MAGELLAN RESOURCES LTD.
920, 736 – 8TH AVENUE S.W. CALGARY, ALBERTA T2P 1H4 TEL: (403) 265 - 3550 FAX: (403) 261-6615

March 15, 2012

Manitoba Innovation, Energy and Mines
Petroleum Branch
Box 1359 – 227 King Street
Virden, MB R0M 2C0

Attention: Allan Gervin:

RE: Application for an Oil Battery Permit 03-34-012-27WPM

Magellan Resources Ltd. ('Magellan') respectfully submits the attached application as per instructions outlined under Part 7, section 75(1), of the Drilling & Production Regulations of the Oil & Gas Act to the Petroleum Branch of Manitoba Science, Technology, Energy and Mines.

I appreciate any assistance that you can provide Magellan regarding this application. Should you require further information, please contact me at any time at (403) 852-7272.

Sincerely,

MAGELLAN RESOURCES LTD.

Darren G. Rennie, P. Eng
Vice President Engineering & COO

Attachments

1. Application Fee:

As per Schedule 'A' of the Manitoba Drilling & Production Regulations, an Abandonment Fund Reserves cheque in the amount of $1,000.00, payable to Minister of Finance, is enclosed.

2. Performance Deposit:

As per Part 3, section 10, of the Drilling & Production Regulations, a Performance Deposit is not required.

3. Survey Plan:

The survey plan of the battery is included as Attachment A.

4. Landowners and Occupants:

A list of landowners and occupants within 1.5 km of the proposed battery location as well as a summary of consultation process is shown in Attachment B.

5. A List of Wells to be Flow Lined in:

The following wells will be tied in to the proposed battery at 03-34-012-27W1M:

1. Magellan North Hargrave Prov. 01-34-012-27WPM
2. Magellan North Hargrave 04-27-012-27WPM

6. Anticipated Production Rates:

Expected rates from the wells entering the battery are:

Oil:	10 m3/d
Water:	120 m3/d
Gas:	0.1 e3m3/d

7. Gas Analysis:

A representative gas analysis is included as Attachment C.

8. Process Vessels:

The battery will be configured so that no process vessels are required. The wells are to be flow lined directly to a production tank.

9. Well Testing:

Each well is to be tested by a mobile production test unit on a monthly basis. The production unit will be located to the wellsite to conduct a (minimum) 24 hour production test. Well head samples will be taken during the test period to determine representative oil and water cuts.

10. Flaring, Vapour Recovery and Venting:

All associated gas will be vented due to the fact the volumes are low and no hydrogen sulphide is present. There are no noticeable odours associated with this gas.

11. Plot Plan

The plot plan of the proposed battery at is included as Attachment D.

