

October 23, 2014

5600-4800-32640-02

Tannis Gibson, P. Geol.  
VP, Geology & Geophysics  
Saguaro Resources Ltd.  
3000, 500 – 4<sup>th</sup> Avenue S.W.  
Calgary AB T2P 2V6

Dear Ms. Gibson:

**RE: PROPOSED DISPOSAL WELL  
SAGUARO LAPRISE b-034-H/94-G-08; WA #21521  
LAPRISE CREEK – HALFWAY FORMATION**

Commission staff have reviewed your letter dated June 25, 2014, seeking comment on a potential deep disposal well location in the Laprise Creek field – Halfway formation in the well Saguaro Laprise b-34-H/94-G-8 (WA 21521). Disposal approval as an OGAA Section 75 Special Project does not occur until a well is drilled, completed and tested to ensure suitability of disposal operation. Variability in reservoir quality and testing may produce results which vary significantly from expectations. When requested, an opinion on the proposed project may be provided.

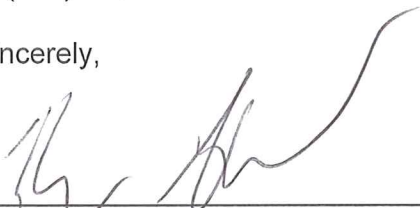
We concur that the Halfway formation at the proposed well, may be prospective for deep disposal, within the Laprise Creek – Halfway formation. Disposal approval as an OGAA Section 75 Special Project may be granted once the well is tested to ensure suitability of disposal operation. The Commission maps the Halfway C pool to the south and west of the proposed location. Application for disposal into the Halfway must include evidence indicating zero or minimal influence on Halfway C reserves recovery. A key value will be the reservoir pressure encountered – to confirm the current local reservoir conditions, establish the extent of communication with neighboring producing Halfway C pool and determine the future storage capacity. The reservoir pressure should be obtained before injectivity testing or hydraulic fracturing is conducted. Post-stimulation pressure testing often results in non-stabilized reservoir pressure values.

Other key information will be a recent cement bond log and a casing integrity test to ensure containment above and below the injection perms. Also an application must address adequate integrity of neighboring wellbores, discussion of faulting and seismic history in the area.

Notification of disposal application will be posted on the Commission's website for 21 days to allow objections from offset title holders. Consent from offsetting tenure holders, particularly those with interests in nearby producing Halfway C gas pool, is highly recommended.

Should you have any questions, please contact the Ron Stefik at (250) 419-4430 or Michelle Gaucher at (250) 580-5968.

Sincerely,



Ron Stefik, Eng.L.  
Supervisor, Reservoir Engineering  
Oil and Gas Commission