



January 29, 2009

2940-4608/4800-59070-20

Cheryl Leitch, C.E.T.
Sr. Engineering Technologist
Progress Energy Ltd.
1200, 205 – 5th Avenue S.W.
CALGARY AB T2P 2V7

Dear Ms. Leitch:

**RE: COMMINGLED PRODUCTION APPROVAL
PROEX CARIBOU a-075-G/094-G-07; WA# 23294**

Commission staff have reviewed your application dated January 9, 2009 requesting permission to commingle gas production from the Trutch Creek and Halfway zones encountered in the subject well. The Commission has designated the subject zones to the Caribou – Trutch Creek “A” and Halfway “A” gas pools. The Halfway pool is a large multi-well pool and the Trutch Creek contains the single subject well.

The subject well was completed in both zones in February 2008. At the time, Progress interpreted the Trutch Creek as part of the Halfway and both zones were placed on commingled production in March 2008. In July, 2008 the Commission designated the upper interval as a separate Trutch Creek pool and the zones were segregated. Retroactive splits of 75% Trutch Creek, 25% Halfway were applied. Flow tests and pressure buildups for each zone were conducted in August, 2008. The Halfway last produced in October, 2008 at $5.3 \times 10^3 \text{ m}^3/\text{d}$ and the Trutch Creek produced at $\sim 8.0 \times 10^3 \text{ m}^3/\text{d}$ during the month on January, 2009.

The H_2S content of both zones varies across the area and measured at 3% for the Halfway and 10% for the Trutch Creek in the subject well. Other Halfway wells within the “A” pool contain higher H_2S values as great as 6.12% (WA 23550) and another Trutch Creek well in the area contained a lower H_2S value of 6% (WA 23077). The wellbore is equipped with sliding sleeves so the zones can be isolated during shut-ins to prevent crossflow. Well testing of both zones showed possible boundaries (changes in transmissivity) at short distances from the wellbore, suggesting limited drainage areas. Commingled production through a single production string is expected to maximize production and reserve recovery from both zones.

Commingled production is hereby approved, under the authority of Section 41 of the *Drilling and Production Regulation*, subject to the following conditions:

1. Production from the Trutch Creek (1635.9–1644.2 mKB) and Halfway (1688.2–1700.5 mKB) zones may be commingled.

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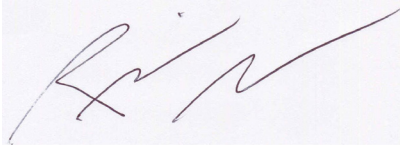
PO Box 9329 Stn Prov Gov't, Victoria BC V8W 9N3 Tel: (250) 952-0302 Fax: (250) 952-0301
Location: 6th Flr 1810 Blanshard St, Victoria BC

Headquarters: #200, 10003 110th Ave, Fort St. John BC V1J 6M7 Tel: (250) 261-5729 Fax: (250) 261-5744 www.ogc.gov.bc.ca

2. Gas, condensate and water production should be allocated on the Ministry of Finance BC S-1, BC S-2 and BC-08 forms on the basis of Trutch Creek 60% and Halfway 40%.
3. This approval may be modified at a later date if deemed appropriate through a change in circumstances.

Should you have any questions, please contact the undersigned at (250) 952-0366 or Kelly Okuszko at (250) 952-0325.

Sincerely,

A handwritten signature in dark ink, appearing to read 'R. Slocomb', is written over a light blue rectangular background.

Richard Slocomb, P.Eng.
Supervisor, Reservoir Engineering

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