12. Process Flow Diagram:

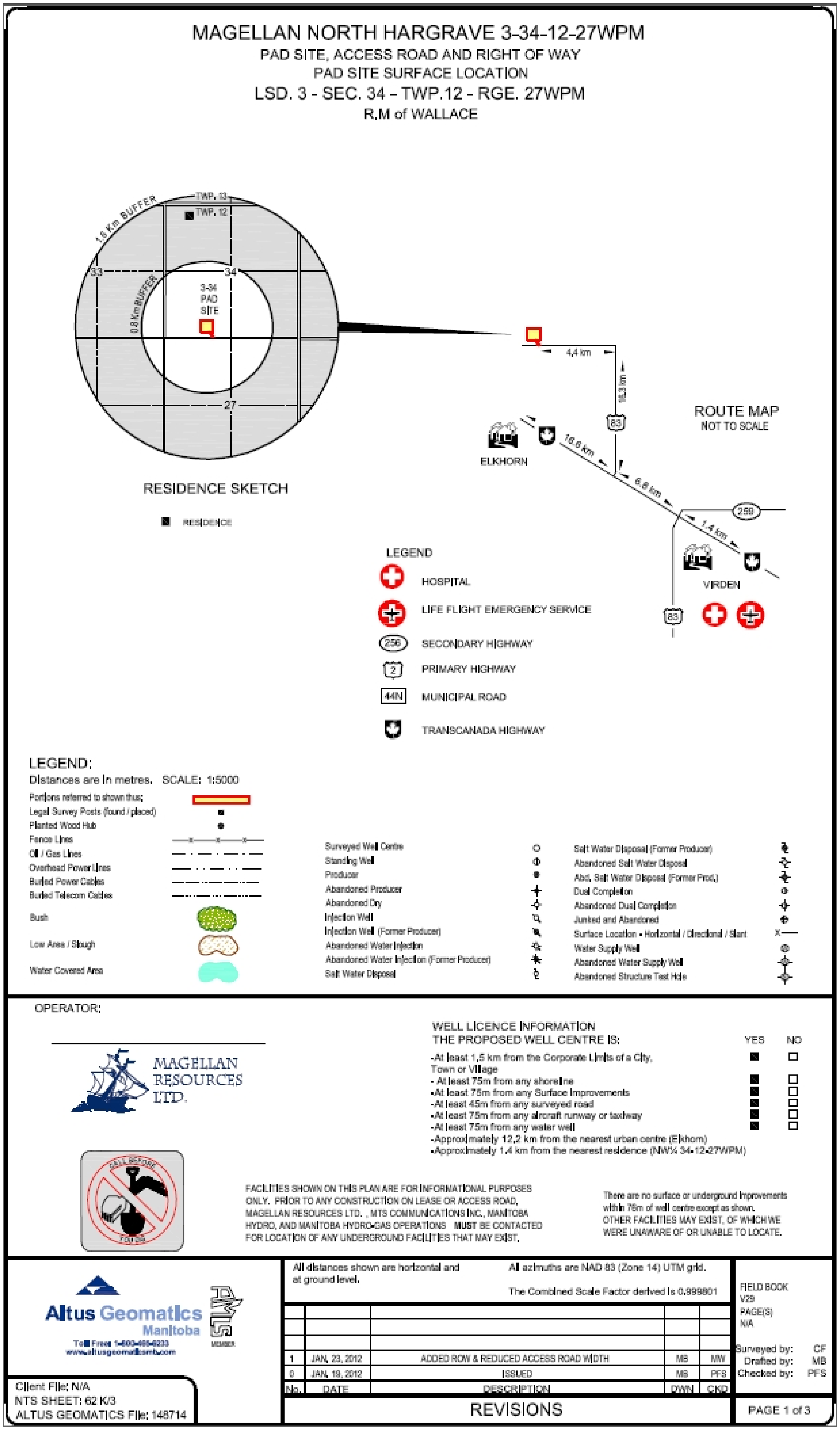
A process flow diagram of the proposed battery is included as Attachment E.

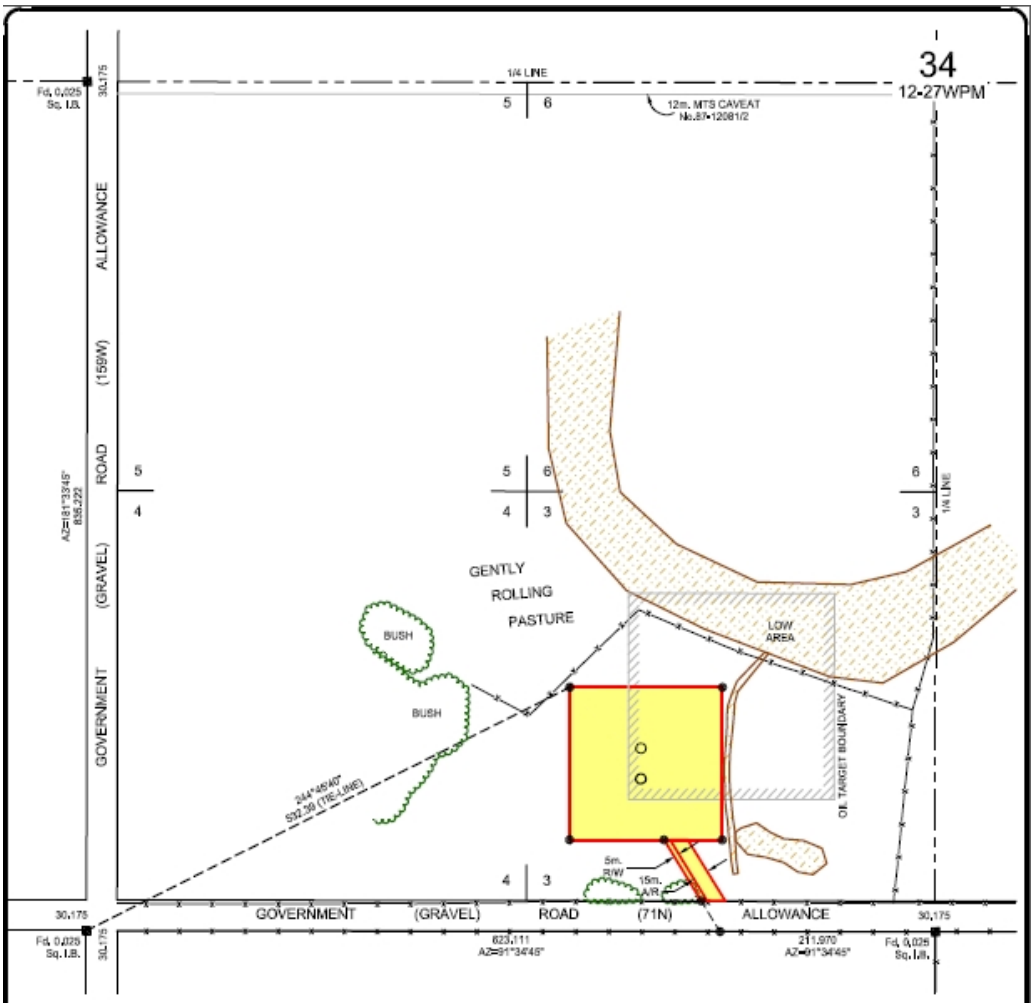
13. Water Disposal:

