

August 14, 2019

6400-4800-32640-60

Joshua Smith  
Exploitation Engineer  
Storm Resources Ltd.  
Suite 600, 215- 2<sup>nd</sup> Street S.W.  
Calgary, AB T2P 1M4

Dear Mr. Smith:

**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 August 13, 2019, application from Storm Resources Ltd. requesting a reduction in reservoir pressure testing frequency for the observation well 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 approved for water disposal in the Halfway formation in May 2015 and disposal operations commenced in July 2015. Disposal ceased in May 2017 with a cumulative disposal volume of 34,941 m<sup>3</sup>. A 65 day fall off test completed after shut-in reported a formation pressure of 14,288 kPaa at the midpoint of perforations (MPP).

The well was designated as an observation well on October 18, 2017 with the requirement to monitor the reservoir pressure to gain a better understanding of the disposal potential in the Halfway formation. Static gradient tests have been completed at six month intervals since the approval and the most recent reservoir pressure test reports a pressure of 12,336 kPaa at MPP. The pressure change between August 1, 2018 and February 12, 2019 was 229 kPa.

Storm Energy Resources Ltd. is requesting the frequency of testing be reduced to once per calendar year. The Commission has reviewed the reservoir pressure testing history for the subject well and agrees that the proposed frequency testing will continue to provide sufficient data to monitor pressure dissipation in the Halfway formation.

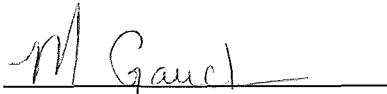
Approval of observation status is granted for SRL et al HZ Nig a-A48-D/94-H-3 (WA 29012), for the Halfway formation, with the following requirements;

- conduct a static reservoir pressure test annually; and
- perform a surface casing vent flow test annually.

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) 419-4406 or the undersigned at (250) 419-4430.

Sincerely,

A handwritten signature in cursive script, appearing to read "M. Gaucher", is written over a horizontal line.

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