

From: [ 5,200(1) ] trianglepetroleum.com>  
 To: MATLOCBJ@doov.ns.ca 5,200(1)  
 Date: 2009-09-22 3:11 PM  
 Subject: RE: Natural Gas Exploration Sites- Hants County

Good Afternoon Bernie,

In response to your email sent earlier today please see below. I look forward to discussing these issues with you at your earliest opportunity.

#### BRINE PONDS

We have an inspector (local resident) who visits the sites weekly to record site conditions as well as the pond levels. We are keeping a close eye on the levels and are preparing to remove water, either through removal to an approved disposal facility or in the case of KC2, through the freeze-thaw technique approved in our IA. Obviously this would have to wait until colder temperatures hit, therefore we will remove sufficient water in the meantime as required. We have hydro-seeded and stabilized the bank edges where required and with our weekly inspections, I am confident that we are adhering to the requirements.

#### NOEL, WALTON and GORMANVILLE SITE ABANDONMENT AND RECLAMATION

Upon review this morning of the IA's, I agree that the IA's appear to have expired with one clarification needed: NOEL APPROVAL, Scope of Approval 2(d) gives us 1 year to undertake the operations which contradicts the expiry date on the approval (expiry on August 26, 2009, approved December 22, 2008).

As per the intent of the IA's (required for the fracture stimulations on the wells but not for drilling, testing or production operations), our understanding is that these IA's do not require reclamation of the lease site or well once they expire. I have reviewed the IA's and cannot find a statement in the approval requiring immediate abandonment or reclamation. Section 11 deals with an Abandonment Plan which sets out requirements to be submitted to the department prior to abandonment. In our supporting documentation to the department during the application process and contained within our Environmental Management Plan (EMP) the trigger for well abandonment and lease reclamation is as follows: "It is noted that site abandonment and lease reclamation will occur if wells are determined not to be productive. Elmworth will consult with DOE, NSR and NSNR and utilize good oilfield practices to plan abandonment of the wellbore and reclamation of the lease sites." As per the IA's, Elmworth will submit an abandonment plan should any of the wells be deemed non productive.

Elmworth is still actively reviewing data obtained during the initial completion attempts and we are not prepared to deem any of the wells non productive at this time. There are additional intervals of interest in each of the wellbores that will require further

completion work. A requirement for abandonment would be impractical as the wells will require future work and should they be producible wells, years.

We are also undertaking weekly inspections of the sites with the intent to ensure site security and to note any disturbances to the site that may require remediation or stabilization.

NOEL SITE OPERATIONS.

The NOEL well (E-38-A) has had some diagnostic tests performed which required a small injectivity test into the reservoir. The tests that occurred were not injections in order to produce or enhance the recovery of petroleum or natural gas. They were to gather and analyze very accurate pressure data to determine if a fracture stimulation to enhance production was warranted. To date, our data suggests that the zones tested do not warrant further work. We have additional zones that we are evaluating which may require further work in the future (including fracture stimulations).

The tests that were performed required very limited equipment on site and are referred to as DFIT's "Diagnostic Fracture Injectivity Tests". They utilized fresh water from a nearby town water supply and a very limited amount of fluid was injected (~5m3 per test).

Our wellsite supervisor was given both the "Authority to Alter the Well Condition" (DOE) and the "Industrial Application Approval" (NSE) prior to commencing work on the well. We hoped that a fracture stimulation would have taken place to enhance productivity by this time, however as stated above our diagnostic data did not support moving forward on the zones tested.

Should we have undertaken an operation to frac the well with fluid and proppant for the purpose of producing or enhancing the recovery of petroleum or natural gas, the supervisor had a copy of the IA and was expected to have contacted your office as required. In our opinion, the operations undertaken were not well fracturing operations for the purpose of enhancing productivity.

Should you require notification in the future for additional activities on site, we would need to discuss this with DOE and NSE to determine who requires notification for what activities. One point of contact for routine operations (DOE) would be much preferred.

From my meeting with Kathleen Johnson and yourself last year, I had asked to actively engage you in further conversations to understand and discuss the implementation of the following amendment to the regulation. In order to clear up a fair bit of confusion as to the intent and purpose of these IA's, I would very much like to book a meeting in the near future where we can further discuss the requirements and expectations for IA's as it relates to our activities:

Amendments to the Activities Designation Regulations

(j) a petroleum or natural gas

operation where it is necessary to inject water, brine or chemical agents in order to produce or enhance the recovery of petroleum or natural gas;

Clause 17(2)(j) added: O.I.C. 2007-417, N.S. Reg.

352/2007.

MAKE UP WATER

As described above, the Noel operation (DFIT) utilized a very minimal amount of fresh water from a town water supply (Truro).

The Gormanville Operation (N-14-A) utilized brine water from the KC#1 Frac Pond.

I hope that these points answer your questions and concerns. We will need to have further discussions on the go forward steps on these and other wells planned. I would sure like to meet as a group with DOE and NSE so that we can all have a clear understanding of the concerns and process moving forward.

Representatives from Dillon Environmental are scheduled to visit all of the sites this week to ensure adherence to our EMP, IA's etc.

I look forward to discussing further.

Yours Truly,

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-----Original Message-----

From: Bernard J Matlock [mailto:Matlockbj@gov.ns.ca] Sent: Tuesday, September 22, 2009 8:41 AM To: s20(1) Cc: Tadeusz J Czarnik; Melanie J Haggart; Elaine M Marshall Subject: Natural Gas Exploration Sites- Hants County

s20(1) [ ] Recent inspection of the natural gas exploration drill sites