



February 20, 2008

2020-4540/6490-2700/4100-59070-20

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

Dear Mr. Taylor:

RE: COMMINGLED PRODUCTION APPROVAL, AMENDMENT #2
Iteration Osborn 12-29-88-14 W6M; WA# 19856

The OGC has reviewed your application dated February 8, 2008, requesting permission to commingle gas production from the Gething, Baldonnel and Coplin formations in the subject pool.

The Commission has designated the zones under application to be the Osborn – Gething “E”, Gething “A” and Baldonnel “C” and Boundary Lake North – Coplin “B” gas pools.

The Commission on November 1, 2006 issued an approval to commingle production from the Gething “E”, Gething “A” and Coplin “B” pools (Amendment #1). On March 18, 2007, the Baldonnel zone was completed and a static gradient run with the initial reservoir pressure being 7467.6 kPa. The Baldonnel zone was not tested in the subject well. However, an offset well, Iteration Osborn 10-30-88-14 W6M (WA 19673), is currently producing at 15 10³m³/d and has produced a total of 19.4 10⁶ m³ from the Osborn – Baldonnel “C” pool. Therefore, addition of the Baldonnel “C” pool to the commingled approval in the subject well is considered appropriate. We concur with your proposal to install dual coiled tubing and to produce Coplin up the lower coiled tubing while the two Gething zones and the Baldonnel would be produced up the other coiled tubing string. Production through dual coiled tubing will increase gas rates and unload fluids present in the wellbore thereby maximizing reserves recovery. Production from all zones will be commingled at the surface.

We wish to advise you that your application to amend the commingled production for include 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 Gething “E” (1087.5 - 1089.5 mKB), Gething “A” (1096.0 – 1101.0 mKB), Baldonnel (1131.0-1132.5 mKB) and Coplin (1228.5 - 1230.0 mKB) may be commingled.
2. Gas, condensate and water production should be allocated on the Ministry of Small Business and Revenue BC S-1, BC S-2 and BC-08 forms on the basis of Gething “E” 10 %, Gething “A” 55 %, Baldonnel 25 % and Coplin 10 %. 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.

Sincerely,

Richard Slocomb, P. Eng.
Supervisor, Reservoir Engineering

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