

August 21, 2012

5000-4100-32640-02

Scott Smith, P.Eng.  
Sr. Exploitation Engineer  
Progress Energy Ltd.  
1200, 205 – 5<sup>th</sup> Avenue SW  
Calgary AB T2P 2V7

Dear Mr. Smith:

**RE: SALT WATER DISPOSAL SPECIAL PROJECT  
PROGRESS JEDNEY b-14-H/094-G-01; WA# 19644  
BALDONNEL FORMATION**

Oil and Gas Commission (Commission) staff have reviewed the application, dated June 12, 2012, requesting approval to dispose of produced water and fracture flowback fluid into the Baldonnel formation of the subject well.

Attached please find **Order 12-02-021**, designating an area in the Jedney field – Baldonnel formation a Special Project under section 75 of the Oil and Gas Activities Act, for use of a storage reservoir for the disposal of produced water and flowback from fracture operations generated from oil and gas operations, specifically, development of tight gas resources in the Montney formations.

Natural gas potential tested in the subject well would appear to be uneconomic for production. Due to the apparent limited capacity of the targeted Baldonnel pool the total disposal volume is limited to 120,000 m<sup>3</sup>. The Commission requires a static gradient with a buildup be performed after 65,000 m<sup>3</sup> has been injected, to evaluate reservoir boundaries/available disposal volume. These are noted as conditions of the Order.

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

Sincerely,



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

Attachment

IN THE MATTER of the application from Progress Energy Ltd. , to the Oil and Gas Commission (Commission) dated June 12, 2012 for the operation and use of a storage reservoir.

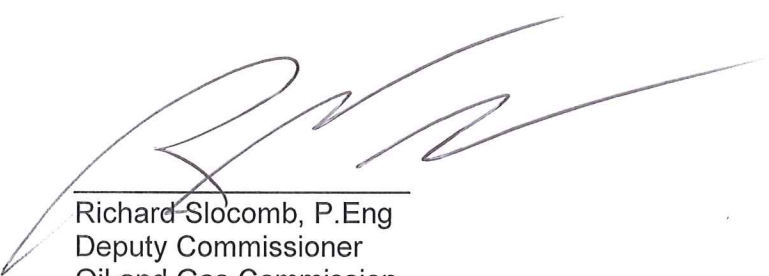
**ORDER 12-02-021**

- 1 Under Section 75(1)(d) of the *Oil and Gas Activities Act*, the Commission designates the operation and use of a storage reservoir for the disposal of produced salt water and flowback from fracturing operations into the Baldonnel formation – Jedney field as a special project in the following area:

NTS 94-G-01 Block H Unit 14.

- 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) Produced salt water, including flowback fluids, shall be injected only into the Baldonnel formation through the well Progress Jedney b-14-H/094-G-01 (Well Permit # 19644).
- b) A record of volume 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 25<sup>th</sup> day of the month following the reported month.
- c) The disposal/injection pressure at the wellhead must not exceed 8,000 kPa.
- d) A static gradient and build up test with bottom-hole recorders must be performed after 65,000 m<sup>3</sup> has been injected to measure the reservoir pressure, data and analysis submitted to this office.
- e) The total volume that may be injected into this well is 120,000 m<sup>3</sup>.
- f) A BC11 form must be submitted to the Ministry of Finance to notify of commencement of operations and update the well status.



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

DATED AT the City of Victoria, in the Province of British Columbia, this 21 day of August 2012.