



September 8, 2008

9000-4100-32640-02

Scott Myers
Hudson's Hope Gas Ltd.
5336 Stadium Trace Parkway Suite 206,
Birmingham, Alabama 35244

Dear Mr. Myers:

**RE: APPLICATION FOR SALT WATER DISPOSAL
HHG PORTAGE a-20-D/94-A-4, (WA# 22031); BALDONNEL FORMATION**

The Commission has reviewed your application dated July 31, 2008 requesting disposal of produced water into the Baldonnel formation of the subject well in the Hudson's Hope area.

Although existing well control in this area is limited; completion operations, flowback information and subsequent injectivity testing indicate that the Baldonnel is wet and of very favourable rock quality for disposal purposes. During injectivity testing, water was injected into the Baldonnel zone at rates as high as 400 litres/min with a maximum surface pressure of 2639 kPag.

We concur that the subject well is a good candidate for salt water disposal into the Baldonnel formation. Notice of your application was posted on the OGC website, with no objections received.

Attached is Approval 08-02-008 for the application granted under Part 8, Division 3, Section 94 of the *Drilling and Production Regulation*. The OGC expects that Hudson's Hope Gas will notify the Municipality of Hudson's Hope prior to commencement of disposal operations.

Sincerely,

Richard Slocomb, P. Eng.
Supervisor, Reservoir Engineering
Resource Conservation

Attachment

RESOURCE CONSERVATION

PO Box 9329 Stn Prov Gov't, Victoria BC V8W 9N3 Tel: (250) 952-0302 Fax: (250) 952-0301
Location: 6th Flr 1810 Blanshard St. Victoria BC

APPROVAL 08-02-008

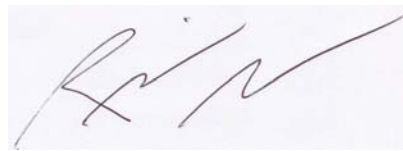
**THE PROVINCE OF BRITISH COLUMBIA
PETROLEUM AND NATURAL GAS ACT
DRILLING AND PRODUCTION REGULATION
OIL AND GAS COMMISSION**

IN THE MATTER of a scheme of Hudson's Hope Gas Ltd. (HHG) for Salt Water and Recovered Fluids Disposal in the Baldonnel formation in the well HHG Portage a-20-D/94-A-4 (WA# 22031).

NOW, THEREFORE, pursuant to Part 8, Division 3, Section 94 of the *Drilling and Production Regulation*, the scheme is hereby approved, as such scheme is described in

an application from HHG to the Commission dated July 31, 2008 and related submissions.

1. The water disposal interval must be in the Baldonnel formation.
2. A record of volume of salt water disposed of through this well must be included on a Monthly Injection/Disposal Statement, in the prescribed form (BC-S18), which must be submitted to the Oil and Gas Commission not later than the 25th day of the month following the reported month.
3. The disposal/injection pressure at the sandface must not exceed the formation fracture pressure.
4. The Commission must be notified in writing of the date of commencement of disposal.
5. This approval may be modified or rescinded if deemed appropriate through a change in circumstances.



Richard Slocomb
Supervisor, Reservoir Engineering
Resource Conservation
Oil and Gas Commission

DATED AT the City of Victoria, in the Province of British Columbia, this 8th day of September 2008.