

April 27, 2009

2020-2700/4540-59070-20

Andrew Taylor
Engineering Assistant
Iteration Energy Ltd.
Suite 700, 700 – 2nd Street SW
CALGARY AB T2P 2W1

Dear Mr. Taylor:

**RE: COMMINGLED PRODUCTION APPROVAL
ITERATION N BOUNDARY 09-13-088-15W6M; WA# 17541**

The OGC has reviewed your application dated March 20, 2009, requesting permission to commingle gas production from the Gething and Coplin formations in the subject well.

The Commission has designated the zones under application to be part of the Boundary Lake North – Gething “D” and Coplin “B” gas pools. The Gething “D” pool contains two other wells and the Coplin “B” contains numerous wells.

The subject well was completed in July 2004 and the Coplin flow tested at an AOF of 15.3 10³m³/d. The Gething swabbed water and no hydrocarbons were detected. The well commenced production from the Coplin zone in August 2004 and has produced 5.4 10⁶m³ of gas to date. From February – November 2007, plunger lift was installed to assist Coplin production; however, it was removed due to maintenance issues and was not replaced due to economic factors.

In December 2008 the packer was removed from the wellbore, allowing commingled production of the Gething and Coplin and a new plunger lift was installed at the end of the month. The commingled flow rate increased to 7.9 10³m³/d from the previous 3.1 10³m³/d produced by the Coplin alone, indicating the Gething was contributing. The Commission had not been notified that the well was operating in a commingled fashion without approval until receipt of the recent application. The Commission would like to remind Iteration that as per Section 41 of the *Drilling and Production Regulation*:

“An operator of a well must not complete a well, or allow a well to be completed, for commingled production from more than one pool or zone unless the operator first applies for and receives permission in writing from an authorized commission employee”.

There is a substantial initial pressure gradient (Coplin 9247 kPaa, Gething 1129 kPaa) between the zones and though the current Coplin reservoir pressure is unknown, it is likely still substantially higher than the Gething reservoir pressure due to the low cumulative gas production. The Gething zone contains 0.54% H₂S, (based on a gas analysis from offset well 11-12 within the “D” pool), and the Coplin contains 0% H₂S. Due to the high pressure gradient, there is a possibility of crossflow during prolonged shut-ins from the high pressure Coplin zone into the low pressure Gething zone. There is no risk of sour Gething gas contaminating the sweet Coplin gas so commingling is considered low risk as long as prolonged shut-ins are prevented. Suncor, an offsetting mineral owner and partner, has provided consent to the requested commingling. .../2

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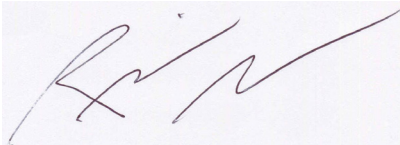
Commingled production through a single production string is expected to maximize production and reserve recovery from both zones.

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 Gething (1095.0 – 1097.0 mKB) and Coplin (1232.3 – 1233.8 mKB) may be commingled.
2. Gas, condensate and water production should be allocated on the Ministry of Finance BC S-1, BC S-2 and BC-08 forms on the basis of Gething 35% and Coplin 65%. Revised forms for the period of commingled production must be submitted to correct retroactive production that was previously allocated solely to Coplin. The allocation factors may be amended to reflect results of any future tests.
3. AOF and reservoir pressure reports for the Gething zone must be filed as per the requirements of sections 84 and 95 of the *Regulation*.
4. 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,

A handwritten signature in dark ink, appearing to read 'R. Slocomb', is written over a light blue rectangular background.

Richard Slocomb, P. Eng.
Supervisor, Reservoir Engineering