



August 28, 2007

7755-8400-32640-02

Darren Evans, P.Eng.
Engineering Manager
Storm Exploration Inc.
3250, 205 – 5th Avenue S.W.
Calgary, Alberta T2P 2V7

Dear Mr. Evans:

**RE: APPLICATION FOR SALT WATER DISPOSAL
Storm EXP Sahtaneh b-87-H/94-I-12, (WA# 12739); Slave Point Formation**

The Commission has reviewed your application, received January 5, 2007, requesting permission to dispose of produced water into the Slave Point formation of the subject well.

The subject well has cumulatively produced $306.4 \times 10^3 \text{ m}^3$ of gas between April 2000 and October 2005, and was shut-in due to excessive water production. The subject well is part of the Sextet Slave Point “D” pool; a two well non-associated gas pool with strong aquifer support. This pool continues to produce gas from the well Storm EXP Sahtaneh b-100-H/94-I-12 (WA# 9513).

Storm has requested disposal of produced water into the existing perforated interval (1417.1 – 1434.6 mSS), which is considerably higher than the estimated gas/water contact (1500 mSS). Prior to issuing an approval the Commission requested that Storm flow test the subject well to determine whether water production had subsided after 18 months shut-in and to ensure that no more gas was recoverable. Initially the well flowed at over 3.0 mmcf/d with low drawdown, however within 3 weeks the well had stopped flowing due to water influx. Subsequent efforts to return the well to production resulted in decreasing gas rates and increasing water/gas ratios. Anticipated water disposal volumes are expected to be modest (20 – 200 m³/d), and therefore should have minimal impact on ultimate gas recovery.

We concur that the subject well appears to be a good candidate for salt water disposal in the Slave Point formation. Notice of your application was published in two issues of the BC Gazette with February 8, 2007 being the last date for any valid objections. No written objections were received.

Attached is Approval 07-02-004 for the application granted under Part 8, Division 3, Section 94 of the *Drilling and Production Regulation*.

Sincerely,

for Doug McKenzie
Director
Resource Conservation Branch

Attachment

RESOURCE CONSERVATION BRANCH

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

APPROVAL 07-02-004

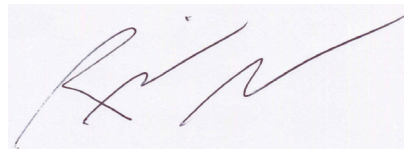
THE PROVINCE OF BRITISH COLUMBIA
PETROLEUM AND NATURAL GAS ACT
DRILLING AND PRODUCTION REGULATION
OIL AND GAS COMMISSION

IN THE MATTER of a scheme of Storm Exploration Inc. (Storm) for Salt Water Disposal (SWD) in the Sextet field Slave Point formation in the well Storm EXP Sahtaneh b-87-H/94-I-12 (WA# 12739).

NOW, THEREFORE, pursuant to Part 8, Division 3, Section 94 of the *Drilling and Production Regulation*, the SWD scheme is hereby approved, as such scheme is described in

an application from Storm to the Commission received January 5, 2007 and supplemental information.

1. The water disposal interval must be in the Slave Point formation.
2. A record of volume of salt water disposed of through this well must be included on a Monthly Injection/Disposal Statement, in the prescribed form (BC-S18), which must be submitted to the Oil and Gas Commission not later than the 25th day of the month following the reported month.
3. The disposal/injection pressure at the sandface must not exceed the formation fracture pressure.
4. The Commission must be notified in writing of the date of commencement of produced water disposal.
5. This approval may be modified or rescinded if deemed appropriate through a change in circumstances.



for Doug McKenzie
Director
Resource Conservation Branch
Oil and Gas Commission

DATED AT the City of Victoria, in the Province of British Columbia, this 28th day of August 2007.