

October 18, 2017

6400-4800-32640-60

Adam Espiritu
Engineering Co-op Student
Storm Resources Ltd.
200, 640- 5th Avenue S.W.
Calgary, AB T2P 3G4

Dear Mr. Espiritu:

**RE: OBSERVATION WELL STATUS APPROVAL
SRL ET AL HZ NIG a-A48-D/94-H-3 (WA 29012)
NIG CREEK – HALFWAY**

BC Oil and Gas Commission (Commission) staff have reviewed the October 12, 2017, application from Storm Resources Ltd. seeking approval of observation well status for SRL et al HZ Nig a-A48-D/94-H-3 (WA 29012).

The Drilling and Production Regulation Part 1 defines an observation well as “a well or a portion of a well designated as an observation well under section 2 (7)”.

- 2 (7) An official may designate a well as an observation well if
- (a) the well is being used to monitor reservoir pressures or to obtain other formation information, and
 - (b) the well is not used to produce from, or inject or dispose of fluids into, a formation being monitored.

The subject well was drilled in 2013 and the Montney formation completion took place in August 2013. During the completion operations a casing rupture occurred. A casing patch was installed over the rupture but the results of a subsequent hydraulic fracture showed indications that the casing may have parted. The Montney formation was downhole suspended in February 2015 with a bridge plug and 8 linear meters of cement. The Halfway formation was then completed and tested for the purpose of water disposal. Approval for water disposal operations was granted in May 2015. Water disposal into the Halfway formation commenced in July 2015. As of May 2017, 34,941 m³ water had been disposed into the Halfway and a 65 day fall off test showed the formation pressure at 14,288 kPaa at the midpoint of perforations; above the 13,160 kPaa maximum formation pressure specified in the approval. As such, there has been no disposal into the Halfway formation since May 2017.

Storm Energy Resources Ltd. is requesting use of the subject well to monitor reservoir pressures in the Halfway formation over the next one to two years in an effort to understand the disposal potential of the Halfway formation. The data collected will be used in long-term planning and decision making for Halfway saltwater disposal wells.

Approval of observation status is granted for SRL et al HZ Nig a-A48-D/94-H-3 (WA 29012), for the Halfway formation, with the following requirements;

- conduct a static reservoir pressure test at an interval no greater than every 6 months, with the first test occurring before February 28, 2018;
- perform a surface casing vent flow test annually; and
- submit a BC11 form to the Ministry of Finance to update the well status.

Please be reminded that all reservoir pressure tests conducted must be submitted to the Commission within sixty days of the date on which the pressure was measured.

Should you have any questions, please contact Kathryn Archibald at (250) 419-4457 or the undersigned at (250) 419-4430.

Sincerely,



Michelle Gaucher, P. Eng
Reservoir Engineer
Oil and Gas Commission

Cc: Darren Evans, Storm Resources Ltd.
Leslie Jorgensen, Storm Resources Ltd.