Produced water is to be disposed of at Magellan North Hargrave SWD A03-34-012-27W1M disposal well, located on the same surface lease as the battery. Water will be delivered to the disposal well via an underground ground fiberglass flow line.

Attachment A

Survey Plan


MAGELLAN NORTH HARGRAVE 3-34-12-27WPM
PAD SITE, ACCESS ROAD AND RIGHT OF WAY
PAD SITE SURFACE LOCATION
LSD. 3 - SEC. 34 - TWP.12 - RGE. 27WPM
R.M of WALLACE
1.6 Km BUFFER
TWP. 13
TWP. 12
33
34
27
0.8 Km BUFFER
3-34 PAD SITE
RESIDENCE SKETCH
RESIDENCE
4.4 km
16.3 km
83
16.6 km
6.8 km
259
1.4 km
ELKHORN
VIRDEN
ROUTE MAP
NOT TO SCALE
LEGEND
HOSPITAL
LIFE FLIGHT EMERGENCY SERVICE
SECONDARY HIGHWAY
PRIMARY HIGHWAY
MUNICIPAL ROAD
TRANSCANADA HIGHWAY
LEGEND:
Distances are in metres. SCALE: 1:5000
Portions referred to shown thus:
Legal Survey Posts (found / placed)
Planted Wood Hub
Fence Lines
Oil / Gas Lines
Overhead Power Lines
Buried Power Cables
Buried Telecom Cables
Bush
Low Area / Slough
Water Covered Area
Surveyed Well Centre
Standing Well
Producer
Abandoned Producer
Abandoned Dry
Injection Well
Injection Well (Former Producer)
Abandoned Water Injection
Abandoned Water Injection (Former Producer)
Salt Water Disposal
Salt Water Disposal (Former Producer)
Abandoned Salt Water Disposal
Abd. Salt Water Disposal (Former Prod.)
Dual Completion
Abandoned Dual Completion
Junked and Abandoned
Surface Location - Horizontal / Directional / Slant
Water Supply Well
Abandoned Water Supply Well
Abandoned Structure Test Hole
OPERATOR:
MAGELLAN RESOURCES LTD.
WELL LICENCE INFORMATION
THE PROPOSED WELL CENTRE IS: YES NO
-At least 1.5 km from the Corporate Limits of a City, Town or Village
- At least 75m from any shoreline
-At least 75m from any Surface Improvements
-At least 45m from any surveyed road
-At least 75m from any aircraft runway or taxiway
-At least 75m from any water well
-Approximately 12.2 km from the nearest urban centre (Elkhorn)
-Approximately 1.4 km from the nearest residence (NW¼ 34-12-27WPM)
CALL BEFORE YOU DIG
FACILITIES SHOWN ON THIS PLAN ARE FOR INFORMATIONAL PURPOSES ONLY. PRIOR TO ANY CONSTRUCTION ON LEASE OR ACCESS ROAD, MAGELLAN RESOURCES LTD. , MTS COMMUNICATIONS INC., MANITOBA HYDRO, AND MANITOBA HYDRO-GAS OPERATIONS MUST BE CONTACTED FOR LOCATION OF ANY UNDERGROUND FACILITIES THAT MAY EXIST.
There are no surface or underground improvements within 75m of well centre except as shown. OTHER FACILITIES MAY EXIST, OF WHICH WE WERE UNAWARE OF OR UNABLE TO LOCATE.
Altus Geomatics Manitoba
Toll Free: 1-800-465-6233
www.altusgeomaticsmb.com
AMLS MEMBER
All distances shown are horizontal and at ground level.
All azimuths are NAD 83 (Zone 14) UTM grid.
The Combined Scale Factor derived is 0.999801
FIELD BOOK V29
PAGE(S) N/A
1 JAN. 23, 2012 ADDED ROW & REDUCED ACCESS ROAD WIDTH MB MW
0 JAN. 19, 2012 ISSUED MB PFS
No. DATE DESCRIPTION DWN CKD
REVISIONS
Surveyed by: CF
Drafted by: MB
Checked by: PFS
Client File: N/A
NTS SHEET: 62 K/3
ALTUS GEOMATICS File: 148714
PAGE 1 of 3



