

June 30, 2020

6460-5000-59240-06

Stephen Johnson, P.L.(Eng.)
Senior Exploitation Engineer
Kelt Exploration Ltd.
300 – 311 9th Avenue S.W.
Calgary AB T2P 3H2

Dear Mr. Johnson:

**RE: GOOD ENGINEERING PRACTICE SPECIAL PROJECT APPROVAL
OTHER THAN NORMAL SPACING ORDER
OAK FIELD – MONTNEY ‘B’ POOL**

The Commission has reviewed the application from Kelt Exploration Ltd. (Kelt), dated June 8th, 2020, requesting a Good Engineering Practice (GEP) approval to allow for an optimized drilling program utilizing long horizontal wells in the Oak field – Montney ‘B’ pool.

Kelt intends to drill additional horizontal wells into the Montney ‘B’ pool from five existing well pads. The Montney is a tight, low permeability silt/shale that requires long horizontal wells and hydraulic fracture stimulation in order to be economically viable and a GEP is required to drill wells longer than a DSU. The GEP application area consists of sixty spacing units (DSUs) intersected by the planned wells.

The following Orders are attached:

- 1) Order 20-06-001 designating Good Engineering Practice within a portion of the Oak field Montney formation as a Special Project under section 75 of the *Oil and Gas Activities Act*, and
- 2) Order 20-06-001 – OTN approving Other Than Normal Spacing under section 65.1 of the *Petroleum and Natural Gas Act* for the subject pool 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.

Should you have any questions, please contact Logan Gray at (250) 419-4465 or the undersigned at (250) 419-4430.

Sincerely,



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

Attachments

IN THE MATTER of an application from Kelt Exploration Ltd. to the Oil and Gas Commission dated June 8th, 2020 for a Good Engineering Practice project.

ORDER 20-06-001

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

DLS	Twp 86 Rge 18 W6M	Sections 1-3, 10-15, 22-36
	Twp 86 Rge 19 W6M	Sections 25, 35, 36
	Twp 87 Rge 17 W6M	Sections 6-9, 15-18, 20-22, 28
	Twp 87 Rge 18 W6M	Sections 1-15, 22-24, 26
	Twp 87 Rge 19 W6M	Sections 1, 12



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

DATED AT the City of Victoria, in the Province of British Columbia, this 30th day of June 2020.

IN THE MATTER of an application from Kelt Exploration Ltd. to the Oil and Gas Commission dated June 8th, 2020 for Other Than Normal Spacing.

ORDER 20-06-001 – OTN

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

DLS	Twp 86 Rge 18 W6M	Sections 1-3, 10-15, 22-36
	Twp 86 Rge 19 W6M	Sections 25, 35, 36
	Twp 87 Rge 17 W6M	Sections 6-9, 15-18, 20-22, 28
	Twp 87 Rge 18 W6M	Sections 1-15, 22-24, 26
	Twp 87 Rge 19 W6M	Sections 1, 12

- 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 target area specified in paragraph (a) may be subject to an off-target production penalty,
- c) gas wells drilled within the specified project area are not subject to spacing requirements.



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

DATED AT the City of Victoria, in the Province of British Columbia, this 30th day of June 2020.