



April 21, 2008

5170-2510/2520-59070-20

Delphi Energy Corporation
c/o Diane Raeburn, C.E.T.
Raeburn & Associates Ltd.
Box 75077 Cambrian PO
Calgary, AB T2K 6J8

Dear Ms. Raeburn:

**RE: COMMINGLED PRODUCTION APPROVAL
DELPHI ET AL KELLY b-a014-J/093-P-01; WA# 21548**

The Commission has reviewed your application, (dated February 15, 2008), on behalf of Delphi Energy Corporation, requesting permission to commingle gas production from the Falher B and Falher D zones encountered in the subject well. Informal commingling approval was granted on February 25, 2008 to accommodate field scheduling.

The Commission has designated the gas pools under application to be the Kelly – Falher B “B” and Falher D “A” pools. The Falher B “B” pool is a multi-well pool containing 4 wells. The subject well is located on the NW outer edge of the pool. The Falher D “A” pool is a single well pool. Both pools produce sweet gas. The Falher B and D zones initially tested at AOF rates of 52.4 10³m³/d and 321.2 10³m³/d, respectively. In November 2007, the Falher D commenced sales production at 140.0 10³m³/d through the tubing, followed by the Falher B in December 2007 at 15.0 10³m³/d through the annulus. By mid-February 2008, the Falher B declined to 2.5 10³m³/d and the Falher D to 29.0 10³m³/d. Commingled production is expected to increase recoverable gas reserves from these zones by mitigating liquid loading issues.

We wish to advise you that your application to commingle production is hereby approved, under the authority of Section 41 of the *Drilling and Production Regulation*, subject to the following conditions:

1. Production from the Falher B (2298.0–2301.0 mKB) and Falher D (2340.0–2344.5 mKB) zones may be commingled.
2. Gas, condensate and water production from the commingled well should be allocated on the Ministry of Provincial Revenue BC S-1, BC S-2 and BC S-8 forms to the deepest (measured depth) active well event (UWI). Royalty will be calculated on a well production basis, as if production were being taken from a single zone. The Commission will allocate commingled production to the individual zones on the basis of Falher B 10% and Falher D 90%.
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 or Kelly Okuszko at (250) 952-0325.

Sincerely,

Richard Slocomb, P.Eng.
Supervisor, Reservoir Engineering

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