



January 15, 2009

8170-4540/4800-59070-20

Christine Mercier, P.Eng.
Crew Energy Inc.
1400, 425 – 1st Street SW
Calgary AB T2P 3L8

Dear Ms. Mercier:

**RE: COMMINGLED PRODUCTION APPROVAL
CREW ET AL N TOWNSEND A-A001-J/094-B-09; WA# 03983**

Commission staff have reviewed your application received December 19, 2008 requesting permission to commingle gas production from the Coplin and Halfway zones encountered in the subject well.

The **interim** approval granted June 27, 2008 was intended to allow the acquisition of additional data to support a formal commingling application. However, the well was placed on commingled production without an official approval from the Commission. The Commission would like to remind Crew that they have violated Section 41 of the *Drilling and Production Regulation*:

“An operator of a well must not complete a well, or allow a well to be completed, for commingled production from more than one pool or zone unless the operator first applies for and receives permission in writing from an authorized commission employee”.

The subject well is completed in the Townsend – Halfway “A” and Coplin “A” gas pools. The Halfway zone commenced production in October, 1982 at 50 10³m³/d and has declined to a current rate of ~12 10³m³/d. The Coplin was completed in July 2008 and flow tested at a final rate of 22 10³m³/d. The well was placed on commingled production in September, 2008 at 17 10³m³/d. Given the stabilized Halfway rate of 12 10³m³/d, the Coplin contribution is an estimated 5 10³m³/d.

There is a variation in H₂S content (Coplin – 5% H₂S; Halfway – 1.36 %) between the zones, and there is a large pressure difference (~10 MPaa) due to the depletion of the Halfway pool. In an effort to mitigate potential cross flow Crew has installed a free flow check valve to allow one way gas flow from the annulus to tubing. Commingled production through a single production string is expected to maximize production and reserve recovery from both zones.

We wish to advise you that your application to commingle production is hereby approved, under the authority of Section 41 of the *Drilling and Production Regulation*, subject to the following conditions:

1. Production from the Coplin (1615.6 – 1617.3 mKB) and Halfway (1816.3 – 1843.0 mKB) zones may be commingled.
2. Gas, condensate and water production should be allocated on the Ministry of Small Business and Revenue BC S-1, BC S-2 and BC-08 forms on the basis of Coplin 25% and Halfway 75%. The allocation factors may be amended to reflect results of any future tests.

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RESOURCE CONSERVATION

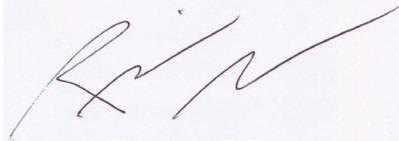
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3. This approval may be modified at a later date if deemed appropriate through a change in circumstances.

Should you have any questions, please contact the undersigned at (250) 952-0366 or Kelly Okuszko at (250) 952-0325.

Sincerely,

A handwritten signature in dark ink, appearing to read 'R. Slocomb', is written over a light blue rectangular background.

Richard Slocomb, P.Eng.
Supervisor, Reservoir Engineering