



October 19, 2006

2020-1500/4540-59070-20

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

Dear Mr. Taylor:

RE: COMMINGLED PRODUCTION APPROVAL
Iteration N Boundary 12-34-87-14W6M; WA# 16098

The OGC has reviewed your application dated September 15, 2006, for approval to commingle gas production from the Dunvegan and Coplin formations in the subject well.

The Commission has designated the gas pools under application to be the Boundary Lake North – Dunvegan “A” and Coplin “B”. The Dunvegan has been mapped as a single well pool and is currently producing up the tubing/casing annulus, at a rate of 4.5 10³m³/d. The Dunvegan zone is producing intermittently due to liquid loading problems. The Coplin zone in the subject well is part of a large multi-well pool, with cumulative production of 9.5 10⁶ m³, and is currently producing at a rate of 14.9 10³ m³/d. The Coplin is currently producing below its critical lift rate and has been equipped with a plunger lift system. Both zones are sweet gas. Current reservoir pressures are expected to be dissimilar. Iteration has installed a packer and sliding sleeve between these two zones which should mitigate any concerns regarding cross flow and will allow for future segregated testing should it be deemed necessary. Commingled production through the tubing should increase gas rates and unload fluids present in the wellbore thereby maximizing reserves recovery.

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 Dunvegan (392.5 – 396.0 mKB) and Coplin (1298.0 – 1299.0 mKB) may be commingled.
2. Gas, water and condensate production should be allocated on the Ministry of Provincial Revenue BC S-1 and BC S-2 forms on the basis of

	Gas	Condensate	Water
Dunvegan	20 %	0%	0%
Coplin	80 %	100%	100%

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.

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RESOURCE CONSERVATION BRANCH

PO Box 9329 Stn Prov Gov't, Victoria BC V8W 9N3 Tel: (250) 952-0302 Fax: (250) 952-0301
Location: 6th Flr 1810 Blanshard St. Victoria BC

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

Sincerely,

A handwritten signature in black ink, appearing to read 'R. Slocomb', written on a light-colored background.

Richard Slocomb, P.Eng.
Supervising Reservoir Engineer