TARGET CO-ORDINATES:
WELL CENTRE IS:
20.00 North
12.52 East of SW Corner Of Target Boundary

GIVEN CO-ORDINATES:
120.00 N of S
515.00 E of W
SURVEYED CO-ORDINATES:
120.00 N of S
515.00 E of W
REASON FOR MOVEMENT:
No Movement

SW¼ Sec.34 Twp.12 Rge.27WPM

C.T. No. 1420345/2

Owner(s): DONALD WAYNE BROWN
DOROTHY KATHLEEN BROWN

AREAS REQUIRED

PAD SITE	2.250 ha	5.56 ac
ACCESS ROAD	0.106 ha	0.26 ac
RIGHT OF WAY	0.035 ha	0.09 ac
TOTAL	2.391 ha	5.91 ac

LOCAL CO-ORDINATES
120.00 N of S
515.00 E of W } Sec 34

UTM CO-ORDINATES (NAD 83)
5546314.666 N
349949.626 E } CSRS

UTM CO-ORDINATES (NAD 27)
5546094.506 N
349977.975 E } CSRS

LATITUDE / LONGITUDE(LL83)
50° 03' 00.657"
101° 05' 45.521" } CSRS

LATITUDE / LONGITUDE(LL27)
50° 03' 00.645"
101° 05' 43.848" } CSRS

WELL CENTRE ELEVATION: 475.88
Elevations shown are in Geodetic Datum from the Province of Manitoba Mon. #82R748

I certify that the survey represented by this plan is correct to the best of my knowledge and was completed on the 3rd day of January, 2012.

