence that the storage reservoir is present under lands not held by CHEL, and that the rights of other parties are affected by storage project, becomes available, the Commission expects that the parties will work to resolve the equity issues.

Please note that an application for Royalty Agreement must be made to the Administrator, Resource Revenue Branch of the Ministry of Energy and Mines. CHEL must conclude a Royalty Agreement before the scheme becomes operational.

In addition, Petroleum and Natural Gas lease and underground storage lease must be maintained in good standing at all times.

Yours sincerely,

B. van Oort, P. Eng.
Director
Engineering and Geology Branch

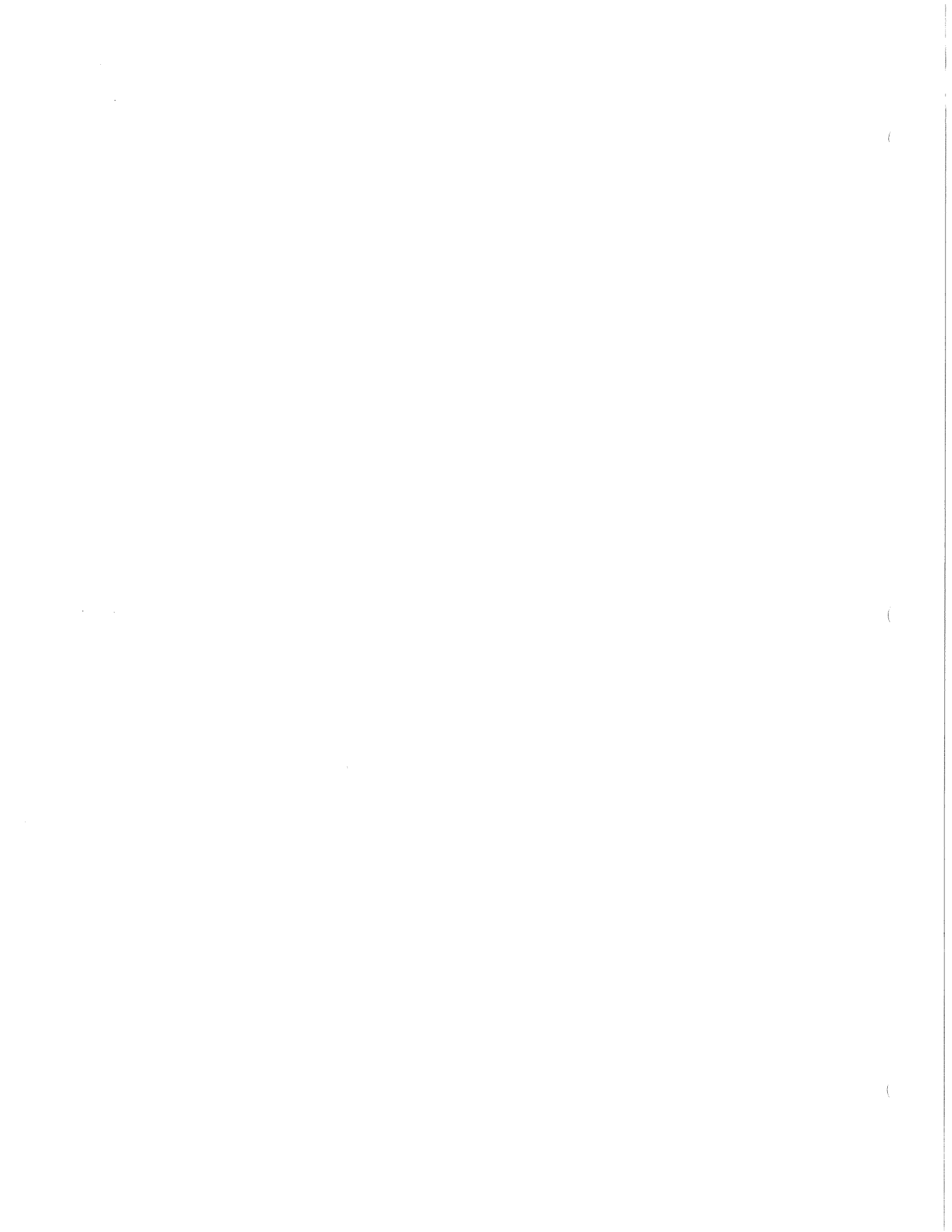
Attachment

Cc: Mr. Kenneth Mislán (Unocal Canada Limited)
Mr. Richard VanAppelen (Canadian Natural Resources Limited)

ENGINEERING AND GEOLOGY BRANCH

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APPROVAL 99-55140-07-1

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

IN THE MATTER of a scheme by Canadian Hunter Exploration Ltd. (CHEL) to develop and use the Aitken Creek North field Bluesky "A" gas pool for the purposes of underground natural gas storage.


The Oil and Gas Commission, pursuant to Part 14, section 131 of the Petroleum and Natural Gas Act, hereby grants a storage licence to CHEL for the scheme as described in:

an Application from CHEL to the Commission dated May 28, 1999, and related submission.

The scheme is approved, subject to the following conditions:

1. The scheme area is that part of the Aitken Creek North field, Bluesky "A" pool located within units 11-15, 21-25, 31-35, 41-45, 51-55 and 61-65 of Block A/94-G-1 and units 18-20, 28-30, 38-40, 48-50, 60 and 70 of Block D/94-H-4.
2. The underground natural gas storage scheme must be designed, constructed, operated and abandoned in accordance with the relevant sections of CSA Standard Z341-98 as amended from time to time.
3. The maximum bottom hole pressure at the injection well must not exceed the discovery pressure of 10,849 kPa (absolute).
4. A progress report must be submitted to the Commission within 60 days after the end of each calendar year the scheme is in operation. The progress report must contain the following:
 - (a) the volume of gas injected into and produced from the pool, on a monthly, annual and cumulative basis,
 - (b) the net volume of gas stored in the pool on a monthly basis, after commencement of operations,
 - (c) representative compositions of the gas injected into and produced from the pool during the reporting period,
 - (d) a summary of the pressure data measured in the pool during the reporting period,
 - (e) a summary of changes or modifications in the operation of the scheme during the reporting period, including well workovers, recompletions and suspensions, or any surface facility modifications,
 - (f) interpretations of the performance of the scheme including an updated material balance analysis with an estimation of the maximum and minimum reservoir pressure attained during the report period, and a discussion of any anomalous behavior,
 - (g) current operating capability of the scheme including working gas, cushion gas, maximum and minimum deliverability/injectivity and maximum injection pressure and minimum injection pressure.

5. This approval or any condition of it may be modified or rescinded for non-compliance with terms of this approval, Storage Regulation and Petroleum and Natural Gas Act or as may be required to address revised geological interpretation resulting from new data or information.



Bou van Oort
Director
Engineering and Geology Branch

DATED AT the City of Victoria, in the Province of British Columbia, this ^{27th} day of August, 1999.