



July 9, 2007

6490-2600/2700-59070-20

Jane MacTaggart
VP Exploitation
Iteration Energy Ltd.
700, 700 – 2nd Street SW
CALGARY AB, T2P 2W1

Dear Ms. MacTaggart:

**RE: COMMINGLED PRODUCTION APPROVAL
ITERATION OSBORN 15-31-088-14 W6M; WA# 21636**

Commission staff have reviewed the application dated May 28, 2007, for approval to commingle gas production from the Bluesky and Gething formations in the subject well.

The Commission designates the gas pools under application to be the Osborn field – Bluesky “A” and Gething “A”. Both are multi-well pools, within this Other Than Normal gas spacing area operated under the Good Engineering Practice approvals. The well 15-31 is producing the Gething at a rate of 30 10³ m³/d, however the Bluesky ceased production in February 2007 due to liquid loading in the annulus. Gas analyses are similar, and three other wells have been previously approved to commingle these two pools. Commingled production through the tubing should increase gas rates and unload fluids present in the wellbore thereby maximizing reserves recovery.

We wish to advise 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 Bluesky (1063.0 – 1064.0 mKB) and Gething (1083.0 – 1086.5 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 Bluesky 35% and Gething 65%. 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) 952-0310.

Sincerely,

Ron Stefik, AScT
Sr Reservoir Engineering Technologist

RESOURCE CONSERVATION BRANCH

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