OIL AND GAS COMMISSION

September 4, 2007 1350-2600/4100-59070-20

Ralph Sanford.
Coordinator, Reservoir Engineering
Advantage Oil & Gas Ltd.
3100, 150 – 6 Avenue SW
Calgary AB T2P 3Y7

Dear Mr. Sanford:

RE: APPROVAL FOR COMMINGLED PRODUCTION
ADVANTAGE EL AL BLACK b-A91-J/94-H-05; WA# 22107

The Commission has reviewed your application dated May 22, 2007 for approval to commingle gas production from the Bluesky and Baldonnel zones encountered in the subject well.

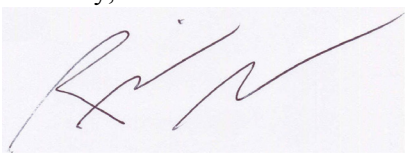
The Commission has designated the gas pools under application to be the Black Creek – Bluesky "E" and Baldonnel "A". The Bluesky "E" pool has been delineated by three gas wells; all three wells are capable of production. The Baldonnel "A" is a multi-well gas pool with a small oil leg. A concurrent production scheme approval has been granted to allow oil and gas production. The Baldonnel in the subject well was perforated and tested at 63.0 10^3 m^3/d. The Bluesky was perforated and fracture stimulated and flowed at 14.0 10^3 m^3/d. The Bluesky had no flow prior to fracture stimulation. Pressure recorders run over the Baldonnel zone during the Bluesky completion indicated that pressure communication was established during fracture stimulation. As a result these two zones are commingled behind casing and segregated production is not possible. These two zones have similar pressures.

We wish to advise you that your application to commingle production from these zones is hereby granted approval, under the authority of section 41 of the *Drilling and Production Regulation*, subject to the following conditions:

1. Production from the Bluesky (1149.0 - 1151.0 mKB) and Baldonnel (1165.0 – 1167.0 mKB) may be commingled.
2. Gas, condensate and water production should be allocated on the Ministry of Small Business and Revenue BC S-1 and BC S-2 forms on the basis of Bluesky 15 % and Baldonnel 85 %. The allocation factors may be amended to reflect results of any future tests.
3. This approval may be modified at a later date if deemed appropriate through a change in circumstances.

Should you have any questions, please contact the undersigned at (250) 952-0366.

Sincerely,



Richard Slocomb, P. Eng.
Supervising Reservoir Engineer
Resource Conservation Branch