

July 9, 2015

7900-2600/4100-59070-20

Harjot Sohi, P.Eng.
Senior Production Engineer
Questerre Energy Corporation
1650, 801 – 6th Avenue SW
Calgary, AB T2P 3L8

Dear Mr. Sohi:

**RE: TEMPORARY COMMINGLED PRODUCTION SPECIAL PROJECT
QEC ET AL SQUIRREL A16-34-087-20; WA #19152**

The Oil and Gas Commission (Commission) has reviewed your email dated May 14th, 2015 requesting approval to temporarily commingle gas and oil production from the Bluesky/Gething formations with the Baldonnel formation in the subject well.

The subject well was spudded on February 24th, 2005 to evaluate the Bluesky and Gething formations. The well was production tested for both zones but came in dry. In 2015 these tests were repeated with no significant inflow recorded. The Baldonnel formation was tested and showed potential for oil production.

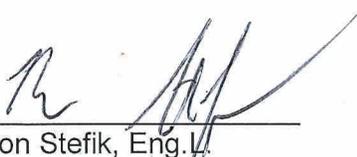
Commingling production from sour oil and sweet gas formations is normally not permitted, due to conservation and safety issues. However, both the Bluesky and Gething zones appear incapable of production or injection. Pengrowth Energy Corporation as the operator of the nearby Bluesky "A" pool was informed and provided consent to the commingle operation. The Commission grants the request to temporarily commingle all three zones, performing an extended production test to evaluate the economic viability of the well.

This approval is valid for up to 60 days following the date of initial production. A commingled production application must be submitted to the Commission with the results of this test to obtain a permanent approval.

Attached please find temporary Order 15-20-001 designating an area in the Squirrel field within the subject formations a Special Project under section 75 of the *Oil and Gas Activities Act* for Commingled Production. Please submit a form BC-11 for the zone which notes this commingled production Approval Order 15-20-001. As well, a commingle Notification form, which can be found on the OGC website (<http://www.bcogc.ca/industry-zone/documentation/Commingling>) must be submitted as indicated on the form.

Should you have any questions, please contact Ron Stefik at (250) 419-4430 or Petra Kriescher-Trudgeon at (250) 419-4415.

Sincerely,



Ron Stefik, Eng. W.
Supervisor, Reservoir Engineering
Oil and Gas Commission

Attachment

IN THE MATTER of an application from Questerre Energy Corporation to the Oil and Gas Commission (Commission) dated May 14th, 2015 for temporary Commingled production approval.

ORDER 15-20-001

- 1 Under Section 75(1)(a) of the *Oil and Gas Activities Act*, the Squirrel field – Bluesky, Gething and Baldonnel zones are designated as a special project for the enhanced recovery of natural gas and oil by commingling production within the following area;

DLS TWP 87 RGE 20 Section 34

- 2 Under section 75(2) of the *Oil and Gas Activities Act*, the special project designation in this Order is subject to the following conditions:
 - a) Production from the Bluesky (1102.5 mKB – 1105.0 mKB), Gething (1167.5 – 1186.0 mKB) and Baldonnel (1253.0 – 1257.5 mKB) zones may be commingled through the well QEC et al Squirrel A16-34-87-20 W6M (WA # 19152).
 - b) Gas, oil and water production from the commingled well must be allocated on the Ministry of Finance BC-S1, BC-S2 and BC-08 forms to the Baldonnel formation.
 - c) This approval will terminate 60 days from the date of initial production.



Ron Stefik, Eng.L.
Supervisor, Reservoir Engineering
Oil and Gas Commission

DATED AT the City of Victoria, in the Province of British Columbia, this 9th day of July 2015.