

May 21, 2014

6400-4100/4530-59070-20

Mark Staples
Production Engineer, North West Area
Bonavista Energy Corp.
1500, 525 – 8th Avenue S.W.
Calgary, AB T2P 2W1

Dear Mr. Staples:

**RE: COMMINGLED PRODUCTION SPECIAL PROJECT
BONAVISTA NIG c-38-A/94-H-4; WA # 8540**

The Oil and Gas Commission (Commission) has reviewed your application received February 13, 2014 requesting approval to commingle gas production from the Base of Fish Scales with the Nancy and Baldonnel formations in the subject well. The Commission has designated the zones under application to be part of the Nig Creek field – Nancy “A”, Baldonnel “A” pools and Base of Fish Scales formation.

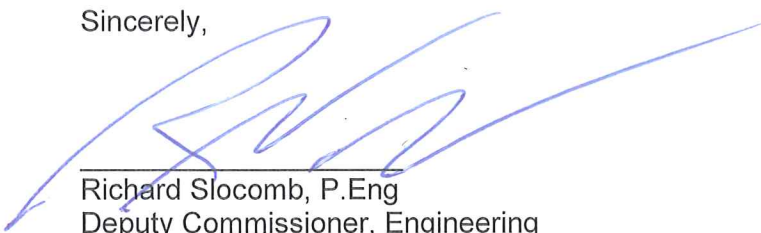
The subject well was drilled and completed in the Nancy formation in March 1994 and the Baldonnel formation in December 1994. The zones have produced commingled since 2001. A surface casing vent flow has been traced to the Base of Fish Scales formation at 520 mKB. A buildup performed on the surface casing indicated a stabilized shut in pressure gradient greater than 11 kPa/m (or 2,728 kPa at the base of the surface casing). In order to avoid excessive pressure at the surface casing shoe, the vent flow will be produced to the sales line.

The Base of Fish Scales gas will produce up the surface casing while the Nancy and Baldonnel gas will produce through the tubing. The flow streams will mix at surface. Commingling requirements have been met as follows: source and depth have been confirmed, Bonavista owns mineral rights, surface casing covers the deepest known usable ground water, the flow is sweet from all 3 zones and cross-flow is not a concern.

Attached please find Order 01-20-001 Amendment #1 designating an area in the Nig field within the subject formations a Special Project under section 75 of the *Oil and Gas Activities Act* for Commingled Production. Special equipment requirements for production of the surface casing vent are included in the Order. For the purpose of production reporting, a well completion event Unique Well Identifier (UWI) must be established for the Base of Fish Scales zone at 520mKB. Please submit a form BC-11 for the zone which notes this commingled production Approval Order 01-20-001 Amendment #1. As well, a commingle Notification form, which can be found on the OGC website (<http://www.bcogc.ca/industry-zone/documentation/Commingling>) must be submitted as indicated on the form.

Should you have any questions, please contact Ron Stefik at (250) 419-4430 or Michelle Gaucher at (250) 419-4482.

Sincerely,



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

Attachment

IN THE MATTER of an application from Bonavista Energy Corporation to the Oil and Gas Commission received February 13, 2014 for Commingled production approval.

ORDER 01-20-001 Amendment #1

1 Under Section 75(1)(a) of the *Oil and Gas Activities Act*, the Commission designates the commingling of production from the Nig field – Nancy “A”, Baldonnel “A”, and Base of Fish Scales pools as a special project for the enhanced recovery of natural gas by commingling production within the following area;

NTS 94-H-04 Block A - Units 38, 39, 48, 49.

2 Under section 75(2) of the *Oil and Gas Activities Act*, the special project designation in this Order is subject to the following conditions:

- a) Production from the Base of Fish Scales may flow through the surface casing vent with the Baldonnel and Nancy flowing through tubing; commingled at surface through the well BONAVIDA NIG C-38-A/94-H-4 (WA # 8540).
- b) Install a check valve between the surface casing vent and the production line to prevent flow from the production line into the surface casing vent.
- c) Install a pressure relief valve on the surface casing vent to avoid excessive pressure at the surface casing shoe in case that the flow line is shut down.
- d) Notify the Drilling and Production department any time the flow line is shut in.
- e) Gas, condensate and water production from the commingled well must be allocated on the Ministry of Finance BC-S1, BC-S2 and BC-08 forms on the basis of Base of Fish Scales 2%, Baldonnel 64% and Nancy 34%. The allocation factors may be amended to reflect results of any future tests.



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

DATED AT the City of Victoria, in the Province of British Columbia, this 21st day of May 2014.