



March 27, 2012

5810-7400-32640-02

Davin Yee, P.Eng.
Senior Exploitation Engineer
Progress Energy Ltd.
1200, 205- 5th Avenue S.W.
Calgary AB T2P 2V7

Dear Mr. Yee:

**RE: INJECTIVITY TEST SPECIAL PROJECT
PROGRESS LILY a-A32-K/094-G-02, Well Permit # 23212
DEBOLT FORMATION**

Oil and Gas Commission (Commission) staff have reviewed the application, dated March 7, 2012, requesting approval to conduct a salt water injectivity test into the Debolt formation of the subject well, rig released November 26, 2007. This well commenced production in April 2008, ceasing in December 2011 due to uneconomic gas rates associated with water liquid loading, following cumulative gas production of 2.1 Bcf from the Lily Lake field – Debolt “A” pool.

Attached please find Order 12-02-013, designating an area in the Lily Lake field – Debolt formation a Special Project under section 75 of the *Oil and Gas Activities Act*, for the temporary operation and use of a storage reservoir for the disposal of salt water. The Commission understands that potential disposal at this location is intended to accommodate produced salt water and fracture stimulation flowback from area oil and gas operations.

Please note this is a temporary approval. Decision on a final disposal approval will not be made until all pertinent data is submitted and reviewed.

Should you have any questions please contact Curtis Kitchen (250) 419-4443 or Ron Stefik (250) 419-4430.

Sincerely,

A handwritten signature in black ink, appearing to read 'Paul Jeakins', is written over a horizontal line.

Paul Jeakins
Commissioner & CEO
Oil and Gas Commission

Attachment

IN THE MATTER of the application from Progress Energy Ltd., to the Oil and Gas Commission (Commission) dated March 7, 2012 for the temporary operation and use of a storage reservoir.

ORDER 12-02-013

- 1 Under Section 75(1)(d) of the *Oil and Gas Activities Act*, the Commission designates the temporary operation and use of a storage reservoir for the disposal of salt water in the Lily Lake area – Debolt “A” pool as a special project in the following area:

NTS 94-G-2 Block K – Unit 32

- 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) Salt water shall be injected only into the Debolt “A” pool through the well Progress Lily a-A32-K/094-G-02 (Well Permit # 23212).
 - b) The total volume of injected water must not exceed 180 m³.
 - c) The injection test should be designed with an attempt to establish the fracture gradient or maximum injection pressure for final disposal operations.



Paul Jenkins
Commissioner & CEO
Oil and Gas Commission

DATED AT the City of Victoria, in the Province of British Columbia, this 27th day of March 2012.