KEN W. BAILEY
MANITOBA LAND SURVEYOR

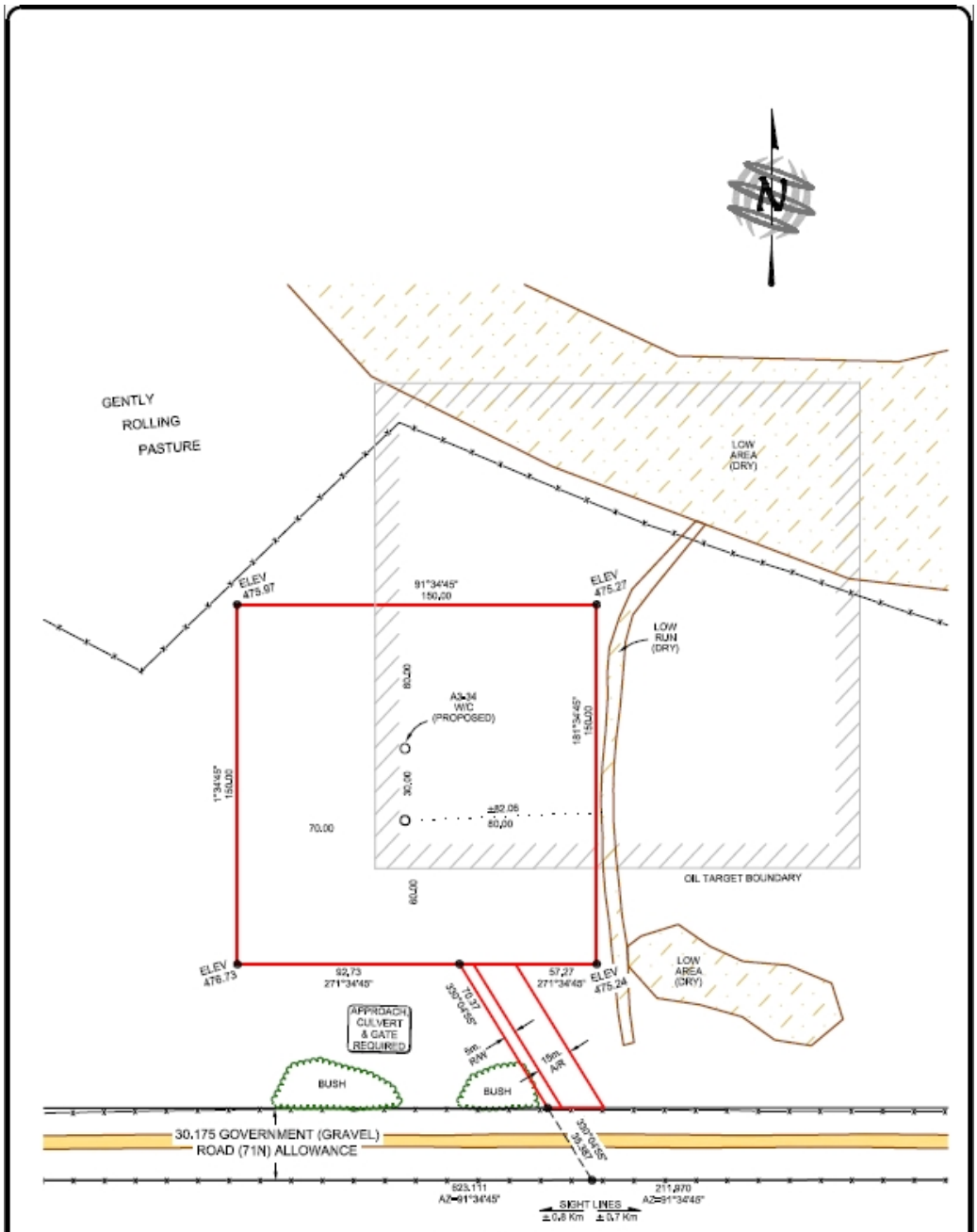
Witness

MAGELLAN NORTH HARGRAVE 3-34-12-27WPM
PAD SITE, ACCESS ROAD AND RIGHT OF WAY

Altus Geomatics Manitoba

1 REVISION

148714
PAGE 2 of 3


N
GENTLY
ROLLING
PASTURE
LOW
AREA
(DRY)
ELEV
475.97
91°34'45"
150.00
ELEV
475.27
LOW
RUN
(DRY)
A3-34
WIC
(PROPOSED)
60.00
30.00
±82.06
80.00
70.00
OIL TARGET BOUNDARY
ELEV
476.73
92.73
271°34'45"
57.27
271°34'45"
ELEV
475.24
LOW
AREA
(DRY)
APPROACH
CULVERT
& GATE
REQUIRED
BUSH
BUSH
30.175 GOVERNMENT (GRAVEL)
ROAD (71N) ALLOWANCE
823.111
AZ=91°34'45"
211.970
AZ=91°34'45"
SIGHT LINES
±0.8 Km
±0.7 Km
DETAIL 1:2000
MAGELLAN NORTH HARGRAVE 3-34-12-27WPM
PAD SITE, ACCESS ROAD AND RIGHT OF WAY
Altus Geomatics
Manitoba
REVISION
148714
PAGE 3 of 3

Attachment B

Landowners & Occupants

February 29, 2012

Attention: [LANDOWNER]

Dear [Landowner]:

Re: Facility Notification for Magellan Resources Ltd.

Proposed Multiwell Oil Battery

Pursuant to Section 75 (1) of the Drilling and Production Regulations, Magellan Resources Ltd. (Magellan) wishes to inform you of its proposal to install a multiwell oil battery on its existing 3-34-12-27W1M well site. This facility is required to store emulsion (oil & water) from multiple wells in the vicinity of the location and to dispose of produced water.

