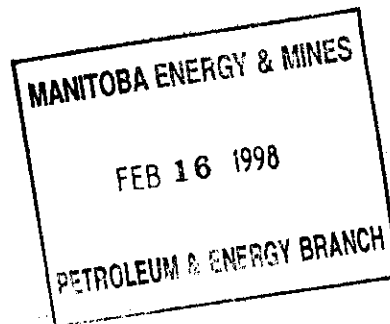




February 10, 1998

Chevron Canada Resources
500 - Fifth Avenue S.W.
Calgary, Alberta T2P 0L7

W. J. (Joe) Taylor
Petroleum Engineer
Phone No. 403-234-5780
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Manitoba Energy and Mines
Attention: John N. Fox
1395 Ellice Avenue
Suite 360
Winnipeg, MB
R3G 3P2

NORTH VIRDEN SCALLION UNIT NO. 1 ANNUAL PROGRESS REPORT

Dear Sir:

Enclosed for your information is the 1997 North Virden Scallion Unit #1 Annual Progress Report.

If you require any additional information, please contact me at (403)-234-5780 or at the above address.

Sincerely,

W.J. (Joe) Taylor
Petroleum Engineer

WJT/mnc

pc: Viriden Structured Files (706.05.04)
Producing Records (Calgary)

North Virden Scallion Unit No. 1

Progress Report No. 33

January 1, 1997 to December 31, 1997

Chevron Canada Resources
Western Canada Business Unit
December 1997

North Virden Scallion Unit No. 1

Introduction

North Virden Scallion Unit No. 1 became effective August 1, 1965. This report summarizes the operations of the Unit for the period January 1, 1997 to December 31, 1997. The information is presented for the whole project, attempting to quantify the waterflood progress at a field level.

Operations

1. Oil Production

Oil production for the Unit during the report period averaged 259.9 m³/d with a WOR of 7.8 m³/m³. This compares with an average oil production of 231.8 m³/d for the previous report period. Cumulative oil production to December 31, 1997 is 9,914,320 m³ oil. Cumulative oil production since commencement of waterflood to December 31, 1997 is 8,006,340 m³ oil. Details of the production data are shown in Table 1.

2. Water Injection

Total water injected during the report period averaged 2,023.9 m³/d. This compares with 1,771.7 m³/d injected during the previous report period. Cumulative water injected from commencement of the waterflood to December 31, 1997 was 28,363,295 m³. Details of the water injection are also shown in Table 1.

3. Well Servicing

A summary of well servicing activities is detailed in Table 2.

4. Drilling

Two horizontal wells were drilled during the report period. Initial and average production rates for 1997 are as follows:

Well	Initial Production		Current Production	
	Oil (m ³ /d)	Water (m ³ /d)	Oil (m ³ /d)	Water (m ³ /d)
03C-04-12-26	18.8	28.8	5.0	30.0
15B-22-11-26	8.1	34.6	7.0	11.0

Pressure fall-off surveys were conducted at the following injector locations. The extrapolated BHP results indicate the following:

Well	Static BHP (kPa)
16-33-11-26	7,968
14-33-11-26	9,997
02-04-12-26	9,223
04-04-12-26	10,352
06-04-12-26	9,522

No attempts were made during the report period to address waterflood support requirements necessary for each horizontal well, as offsetting production was being monitored for detrimental effects caused from the horizontal production. Pressure support evaluation will be conducted in 1998 using the STDP reservoir model in conjunction with production / BHP data. Conversions to support the horizontal producer will be reviewed in 1998.

5. Conversions

Two (2) producing wells were converted to injection during the report period. A summary of the wells converted and corresponding producers are listed in the following.

Well Converted	Offsetting Producer	Theoretical % of Injection Allocation
10-26-11-26	6D-26-11-26	46.3
	11-26-11-26	20.7
	12-26-11-26	2.4
	02/15-26-11-26	16.1
	07-26-11-26	11.0
	02/11-26-11-26	6.8
11-33-11-26	10-33-11-26	42.5
	02/07-33-11-26	58.9

Reservoir Performance

1. Voidage

The total voidage during the report period was 837,862.2 Rm^3 yielding a voidage replacement ratio (VRR) of 0.89. Cumulative total voidage from commencement of production to December 31, 1997 was 33,930,244 Rm^3 . Oil formation volume factor is 1.05 Rm^3/m^3 . A summary of the voidage calculations is shown in Table 1.

2. Reservoir Pressure

A summary of recent subsurface pressure surveys is given in Table 3.

3. Recovery

The cumulative field production to December 31, 1997 is 9.914 m^6 oil. Ultimate recovery currently is estimated to be 10.754 m^6 oil, 33.2% of the OOIP of 32.382 m^6 .

