

BY E-MAIL ONLY

April 11, 2018

ISH Energy Ltd.

CRESTWYND EXPLORATION LTD.

APPLICATION(S) NO. 1902965 and 1902966

STATEMENT(S) OF CONCERN NO. 30936 and 30937

Dear Lily Lau-Porta:

You are receiving this letter because you filed a statement of concern about Applications No. 1902965 and 1902966. The Alberta Energy Regulator (AER) has reviewed your statement of concern, along with the application, the applicable requirements, and other submissions or information about the application. The AER has decided that a hearing is not required under an enactment, or necessary, to consider the concerns outlined in your statement of concern.

In its review of your concerns, the AER considered the following:

- ISH Energy Ltd. (ISH Energy) owns 100% of the rights to the base of the Mannville in the NW/4 of Section 14-063-26W4, 30-063-23W4 and 24, 25-063-24W4 directly adjacent to the area of application under 1902965 and 1902966.
- ISH Energy has no concerns with the requested well density of 4 wells per pool per 1 quarter section.
- The AER has indicated in its pre-submission application checklist on its web-site that for heavy-oil development where oil density is 920 kg/m³ or more at 15°C, a buffer zone of 50 metres from all holding or unit boundaries may be considered.
- Crestwynd Exploration Ltd. (Crestwynd) has provided an oil analysis which resulted in a fluid density higher than 920 kg/m³.
- Crestwynd has provided information that demonstrates drainage calculations (depicted in Table 7.2 of Directive 065), the drainage radius of its proposed horizontal well lies between is 23 meters and a maximum 44 meters.

- Similar holdings with higher well density and 50 m buffer have been approved west of the area of application and this approval will provide Crestwynd same opportunity to develop the area as other operators.
- ISH Energy has no concerns with the request to change buffer from 100 m to 50 m if the wells are vertically drilled.
- IHS Energy has not provided information to demonstrate that it may be directly or adversely affected by the approval of the special well spacing application.

inquiries 1-855-297-8311
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Based on the above consideration, the AER has issued the applied-for approvals and this is your notice of that decision. Copies of the approvals are attached.

Under the *Responsible Energy Development Act* an eligible person may file a request for a regulatory appeal on an appealable decision. Eligible persons and appealable decisions are defined in section 36 of the *Responsible Energy Development Act* and section 3.1 of the *Responsible Energy Development Act General Regulation*. If you wish to file a request for regulatory appeal, you must submit your request in the form and manner and within the timeframe required by the AER. You can find filing requirements and forms on the AER website, <http://www.aer.ca/applications-and-notice/appeals>.

If you have any questions, contact Kimberley Andrade at 780-642-9169 or e-mail Kimberley.andrade@er.ca.

Sincerely,

<Original signed by>

Rob Borth

Director, Authorizations Oil and Gas

Enclosure (2) Approvals

cc: Allan Carter, Crestwynd Exploration Ltd.
AER SOC Coordinator, SOC@er.ca
AER St. Albert Field Centre