

June 6, 2017

9021-5000-59240-06

Jeremy Zakresky, P.Eng.
Leucrotta Exploration Inc.
700, 639 – 5th Avenue S.W.
Calgary AB T2P 0M9

Dear Mr. Zakresky:

**RE: GOOD ENGINEERING PRACTICE (GEP) SPECIAL PROJECT APPROVAL AMENDMENT #1
OTHER THAN NORMAL SPACING ORDER AMENDMENT #1
HERITAGE FIELD – MONTNEY “A” POOL**

The Commission has reviewed the application from Leucrotta Exploration Inc. (Leucrotta), dated May 11th, 2017, requesting waiver of the Daily Oil Allowable (DOA) within the Heritage (Mica) field – Montney formation.

Oil well production is normally subject to a daily oil allowable restriction as a conservation and equity measure. However, the extremely low porosity of the Montney, requiring hydraulic fracture stimulation for economic production, limited well drainage areas and lack of apparent secondary recovery potential are not conducive to normal gas-oil ratio adjusted production allowable restrictions.

The following Orders are attached:

- 1) Order 15-06-003 Amendment #1 designating Good Engineering Practice within a portion of the Heritage field Montney formation as a Special Project under section 75 of the *Oil and Gas Activities Act*, and
- 2) Order 15-06-003 Amendment #1 OTN approving Other Than Normal Spacing under section 65.1 of the *Petroleum and Natural Gas Act* for the subject pool 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. This approval may be modified at a later date if deemed appropriate.

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

Sincerely,



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

Attachments

IN THE MATTER of an application from Leucrotta Exploration Inc. to the Oil and Gas Commission dated May 11, 2017 for Other Than Normal Spacing.

ORDER 15-06-003-OTN AMENDMENT #1

1 Under Section 65.1(2) of the *Petroleum and Natural Gas Act*, Other Than Normal Spacing is approved within the Heritage field – Montney formation within the following area;

DLS Twp 82 Rge 13 W6M - Sections 7, 18, W/2 Fractional Sections 8 and 17,

 Twp 82 Rge 14 W6M - Sections 12 and 13

2 Under section 65.1(3) of the *Petroleum and Natural Gas Act*, I specify the following:

- a) the target area for an oil well completed within the project area is not nearer than 100 m to the sides of the Other Than Normal Spacing area,
- b) an oil well completed outside the target area specified in paragraph (a) may be subject to an off-target production penalty,
- c) oil wells drilled within the specified project area are not subject to spacing requirements.



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

DATED AT the City of Victoria, in the Province of British Columbia, this 6th day of June 2017.

IN THE MATTER of an application from Leucrotta Exploration Inc. to the Oil and Gas Commission dated May 11, 2017 for a Good Engineering Practice project.

ORDER 15-06-003 AMENDMENT #1

- 1 Under Section 75(1)(a) of the *Oil and Gas Activities Act*, a portion of the Heritage Montney "A" pool is designated as a special project for the recovery of oil utilizing Good Engineering Practice within the following area;

DLS Twp 82 Rge 13 W6M - Sections 7, 18, W/2 Fractional Sections 8 and 17,
 Twp 82 Rge 14 W6M - Sections 12 and 13

- 2 Under section 75(2) of the *Oil and Gas Activities Act*, I specify the following:
 - a) The project unadjusted daily oil allowable is 99.6 m³/d is waived



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

DATED AT the City of Victoria, in the Province of British Columbia, this 6th day of June 2017.