

July 6, 2010

2940-5000-59240-06

Joe Leonard, P.Eng  
Exploitation Engineer  
Progress Energy Resources Corp.  
1200, 205 – 5<sup>th</sup> Avenue S.W.  
Calgary AB T2P 2V7

Dear Mr. Leonard:

**RE: GOOD ENGINEERING PRACTICE APPROVAL**  
**CARIBOU FIELD – MONTNEY “A” POOL**

Commission staff have reviewed the application, dated June 1, 2010, requesting Good Engineering Practice (GEP) scheme approval for producing gas from the Montney formation in the Caribou field.

The Commission has designated the area of application as the Caribou field Montney “A” pool.

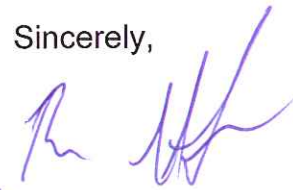
Pool development thus far is limited to one vertical well with plans to drill a follow up horizontal well. The Montney is recognized as a tight gas resource. GEP approval will allow the location and orientation of wells for effective gas recovery without regard to normal well spacing and target area restrictions.

Attached is Approval 10-06-024, granted under Part 8, Division 6, Section 101 of the *Drilling and Production Regulation*. This approval is intended to allow the drilling and production of gas wells within the GEP area for maximization of gas recovery.

Please note that the GEP area with rights held under Drilling License will require Lease selection prior to production from wells on those tenures.

Should you have any questions, please contact the undersigned at (250) 491-4421 or Travis Mercure at (250) 419-4448.

Sincerely,



For

Richard Slocomb, P.Eng.  
Supervisor, Reservoir Engineering  
Resource Conservation

Attachment

APPROVAL 10-06-024

THE PROVINCE OF BRITISH COLUMBIA  
PETROLEUM AND NATURAL GAS ACT  
DRILLING AND PRODUCTION REGULATION  
OIL AND GAS COMMISSION

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IN THE MATTER of a Good Engineering Practice (GEP) scheme of Progress Energy Resources Corp. (Progress) for producing gas from the Caribou field Montney "A" pool without spacing and target restrictions.


NOW, THEREFORE, the Commission, pursuant to Part 8, Division 6, Section 101 of the *Drilling and Production Regulation*, hereby approves the GEP scheme of Progress as such scheme is described in

*an Application from Progress to the Commission dated June 1, 2010,  
and related submissions.*

This scheme is approved, subject to the conditions herein contained and, in particular:

1. The area of the scheme shall consist of;  
94-G-7 Block G Units 74-77, 84-87, 94-99  
Block J Units 4-9.
2. The requirements of Section 10 of the *Drilling and Production Regulation* are hereby waived, provided that gas wells within the project area are not completed nearer than 250 m to the sides of the approved project area.
3. The gas wells within the project area may be produced without individual well allowable restrictions.
4. This approval may be modified or rescinded at a later date if deemed appropriate.

For

  
Richard Slocomb  
Supervisor, Reservoir Engineering  
Resource Conservation  
Oil and Gas Commission

DATED AT the City of Victoria, in the Province of British Columbia, this 6<sup>th</sup> day of July 2010.