



June 26, 2006

2020-4800/6490-4100-59070-20

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

Dear Mr. Taylor:

RE: APPLICATION FOR COMMINGLED PRODUCTION APPROVAL
Iteration Osborn 16-30-88-14W6M; WA# 19673

The OGC has reviewed your application dated May 23, 2006, for approval to commingle gas production from the Baldonnel and Halfway formations in the subject well.

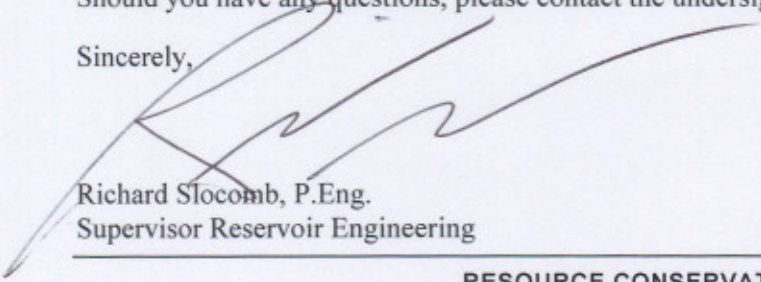
The Commission has designated the gas pools under application to be the Osborn – Baldonnel “C” and Boundary Lake North – Halfway “R”. The Baldonnel is a two well pool and the subject well has produced $5.3 \times 10^6 \text{ m}^3$, and is currently producing at a rate of $26.0 \times 10^3 \text{ m}^3/\text{d}$. The Halfway is also a two well pool, and has produced $4.0 \times 10^6 \text{ m}^3$ from the offset well 11-30-88-14. The Halfway in the subject well has never been on production, however it was tested and flowed at a rate of $31.0 \times 10^3 \text{ m}^3/\text{d}$. The Halfway zone is sweet gas while the Baldonnel is slightly sour. Production data gathered to-date indicates limited recoverable reserves from each zone. We concur that commingled production through the tubing will increase gas rates and prevent liquid loading 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 Baldonnel (1131.5 – 1135.0 mKB) and Halfway (1285.0 – 1287.0 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 Baldonnel 50 % and Halfway 50 %. The allocation factors may be amended to reflect results of any future tests.
3. A sliding sleeve must be installed to allow for collection of additional segregated production and pressure data.
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.

Sincerely,


Richard Stocomb, P.Eng.
Supervisor Reservoir Engineering

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