



April 3, 1989

Mr. Donald J. Nelson
Placer Cego Petroleum Limited
6th Floor, 530-8th Avenue S.W.
Calgary, Alberta
T2P 3X2

Placer Project (02)

Dear Mr. Nelson:

APPLICATION FOR GOOD ENGINEERING PRACTICE
BOUNDARY LAKE - BASAL KISKATINAW POOLS

This acknowledges receipt of your application dated February 1, 1989, requesting a Good Engineering Practice (GEP) allowable for the Boundary Lake - Basal Kiskatinaw pools.

The Division's geological interpretation indicated that four Basal Kiskatinaw pools have been defined by six gas wells. At this time, 11-24-84-15 is completed in the Basal Kiskatinaw "A" pool, 11-1 and 6-12-84-15 are completed in the Basal Kiskatinaw "B" pool, 10-10 and 6-14-84-15 are completed in the Basal Kiskatinaw "C" pool and 15-19-84-14 is completed in the Basal Kiskatinaw "D" pool. As the land under the GEP area is controlled by Placer Cego and Canterra, the application is approved under Division 77 of the British Columbia Drilling and Production Regulations subject to the following conditions:

1. The area of the Good Engineering Practice consists of Section 19-84-14W6 and Sections 1, 10, 11, 12, 13, 14, 15 and 24-84-15W6.
2. The daily gas allowable for the area is 602.9 E3M3. This is the sum of reserve based allowables for the Basal Kiskatinaw "A", "B", "C", and "D" pools.
3. To ensure that the gas royalty exemption is not misused, any wells qualifying for gas royalty exemption drilled within the GEP area will be assigned their individual daily gas allowable

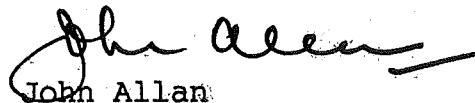
for the duration of this royalty exempt period. (At this time only 7-10 and 6-14-84-15W6 wells qualify for royalty exemption, therefore, the wells will be restricted to their individual daily gas allowable of 60 E3M3/d and 107.9 E3M3 respectively).

4. An annual progress report is required covering 12 calendar months after the commencement of production and each year-end thereafter. The progress report should contain the following:
 - i) The daily average rate, during each month, of the gas, condensate and water production from each producing well;
 - ii) The average gas-condensate and water-gas ratio, during each month, from each producing well;
 - iii) Annual subsurface pressure on all wells;
 - iv) Summary of work performed on the wells;
 - v) A general review of operations during the report period together with the latest estimate of gas reserves/per pool and accompanied by a graphical representation of monthly gas off-take and estimated average pool pressure since production startup.
5. The Ministry must be notified immediately if water-gas ratio exceeds .05 M3/E3M3 (9 Bbl/MMSCF) in any producing well.
6. This approval or any condition of it may be modified or rescinded by the Director, Engineering and Operations, at a later date based on a review of the production performance.

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Please note that four Daily Gas Allowable's issued
for wells in the area are hereby rescinded.

Yours sincerely,



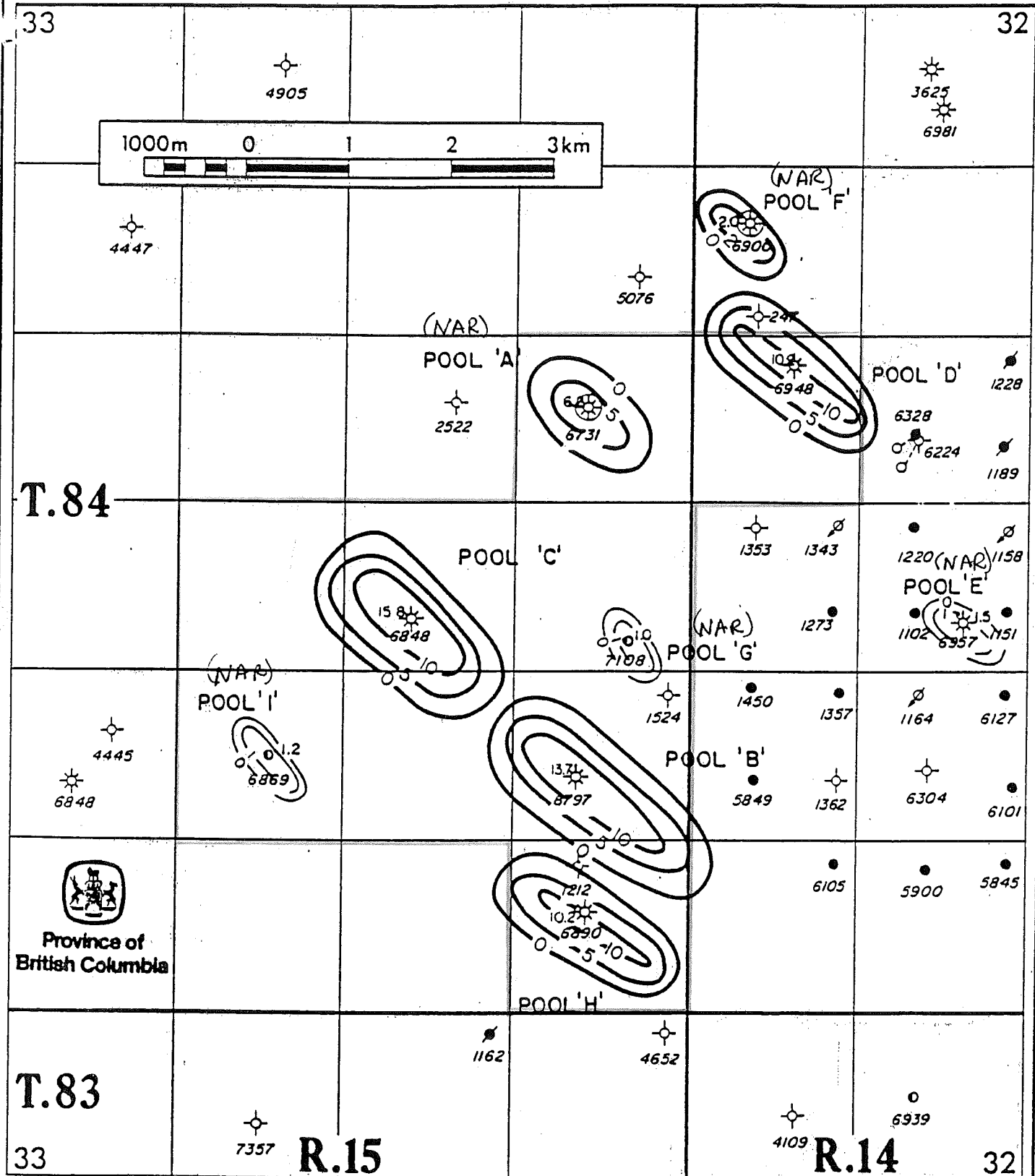
John Allan
Assistant Deputy Minister
Energy Resources Division

cc: Mr. D.L. Johnson
Manager Field Operations
Fort St. John

Mr. B. Garrison
Resource Revenue

bcc: P. Attariwala
S. Foofat
S. Chicorelli
L. Macgregor

MAP 1



T.84

T.83

R.15

R.14

Placer Cego Project

MAP: 2000-7340-2	FIELD: Boundary Lake	POOL: Basal Kiskatinaw
TYPE: Net Gas Pay	CONTOUR INTERVAL: 1, 2 & 5m	DATE: 90-05