



July 28, 2008

6480-2200/2515-59070-20

Jim Stannard, P.Eng.
Director of Engineering
Progress Energy Ltd.
1200, 205 – 5th Avenue SW
CALGARY, AB T2P 2V7

Dear Mr. Stannard:

**RE: APPLICATION FOR COMMINGLED PRODUCTION APPROVAL
PROGRESS OJAY b-51-D/93-I-16; WA# 21260**

The OGC has reviewed the application dated December 5, 2006 and March 20, 2007 for approval to commingle gas production from the Cadotte and Falher C formations in the subject well.

The Commission has designated the gas pools under application to be the Ojay – Cadotte “D” and Falher C “E” pools. The Commission issued a temporary approval for commingled gas production to BG Canada, the previous operator of the subject well, in February 2007. The Cadotte zone has been mapped as part of a two well pool, with only the subject well being on production. The Falher C zone has been mapped as part of a two well pool with both wells on production. At the time of application the Cadotte was producing up the casing/tubing annulus below its critical lift rate at $13.6 \times 10^3 \text{ m}^3/\text{d}$. The Falher C zone in the subject well commenced production at $82.6 \times 10^3 \text{ m}^3/\text{d}$ but quickly declined until it was no longer producing in December 2006. Commingled production through the tubing can more readily lift produced water which will extend the economic life of this well. Therefore commingled production of the Cadotte and Falher C zones is expected to maximize production and reserve recovery from both zones. Both zones are sweet gas at similar initial pressure.

Please note that production reporting, since commencement of commingling in February 2007, has not been reflective of the allocation factors indicated below. Amended BC S-1 and BC S-2 reports must be submitted to the Ministry of Small, Business and Revenue to address this reporting error.

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 Cadotte (2522.0 – 2532.0 mKB) and Falher C (2759.0 – 2790.0 mKB) formations may be commingled.

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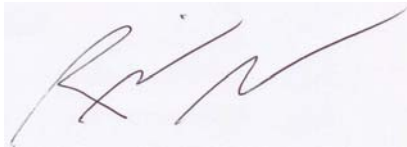
RESOURCE CONSERVATION

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

2. Gas, water and condensate 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 Cadotte 20% and Falher C 80%.
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,

A handwritten signature in black ink, appearing to read 'R. Slocomb', is written over a light blue rectangular background.

Richard Slocomb, P. Eng.
Supervisor, Reservoir Engineering

Cc: Glynis Farr, OGC