LOCATION:	**3-34-12-27-W1M**
BATTERY CLASSIFICATION:	**SWEET**
SUBSTANCE:	**SWEET, OIL, WATER**
SURFACE EQUIPMENT:	**OIL SHIPPING TANK, PRODUCTION TANK, INJECTION PUMP BUILDING**
FLARING:	**FLARING IS NOT PLANNED FOR THIS LOCATION**
TRAFFIC:	**THERE WILL BE ADDITIONAL TRAFFIC DURING CONSTRUCTION. SERVICE EQUIPMENT WILL PERIODICALLY VISIT EXISTING FACILITLIES FOR ROUTINE MAINTENANCE. AREA TRAFFIC WILL BE REDUCED SINCE OIL AND WATER COLLECTION WILL BE FROM A CENTRALIZED BATTERY.**
NOISE:	**CONSTRUCTION NOISE WILL BE LIMITED TO DAYLIGHT HOURS AND FACILITY OPERATION EQUIPMENT WILL BE BELOW APPLICABLE RESIDENTIAL GUIDELINES.**
ESTIMATED CONSTRUCTION DATE: MARCH AND APRIL 2012.	
THIS FACILITY WILL BE OPERATED BY: MAGELLAN RESOURCES LTD.	

Magellan has a Corporate Emergency Response Plan in force for all operations. In the event of an emergency, Magellan will invoke the Emergency Response Plan as soon as possible. Predetermined steps are in place to handle emergency situations.

It is Magellan's desire to uphold its reputation of constructing and operating facilities designed to a high standard and to minimize any potential effects on residents, landowners and the environment. Magellan invites all comments and concerns that may arise with respect to the construction and/or operation of it's facilities to ensure that any concerns can be promptly addressed.

Should you require a copy of the Battery Application, please contact Darren Rennie (details below) or Manitoba Innovation, Energy and Mines.

If you have any questions regarding the above or require additional information, please contact:

Dale Barnard, Field Superintendent at (403) 265-3550 or (780) 619-6188

Darren G. Rennie, P. Eng, VP Engineering & COO at (403) 265-3550 ext 202

Richard Fulton, P Land, President & CEO at (403) 243-3548

In case of an emergency related to this facility, immediately call Magellan's 24hr Emergency Phone Line at (403) 265-3550 ext 4

Yours truly,

MAGELLAN RESOURCES LTD.
By its Agent Scott Land & Lease Ltd.
1460 – 2002 Victoria Avenue
Regina, SK S4P 0R7

Brett Breakey, Land Agent

☐ ***I/We, have no concerns or objection to the Manitoba Innovation, Energy and Mines issuing a licence(s)/permit(s) to Magellan Resources Ltd. for the proposed project.***

Dated this _____ day of _____, 2012.

SIGNATURE: _____
NAME: **[LANDOWNER]**

ADDRESS: **[LANDOWNER ADDRESS]**

PHONE NUMBER: **[LANDOWNER PHONE NUMBER]**

COMMENTS/CONCERNS:

_____
_____
_____
_____

Attachment C

Gas Analysis

AGAT® Laboratories

GAS ANALYSIS

No flag set.

Container Identification
11001400

Operator Name	Laboratory Number
MAGELLAN RESOURCES LTD.	12G572252A

Unique Well Identifier	Well Name
AA/01-34-012-27W1/00	MAGELLAN NORTH HARGRAVE PROV. 1-34-12-27

Field or Area	Pool or Zone	Sampler's Company
HARGRAVE PROV.	LODGEPOLE	SAME

Well License	Elevation	Test Type	Test No.	Name of Sampler
8288	KB m 480.00 GRD m 474.90			

Test Interval or Perfs mKB		Sampling Point
		WELLHEAD CASING

	Separator	Reservoir	Source	Sampled	Received
Pressure (kPa)					10
Temperature			5	5	21

Date Sampled	Date Received	Date Analyzed	Date Reported	Location - Approved By - Title
Feb 01, 2012	Feb 07, 2012	Feb 08, 2012	Feb 08, 2012	Calgary - Gerry Ecker - Reporter

