



October 9, 2014

1360-2300-32640-02

Randy Hughes
Painted Pony Petroleum Ltd.
1800, 736 – 6th Avenue SW
Calgary, AB T2P 3T7

Dear Mr. Hughes:

**RE: APPLICATION FOR SPECIAL PROJECT ORDER
PAINTED PONY BLAIR b-30-F/94-B-16; WA# 19379
BLAIR AREA – BUCKINGHORSE SHALE FORMATION**

Oil and Gas Commission staff have reviewed the application by Painted Pony Petroleum Ltd. (Painted Pony), dated October 1, 2014, requesting approval of a Special Project under section 75(1)(b) and (d) of the Oil and Gas Activities Act for the subject well, to evaluate the hydrocarbon potential of the Buckinghorse shale formation in the Blair area.

Section 10 of the Oil and Gas Activities Act General Regulation states;

- 10 (1)** For the purposes of section 75 (1) (b) of the Act, "**innovative technology**" means technology that is unproven to produce petroleum, natural gas or both in a particular application.
- (2)** The following activities are prescribed for the purposes of section 75 (1) (d) of the Act:
- (a) the operation or use of a storage reservoir, including the disposal of produced water or acid gases;
 - (b) the disposal of petroleum, natural gas, water produced in relation to the production of petroleum or natural gas, or waste;
 - (c) the development or production of coalbed gas and of shale gas.

In regard to section 75(1)(b), Painted Pony has failed to provide evidence of the application of a process that could be considered innovative technology to produce natural gas. Multi-stage hydraulic fracture stimulation, utilizing a considerable variation in programs, is a proven technique to obtain economic gas production in a variety of shale plays. As noted in the application, several wells have been completed and produced from the Buckinghorse shale formation in the province. The Commission encourages Painted Pony in efforts to develop an economic play in this resource.

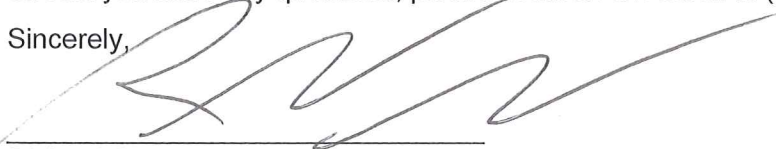
In regard to section 75(1)(d), a Special Project designation other than Innovative Technology does not alter the well classification to extend well data confidentiality. Your application does not request any specific development considerations, as described a single well would be producing within the gas spacing area. The proposed base of perforation interval, 1480 mKB MD, would place the entire completed section in this formation within the 250 m gas target area. Future development of wells at a higher density and off-target locations may be approved, upon application, as an area of Good Engineering Practice to waive normal well spacing, target areas and data collection requirements.

Your application for a Special Project Order under section 75 of OGAA is hereby denied.

Please note that an application may be made to designate a well a Special Data Well, granting an 18-month confidentiality period, should your program include the collection of qualifying data.

Should you have any questions, please contact Ron Stefik at (250) 419-4430.

Sincerely,


Richard Slocomb, P.Eng.
Deputy Commissioner, Engineering
Oil and Gas Commission