



January 16, 2006

INFORMATION LETTER #OGC 06- 01

SUBJECT: Commingled Production Area Approval – Deep Basin

The OGC has issued an interim approval allowing commingled production of specified sweet gas bearing formations within a designated area known as the “Deep Basin”. The approval, and associated OGC interim guide, specifies the criteria whereby an operator may commingle production from two or more zones in a well without prior application; only notification is required. Final documents are expected to replace these interim measures in spring 2006, following the resolution of several process and systems changes.

Working in collaboration with an industry/government Best Practices Working sub-Group, the OGC recognizes the efficiencies and economies that would be gained by a pre-approval and notification process, while continuing to ensure the gathering and reporting of an appropriate level of data. Previous OGC commingled production approvals have only been issued on the basis of individual wells, or two specific pools, following submission of an application in accordance with the “Guideline for Approval to Commingle Production from Two or More Zones”. This area based approval provides operational certainty for producers and regulatory efficiency for the Commission.

The approval area has been the subject of numerous individual commingling applications and approvals, with expectations of many additional development wells, some at reduced spacing. The targeted zones are characterized as either extensive, low permeability sands or pools of limited size and modest productivity. Commingled production is expected to maximize gas production and recovery within the area.

The approval applies to both new wells and the re-completion of existing wellbores. The associated interim guide addresses well testing and production reporting requirements. For zones which do not meet guide criteria, the operator may still make an individual well commingling application, where circumstances warrant.

Normal gas well spacing and target restrictions continue to apply, unless otherwise approved under a Good Engineering Practice project approval granted under Section 101 of the *Drilling and Production Regulation*.

The interim approval and guide are available on the OGC website within the Reservoir Engineering section:

- Interim approval -
<http://www.ogc.gov.bc.ca/documents/forms/reservoir/Area%20Commingle%20Order%20-%20Interim.doc>
- Interim Guide-
<http://www.ogc.gov.bc.ca/documents/forms/reservoir/Commingling%20Guide%20-%20Interim.doc>

For further clarification and/or information, please contact:

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A handwritten signature in black ink, appearing to read 'Derek Doyle', with a horizontal line underneath.

Derek Doyle
Commissioner