Other Information

* Results relate only to the items tested

COMP	MOLE FRACTION		PETROLEUM LIQUID
	AIR FREE AS RECEIVED	AIR FREE ACID GAS FREE	mL / m³
H2	0.0217	0.0223	
He	0.0007	0.0007	
N2	0.3044	0.3129	
CO2	0.0271	0.0000	
H2S	0.0000	0.0000	
C1	0.0187	0.0192	
C2	0.2037	0.2094	
C3	0.2569	0.2641	944.0
IC4	0.0541	0.0556	236.2
NC4	0.0798	0.0820	335.7
IC5	0.0194	0.0199	94.7
NC5	0.0068	0.0070	32.9
C6	0.0042	0.0043	23.0
C7+	0.0025	0.0026	15.9
Total	1.0000	1.0000	1682.4

Exceeds normal limits:
H2,N2,IC5

GROSS HEATING VALUE MJ/m³
15° C AND 101.325 kPa

Air Free As Received	Moisture & Acid Gas Free	C7+, Air Free As Received
60.50	62.18	0.53

RELATIVE DENSITY (CALCULATED) **DENSITY**

Moisture Free	Moisture & Acid Gas Free	C7+, Moisture Free	C7+, Portion Whole Density	C7+ Density (kg/m3)	Total Sample Density(kg/m3)
1.306	1.300	3.595	0.009	693.6	1.599

PSEUDO CRITICAL PROPERTIES (CALCULATED)

As Sampled		Acid Gas Free	
pPc (abs) kPa	pTc K	pPc (abs) kPa	pTc K
4039.6	279.8	3946.7	279.1

RELATIVE MOLECULAR MASS

Total Gas	C_7+
37.8	104.1

VAPOUR PRESSURE (Pentanes +)	H2S g/m³
110.38 kPa	0.00

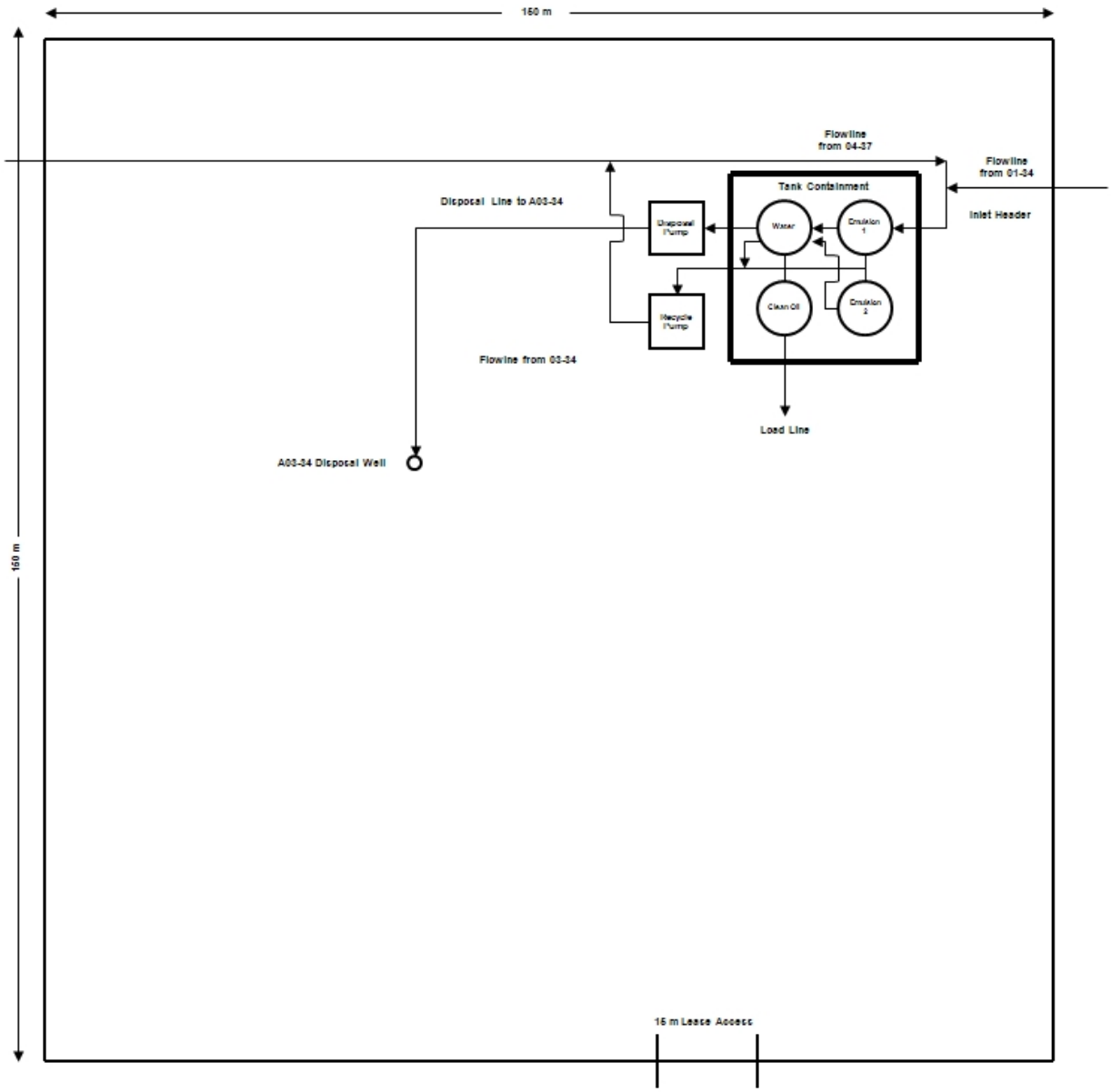
This analysis and calculations are based on GPA 2261, GPA 2145, and AGA#5

