



March 3, 2014

7320-2600-32640-02

Mark Miller
Crew Energy Inc.
800, 250 - 5th Street SW
Calgary, Alberta
T2P 0R4

Dear Mr. Miller:

**RE: PRODUCED WATER DISPOSAL SPECIAL PROJECT RESCINDED
CREW PORTAGE a-A100-D/094-A-04; WA# 16726
BLUESKY FORMATION**

Oil and Gas Commission staff have been made aware of the potential to recommence disposal operations at the subject well, originally granted under Approval 08-02-005. The Commission is presently amending active disposal well approvals to conform to current requirements.

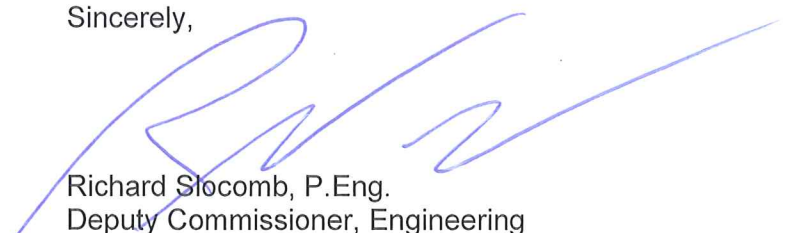
The subject well was originally drilled by Peace River Corporation, rig released December 10, 2003. The well was initially completed and fracture stimulated in the Moosebar shales, the cap rock to the Bluesky zone, and cement squeezed following no gas production. Approval for produced water disposal into the Bluesky formation was granted May 27, 2008, intended to support local development that included potential CBM gas. No volumes have been disposed into the Bluesky formation to date. Hudson's Hope Gas Ltd. gained ownership of the well in 2004. Crew Energy Inc. became operator of the well in 2013. Peace River Corporation is the tenure holder of Petroleum and Natural Gas Lease 53437, which includes the Bluesky formation at the subject well location.

Deep disposal wells are a key component of oil and gas development and operations. However, the Commission has concerns regarding the long term suitability of this well for disposal given the shallow depth (633m), evidence of local thrust faulting and noted induced seismicity within 7 km distance. Containment of disposed produced water into the Bluesky formation may be compromised.

As per condition #5 of the Approval Order 08-02-005, the Commission hereby rescinds the authority for disposal of produced water into the Bluesky formation in the subject well.

Should you have any questions, please contact Petra Kriescher-Trudgeon at (250) 419-4415 or Ron Stefik at (250) 419-4430.

Sincerely,



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