

March 23, 2016

8740-4800-59240-09

Rick Cooper, P.Eng
Engineering
DXI Energy Inc.
802, 505 – 2nd Street S.W.
CALGARY, AB T2P 1N8

Dear Mr. Cooper:

**RE: PRESSURE MAINTENANCE WATERFLOOD SPECIAL PROJECT - AMENDMENT #3
OTHER THAN NORMAL SPACING ORDER – AMENDMENT #3
WOODRUSH FIELD – HALFWAY “E” POOL**

The Commission has reviewed the application, dated December 23rd, 2015, requesting the conversion of well Dejour Woodrush b-100-E/094-H-01 (WA# 30889) from producer to injector service.

The Woodrush field Halfway “E” oil pool commenced production in February 2008. A pressure maintenance scheme using waterflood was approved December 2010 (Order #10-09-002) with injection starting March 2011, now consisting of four producers and two injectors. Oil and gas production to-date indicate that the pool is at its mid-point of expected recovery from current waterflood operation. The Commission concurs that conversion of the well b-100-E to injector service will improve sweep efficiency and hence increase ultimate hydrocarbon recovery.

The following Orders are attached;

- 1) Order 10-09-002 Amendment #3 designating Pressure Maintenance Waterflood within the Woodrush field – Halfway “E” pool, as a Special Project under section 75 of the *Oil and Gas Activities Act*, and
- 2) Order 10-09-002 Amendment #3 - OTN approving Other Than Normal Spacing under section 65.1 of the *Petroleum and Natural Gas Act* for the subject area and formation.

The Commission is currently reviewing active waterflood projects and issuing amended approvals with conditions to ensure safe and prudent operation. This approval amendment includes a maximum wellhead injection pressure, an ultimate pool pressure limit, restriction of injection to the purpose of oil recovery, reporting of injection water source, and a revised submission date for the annual progress report.

Please note that, as per section 75 of the *Drilling and Production Regulation*, a record of the volume of water injected must be included on a Monthly Injection or Disposal Statement (BC-S18), which must be submitted to the Commission no later than the 25th day of the month in which activity occurred.

Should you have any questions, please contact Petra Kriescher-Trudgeon at (250) 419-4415 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 DXI Energy Inc. (Dejour Energy) to the Commission dated December 23rd, 2015 for the production of oil using pressure maintenance (water injection).

ORDER 10-09-002 Amendment #3

- 1 Under section 75(1)(a) of the *Oil and Gas Activities Act*, the Woodrush field – Halfway “E” pool is designated as a Special Project for the recovery of oil utilizing pressure maintenance waterflood within the following area;
NTS 94-H-02 Block H - Units 81, 91
Block I – Unit 1.
- 2 Under section 75(2) of the *Oil and Gas Activities Act*, I specify the following:
 - a) The oil production allowable for a month shall be based on the previous month’s voidage replacement.
 - b) All associated produced gas must be conserved.
 - c) Water may be injected into the wells 202/D-081-H/094-H-02 (WA# 30889), 200/d-001-I/094-H-02/00 (WA# 26783) and 200/A-091-H/094-H-02/02 (WA# 25228).
 - d) Inject only through tubing with a packer set as near as is practical above the injection interval.
 - e) Not exceed an injection pressure, measured at the wellhead on the subject well, of 3,800 kPa or the pressure required to fracture the formation, whichever is lesser.
 - f) Not exceed an average pool pressure of 7,690 kPa measured at MPP.
 - g) Cease injection and notify the Commission immediately if hydraulic isolation is lost in the wellbore or formation
 - h) Submit the annual packer isolation test report to the Commission within 30 days of the completion of the test.
 - i) Include the injection hours and the maximum injection pressure value on the monthly BC-S18 form.
 - j) Injection must cease upon termination of production from the pool.
 - k) The permit holder must submit a Progress Report to the Commission for each 12 month period the project is in operation. The Progress Report must be filed by March 31st the following year and must contain the information specified in Pressure Maintenance Progress Report Requirements, attached to this Order.



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

DATED AT the City of Victoria, in the Province of British Columbia, this 23rd day of March 2016.