Recommended / Proposed Activities

- Review injection support of existing horizontal wells
- Evaluate strategic injectors for stimulation
- Optimize existing horizontal well performance via acid stimulations / selective packer isolation
- Evaluate and drill further horizontal wells
- Evaluate further well candidates for conversion

Table 2: Well Servicing Summary

Workover Type	Number of Jobs	Comments
1. General <ul style="list-style-type: none"> • Completion • Recompletion • Conversion • Suspension • Abandonment 	2 - 2 4 -	2 Horizontals
2. Producer Maintenance <ul style="list-style-type: none"> • Pump Change • Optimization • Polish Rod Change • Hot Oil Treatment 	19 4 - -	
3. Injector Well Maintenance <ul style="list-style-type: none"> • Packer Repair • Segregation Test • Casing Leak Repair • Liner Installation 	1 49 - -	
4. Proactive Stimulation <ul style="list-style-type: none"> • Acid • Polymer Treatment (Injector) • Polymer Treatment (Producer) • Sand Frac • Acid Frac • Scale Treatment • Gypsum Treatment • Corrosion Inhibition 	3 - - - - - - - -	
5. Reservoir Management <ul style="list-style-type: none"> • BH Pressure Survey 	5	Injectors

Well Location	1977 Datum Depth Pressure kPA	1978 Datum Depth Pressure kPA	1981 Datum Depth Pressure kPA	1984 Datum Depth Pressure kPA	1987 Datum Depth Pressure kPA	1989 Datum Depth Pressure kPA	1990 Datum Depth Pressure kPA	1996 Datum Depth Pressure kPA	1997 Datum Depth Pressure kPA
11-02-11-26		7806		7398	7667		10054		
15-09-11-26			6245	6126					
03-10-11-26		7992	8343						
06-10-11-26					8420				
07-10-11-26							10487		
13-10-11-26							5905		
15-10-11-26		8729							
10-11-11-26	9078	9299	9502	9228	9768		10257		
13-11-11-26							10320		
10-13-11-26					11270		10257		
11-13-11-26				11357					
15-13-11-26			11489						
04-14-11-26				8233					
09-14-11-26				8212					
10-14-11-26					7426		8618		
13-14-11-26			8614	6316					
02-15-11-26					8655				
06-15-11-26				7005					
10-15-11-26					8885		10049		
13B-15-11-26								6417	
08-16-11-26	5236	5304			5106				
10-16-11-26	5406		5222						
02-21-11-26				5578					
06-21-11-26		5779	5065						
10-21-11-26							8209		
01-22-11-26				6577	7149				
03-22-11-26		7256							
04-22-11-26				8936					
12-22-11-26					7560		7753		
13-22-11-26					6130				
15-22-11-26				6785					
16-22-11-26					6729				
05-23-11-26					8177				
06-23-11-26				7255					
09D-23-11-26						7681	7681		
10D-23-11-26						7722	7722		
11D-23-11-26						8274	8541		
12-23-11-26					7240		10054		
14D-23-11-26						8915			
15-23-11-26						8854			
15D-23-11-26						8163	10291		
16-23-11-26						9045			
02-24-11-26		9642							
06-24-11-26					8265				
11-24-11-26		8610		6930					
12-24-11-26							9153		
13-24-11-26						9176			
13C-24-11-26						7715			
01-26-11-26						9045			
01D-26-11-26						8067	9388		
02D-26-11-26						8143			
03-26-11-26		8788		7888	8220	8518	8661		
03D-26-11-26						7895			
06-26-11-26					7120	9216	10285		
01-27-11-26					8174				
02-27-11-26					7709		7870		
03A-27-11-26		6536							
10-27-11-26				7226					
14-27-11-26					7125		9505		
07-28-11-26			8736	8040					
08-28-11-26					7625		9998		
14-28-11-26					7965		9823		
16-32-11-26		6255	6289	5950	6086		6196		
03-33-11-26				8012	7115				
06-33-11-26							6869		
07C-33-11-26								7358	
14-33-11-26									9997
16-33-11-26									7968
04-34-11-26	7197	7383	7639	7678					
06-34-11-26					7565		10593		
12A-34-11-26								6468	
04-03-12-26							7118		
06-03-12-26		6715	6733	7147	7500				
02-04-12-26									9223
04-04-12-26									10352
06-04-12-26					7030		8218		9522
07-04-12-26				7826					
07-06-12-26			6463	5668	8020				
Avg. Press.	8729	7564	7528	7451	7633	8429	8924	6748	9412

Table 3: Summary of Subsurface Pressure Surveys