



August 18, 2011

5810-5000-59240-06

Davin Yee, P.Eng.  
Senior Exploitation Engineer  
Progress Energy Resources Corp.  
1200, 205– 5<sup>th</sup> Avenue S.W.  
Calgary AB T2P 2V7

Dear Mr. Yee:

**RE: GOOD ENGINEERING PRACTICE SPECIAL PROJECT  
OTHER THAN NORMAL SPACING ORDER  
LILY LAKE FIELD – MONTNEY FORMATION**

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The Commission has reviewed your application dated June 16, 2011, requesting approval of Good Engineering Practice for an area within the Lily Lake field - Montney formation.

While the approval area is an extension of the regional Montney formation, the Commission agrees that gas recovery from this resource will benefit from the ability to produce horizontal wells in optimal locations, drilling from central sites. For regulatory purposes, the Commission designates the entire Montney sequence as a single formation, removing commingling as an issue.

The following Orders are attached;

- 1) Order 11-06-029 designating Good Engineering Practice within a portion of the Lily Lake field Montney formation as a Special Project under section 75 of the *Oil and Gas Activities Act*, and
- 2) Order 11-06-029-OTN approving Other Than Normal Spacing under section 65.1 of the *Petroleum and Natural Gas Act* for the subject formation and area.

As a Good Engineering Practice special project, the applicant intends to locate, complete and operate wells in a manner to optimize resource recovery while minimizing surface impacts. No objections were received following notice of application on the OGC website.

Should you have any questions, please contact Kelly Okuszko at (250) 419-4433 or Travis Mercure at (250) 419-4448.

Sincerely,

A handwritten signature in black ink, appearing to read 'Paul Jeakins', is written over a white background.

Paul Jeakins  
Chief Operating Officer  
Oil and Gas Commission

Attachments

IN THE MATTER of an application from Progress Energy Resources Corp. to the Oil and Gas Commission dated June 16, 2011 for a Good Engineering Practice project.

**ORDER 11-06-029**

- 1 Under Section 75(1)(a) of the *Oil and Gas Activities Act*, the Lily Lake field – Montney formation is designated as a special project for the enhanced recovery of natural gas utilizing Good Engineering Practice within the following area;

NTS 94-G-02 Block F Units 11-13, 21-23, 31-33, 41-43, 51-53, 61-63, 71-75, 81-85, 91-95

NTS 94-G-02 Block G Units 18-20, 28-30, 38-40, 48-50, 60, 70, 80, 90, 100

NTS 94-G-02 Block J Units 10, 16-20, 26-30, 34-40, 44-50, 54-60, 64-70, 74-80, 84-90, 96-100

NTS 94-G-02 Block K Units 1-5, 11, 21, 31, 41, 51, 61, 71, 81, 91

NTS 94-G-07 Block B Units 6-10, 16-19, 26-29

NTS 94-G-07 Block C Unit 1.



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Paul Jeakins  
Chief Operating Officer  
Oil and Gas Commission

DATED AT the City of Victoria, in the Province of British Columbia, this 19<sup>th</sup> day of August 2011.

IN THE MATTER of an application from Progress Energy Resources Corp. to the Oil and Gas Commission dated June 16, 2011 for Other Than Normal Spacing.

**ORDER 11-06-029-OTN**

1 Under Section 65.1(2) of the *Petroleum and Natural Gas Act*, Other Than Normal Spacing is approved within the Lily Lake field Montney formation within the following area;

NTS 94-G-02 Block F Units 11-13, 21-23, 31-33, 41-43, 51-53, 61-63, 71-75, 81-85, 91-95  
NTS 94-G-02 Block G Units 18-20, 28-30, 38-40, 48-50, 60, 70, 80, 90, 100  
NTS 94-G-02 Block J Units 10, 16-20, 26-30, 34-40, 44-50, 54-60, 64-70, 74-80, 84-90, 96-100  
NTS 94-G-02 Block K Units 1-5, 11, 21, 31, 41, 51, 61, 71, 81, 91

NTS 94-G-07 Block B Units 6-10, 16-19, 26-29  
NTS 94-G-07 Block C Unit 1.

2 Under section 65.1(3) of the *Petroleum and Natural Gas Act*, I specify the following:

- a) the target area for a gas well completed within the project area is not nearer than 150 m to the sides of the Other Than Normal Spacing area,
- b) a gas well completed outside the specified target area may be subject to an off-target production penalty,
- c) gas wells drilled within the specified project area are not subject to spacing requirements.



Kelly Okuszko  
Supervisor, Reservoir Engineering  
Resource Conservation

DATED AT the City of Victoria, in the Province of British Columbia, this 18<sup>th</sup> day of August 2011.