

August 4, 2017

8100-4900/6200-59070-20

Steve Johnson, P.Eng.
Exploitation Engineer
Kelt Exploration Ltd.
300, 311 – 6th Avenue SW
Calgary, AB T2P 3H2

Dear Mr. Johnson:

RE: COMMINGLED PRODUCTION SPECIAL PROJECT
KELT LNG ET AL W STODDART 06-16-087-20; WA #2780

The Oil and Gas Commission (Commission) has reviewed your application dated June 20, 2017 requesting approval to commingle oil production from the Doig 'A' pool with Belloy 'J' gas in the subject well.

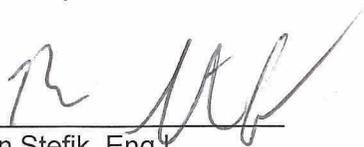
The subject well was completed and commenced Belloy gas production in January 1971, acidized several times and fracture treated, before suspended in November 1996. The up-hole Doig formation was completed, producing oil between February 1997 and September 1997. The well was suspended thereafter until the Belloy recommenced gas production in July 2005.

Well 06-16 produces about 3 e³m³/d of gas, 0.2 m³/d of condensate and 2 m³/d of water up tubing from the Belloy. Adding Doig oil and associated gas production may extend the economic life of the well, thereby increasing reserves recovery. The Doig formation in the 06-16 well is partially depleted with a pressure of about 10 MPa on the annulus, expected to decrease rapidly. During any period of extended shut-in the sliding sleeve may be closed to segregate cross-flow. The initial allocation factors are listed in the attached Order. However, due to the absence of a recent Doig production test, the Commission requires that Kelt provide a revised allocation factor for all products after three months of production, with values derived by difference from base Belloy production.

Please find Order 17-20-002 attached, designating an area in the Stoddart West field within the subject formations is a Special Project under section 75 of the *Oil and Gas Activities Act* for Commingled Production. Equipment requirements for the sour Doig production are included in the Order. Please submit a form BC-11 for the Doig zone which notes this commingled production Approval Order 17-20-002. 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 as well.

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.L.
Supervisor, Reservoir Engineering
Oil and Gas Commission

Attachment

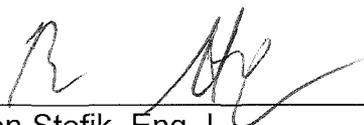
IN THE MATTER of an application from Kelt Exploration Ltd. to the Oil and Gas Commission dated June 20, 2017 for Commingled Production approval.

ORDER 17-20-002

- 1 Under Section 75(1)(a) of the *Oil and Gas Activities Act*, the Commission designates the commingling of production from the Stoddart West field – Doig ‘A’ and Belloy ‘J’ pools as a special project for recovery of oil and gas by commingling production within the following area;

DTS Twp 87 Rge 20 Section 16

- 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 Belloy ‘J’, interval 1947.1 to 1952.2 mKB, may be commingled with the Doig ‘A’, interval 1632.0 to 1635.0 mKB, production through well Kelt LNG et al W Stoddart 06-16-087-20 (WA # 2780).
 - b) H2S rated production equipment must be used to operate the above well.
 - c) A packer must be placed above the Doig interval to isolate the production from the up-hole formations only if the well does not utilize artificial lift equipment.
 - d) Gas, hydrocarbon liquids (oil & condensate) and water production from the commingled well must be allocated on the Ministry of Finance BC-S1, BC-S2 and BC-08 forms on the basis of Doig ‘A’ 50% and Belloy ‘J’ 50%. The allocation factors for all products must be resubmitted after three months of production, for amendment of this Order.



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

DATED AT the City of Victoria, in the Province of British Columbia, this 4th day of August, 2017.