

March 30, 2009

2020-4530/4535-59070-20

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 08-16-088-14W6M; WA# 15782**

The OGC has reviewed your application dated February 23, 2009, requesting permission to commingle gas production from the Nancy and Boundary Lake formations in the subject well.

The Commission has designated the zones under application to be the Boundary Lake North – Nancy “B” and Boundary Lake “F” gas pools.

The subject well was completed in February 2006 and the Nancy and Boundary Lake flow tested at gas rates of 10.9 10³m³/d and 20.5 10³m³/d, respectively. The well commenced segregated production from both zones in March 2006, however, the packer separating the zones was unset and the zones were commingled. An attempt was made to reset the packer to isolate the zones in April 2006, but the zones remained in communication. The packer between the two zones was removed in November 2008. 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”.

Commingled production through a single production string is expected to maximize production and reserve recovery from both zones. Reservoir pressure and gas composition are similar for the two pools.

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 Nancy (1267.5 – 1269.0 mKB) and Boundary Lake (1289.5 – 1290.5 mKB) may be commingled.

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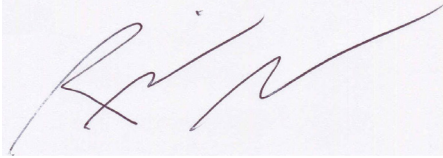
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2. Gas, condensate and water production should be allocated on the Ministry of Finance BC S-1, BC S-2 and BC-08 forms on the basis of Nancy 54% and Boundary Lake 46%. Revised forms must be submitted to correct retroactive production that was previously allocated solely to Boundary Lake. 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 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