

APPLICATION GUIDELINE FOR WAIVER OF OFF-TARGET PRODUCTION PENALTY

An application for waiver of the off-target production penalty prescribed under Section 6 (oil) or 7 (gas) of the Drilling and Production Regulation may contain, when applicable:

- a cover letter request for waiver, clearly identifying the;
 - company making the application
 - well name
 - well authorization number
 - productive formation(s) and product type (oil or gas)
 - reason why well is completed in an off-target location;
- a map showing the title holders of the affected spacing areas and the well location (both surface and subsurface) with distances to the nearest spacing boundaries;
- a wellbore directional survey;
- letter(s) of no objection to waiver from the affected off-setting lease owners, as registered with the British Columbia Ministry of Energy, Mines and Low Carbon Innovation, Titles Branch.

The consent of the tenure holder in only the off-target direction need be considered; see the **Example Letter: No Objection to Waiver of Off-Target Production Penalty**. A consent letter is not required where the applicant for waiver is the holder of the affected offsetting title, unless there is more than one registered owner.

Please be aware that the offsetting rights must be held under a valid Petroleum and Natural Gas Lease, not a Drilling Licence, in order for waiver to be granted. Waiver of the off-target penalty will be conditional upon the ongoing consent of the current tenure holder.

Note: the off-target production penalty does not apply to a well which is recognized by the BC Energy Regulator as the "discovery well" of a new pool.

One copy of the application is to be submitted electronically to the Reservoir Engineering Department of the BC Energy Regulator in Victoria at Reservoir@bc-er.ca.