

PanCanadian

March 21, 2000

WORKING INTEREST OWNERS

**MONOGRAM** GAS UNIT

Ladies and Gentlemen:

Subject Mail Ballot

Project

3-00

Approval of Costs for Consulting Services

PanCanadian Resources, as Operator ofthe MONOGRAM GAS UNIT, hereby submits foryour consideration and approval Mail Ballot No. 3-00 to continue to retain the services of an outside consultant to optimize production from the Unit.

When PanCanadian acquired operatorship of the Unit it retained the services of William Nichols Consulting (WNC) to optimize Unit production. WNC has been working exclusively on the Monogram Gas Unit since September 1999. PanCanadian absorbed the costs of WNC from September until year end; however; commencing January 1 2000, the operator feels it is justified in requesting the Unit owners to cover the costs to retain WNC as an outside consultant. The operator proposes that the Unit incur the costs of WNC from January 1, 2000 until June 30, 2000 at a cost of $600/day up to a maximum of $85000 for the six month period.

Under the guidance of WNC, sales from the Unit have increased from 370 e3m3/d to approximately 500 e3m3/d. This is an incremental production gain of approximately 130 e3m3/day or about 35%. If historical decline rates are included, the increase in production achieved through optimization is in excess of 150 e3m3/d. This increase in production achieved through WNC efforts generates approximately $15 000/day in extra revenue for the unit. The attached graph of Unit production shows the impact of the optimization program. Based on the incremental production, payout of WNC estimated costs is approximately 6 days.

WNC has reworked 318 of 373 Unit wells so far and will continue to work on the remaining wells. WNC has been modifying Unit wellbores to allow swabbing which leads to the increased gas rates. To date, 4400 barrels of mud and water have been recovered from the wells.

Once all wells have been modified for swabbing, a review of wells with packers and tubing will be conducted. WNC feels there is good potential to double the rates on these wells. When all the above work overs are completed, WNC will commence a coil fracing program. WNC feels that there are at least 150 wells that could use at least 2 coil fracs each. Compressor optimization will be reviewed once well work overs are complete.

PanCanadian Resources

HEAD OFFICE 150 - 9th Avenue 5W PO Box 2850 Calgary AB Canada T2P 2S5 Tel (403) 290-2000 Fax (403) 290-2950



From the foregoing, it can be seen that the Unit is benefiting immensely from WNC's shallow gas technical expertise. The Operator's overhead is insufficient to cover the costs of WNC and therefore mail ballot approval is requested to charge the consulting fees to the Unit

Please approve of the attached resolution and return the mail ballot by the closure date of 2000­03-10.

Please sign and return one (1) copy of the mail ballot prior to April 10, 2000.

Yours truly,

PAN CANADIAN RESOURCES

G. (Gary) Brown

Chairman, Operating Committee

WMA Enclosure

cc: Records Centre

Accounting (M. Sinclair) Rm. 2543 W. Nichols

MONOGRAM GAS UNIT MAIL BALLOT 3-00