Attachment D

Plot Plan

MAGELLAN NORTH HARGRAVE OIL BATTERY

Plot Plan 03-34-012-27WPM Surface Lease



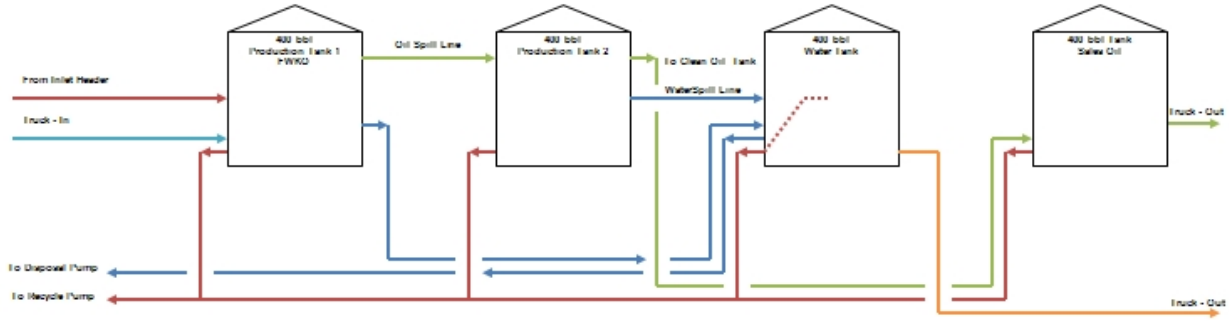
Attachment E

Process Flow Diagram

Process Flow Diagram 03-34-012-27WPM

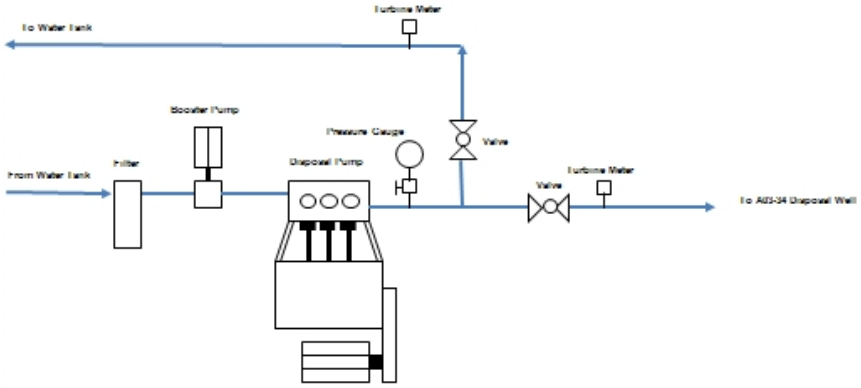
Battery:

Fittings pressure rated to a minimum of 7.6 Mpa and will be internally coated, stainless steel or fiberglass



Disposal Pump:

Fittings pressure rated to a minimum of 7.6 Mpa suction / 14.6 Mpa discharge and will be internally coated, stainless steel or fiberglass



Recycle Pump:

Fittings pressure rated to a minimum of 7.6 Mpa and will be internally coated, stainless steel or fiberglass