



January 21, 2010

3240-2600-32640-02

Brian L. Smart, P.Eng.  
VP – Reservoir Engineering  
Polar Star Canadian Oil and Gas Inc.  
1900, 700 – 4<sup>th</sup> Avenue S.W.  
Calgary AB T2P 3J4

Dear Mr. Smart:

**RE: SALT WATER DISPOSAL APPROVAL  
POLAR STAR CONROY a-53-E/094-H-12 (WA# 12127); BLUESKY "B" POOL**

Commission staff have reviewed your application dated October 19, 2009 requesting permission to dispose of area produced formation water into the Bluesky formation of the subject well.

The well a-53-E is mapped as intersecting the single well Conroy Creek field Bluesky "B" pool. Drilled in March 1999, gas production started in December 1999 at a rate of  $16 \text{ e}^3\text{m}^3/\text{d}$ . Cumulative production to the end of November 2009 has been  $10.9 \text{ e}^6\text{m}^3$  (0.4 Bcf). Reservoir pressure data supports the interpretation of a limited size pool. Current gas production rate has declined to  $\sim 1 \text{ e}^3\text{m}^3/\text{d}$ , with an increasing W/G ratio, at the economic limit for gas recovery.

A successful injectivity test was performed in September 2009. At the proposed disposal injection rate no backpressure was observed at surface. We concur that the subject well appears to be a good candidate for salt water disposal in the Bluesky formation, and addressed a need for an economic disposal option to facilitate continued gas production in the area. Notice of the application was posted on the OGC website, with no objections received.

Attached is Approval 10-02-002 for the application, granted under Part 8, Division 3, Section 94 of the *Drilling and Production Regulation*.

The reservoir volume available within this pool has been well defined. Re-pressuring the pool to above initial pressure, but below the formation fracture pressure, would allow significant additional disposal operating life. Conditions # 3, 4 and 5 of the approval address this option.

Should you have any questions, please contact Ron Stefik at (250) 419-4430.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ron Slocomb'.

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

Attachment

APPROVAL 10-02-002

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

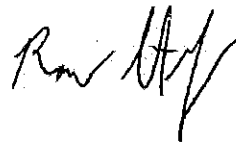
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IN THE MATTER of a scheme of Polar Star Canadian Oil and Gas Inc. (Polar Star) for produced Salt Water Disposal in the Conroy Creek field – Bluesky "B" pool in the well Polar Star Conroy a-53-E/094-H-12 (WA# 12127).

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 Polar Star the Commission dated October 19, 2009  
and related submissions.*

1. The disposal interval must be in the Bluesky formation.
2. The Commission must be notified in writing of the date of commencement of disposal.
3. The disposal/injection pressure at the sandface must not exceed the formation fracture pressure.
4. The maximum pool pressure to not exceed a value of 10.0 Mpa.
5. The pool pressure must be measured at sufficient intervals to verify compliance with condition #3.
6. A record of volume of salt water and recovered fluid 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.
7. This approval may be modified or rescinded if deemed appropriate through a change in circumstances.



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

DATED AT the City of Victoria, in the Province of British Columbia, this      day of January 2010.