Advisory Guidance for Order 10-09-002 Amendment #3

- I. A production packer must be set above the injection interval and the space between the tubing and casing filled with corrosion and frost inhibiting fluids, as per section 16(2) of the Drilling and Production Regulation.
- II. Annual packer isolation tests are required to be submitted, as per section 16(3) of the Drilling and Production Regulation.
- III. Injected fluids must be metered and the injection pressure measured at the wellhead, as per section 74 of the Drilling and Production Regulation.
- IV. A monthly injection statement must be submitted to the Commission not later than the 25th day of the month following the reported month, as per section 75 of the Drilling and Production Regulation.
- V. Seismic events must be reported and disposal operations suspended as per section 21.1 of the Drilling and Production Regulation.

PRESSURE MAINTENANCE PROGRESS REPORT REQUIREMENTS

Operation of a Pressure Maintenance project (waterflood or gas injection) for enhanced oil recovery, as a Special Project under section 75 of the Oil and Gas Activities Act, requires submission of Progress Reports to the Commission. The purpose of a Progress Report is to; 1) compel the project owner to review performance and identify operational opportunities, and 2) to ensure the Commission that approved operating conditions are being met and conservation is being achieved. Progress Report content, formerly stipulated by regulation, may be stated within the project approval conditions. This document provides a current common standard for Report content.

The approval holder must submit a Progress Report to the Commission for each twelve month period the project is in operation, unless an alternate reporting period has been approved. Progress Reports are due within 60 days after the anniversary of the project effective date (date that injection commenced), containing the following:

1. For each producing well, and for the project as a whole;
 - (1) The average daily oil rate, gas-oil and water-oil ratios for each month
 - (2) The monthly and cumulative volume of oil, gas and water production
2. For each injection well, and for the project as a whole;
 - (1) The average daily injection rate for each month
 - (2) The monthly and cumulative volume of fluid injected
 - (3) The monthly average wellhead injection pressure
3. The voidage replacement ratio (VRR), between fluids injected and fluids withdrawn, both monthly and cumulative, from the project, and by individual patterns where applicable. A VRR table showing the data elements used for calculation of the monthly and cumulative VRR (see Appendix A).
4. A summary of any reservoir pressure tests performed on wells in the project area and an estimate of the current formation pressure for the project including an isobaric map from which this pressure was derived.
5. The date and type of any well treatments or workovers. Indicate the date and type of the workover on the injection/production volume data of this report as indicated in items (1) and (2) above.
6. Summary Tables:
 - (1) Identifying the volume and source of the fluid injected i.e. by-product produced water (pool), water source well (well license number), surface water (water license number).
 - (2) Pre-injection treatment of fluids identified in (1)
 - (3) Injection well packer isolation tests conducted with in the project area.
 - (4) Any injection well hydraulic isolation and wellbore integrity logging.
 - (5) Any surface casing vent flows detected within the project area.

Data filed must be submitted in **graph and table form**, unless the Commission has authorized in writing the submission of these data in interpretative map or other form.

A central aspect of pressure maintenance progress reporting is the Voidage Replacement Ratio (VRR) indicated in #3). An example VRR table showing the data elements and the voidage replacement calculation is shown in Appendix A.

Mature projects with consistent reporting history and demonstrated effective project management can apply for the reporting period to be amended to biennial (every 2 years), or exempted for submission of further Reports. An application would consist of a request letter to the Supervisor of Reservoir Engineering indicating the rationale for the request and supporting information showing the project's proven track record.

NOTE: For any injection well operating within a pressure maintenance project, a monthly **Injection/Disposal S18 Statement** must be submitted to the Commission not later than 25 days after the end of the month reported.

Appendix A: Voidage Replacement Table

Month	Bo	Rs	Bg	Bw	Monthly Oil (m3)	Monthly Gas (e3m3)	Monthly Water (m3)	Monthly Water Injected	Monthly GOR (m3/m3)	Reservoir Volume Produced	Reservoir Volume Injected	Monthly VRR	Cum VRR since Injection
Jan													
Feb													
Mar													
Apr													
May													
Jun													
Jul													
Aug													
Sep													
Oct													
Nov													
Dec													

It is recommended that the following values be evaluated at reservoir conditions at the average reservoir pressure at the time of the test.

Bo	Oil formation volume factor
Bw	Water formation volume factor
Bg	Gas formation volume factor
Rs	Solution gas-oil ratio

$$\text{VOIDAGE REPLACEMENT RATIO (VRR)} = \frac{\text{injected reservoir volumes}}{\text{produced reservoir volumes}}$$

$$\text{VRR} = \frac{B_w(i_w)}{B_o(q_o) + B_w(q_w) + q_o(\text{GOR} - R_s)B_g}$$

