



OIL AND GAS COMMISSION

June 2, 2006

6560-4800-59240-07

Anthony F.X. Barry, P.Eng.
President and CEO
Inisfail Resources Ltd.
315, 505 - 8th Avenue S.W.
Calgary AB T2P 1G2

OIL AND GAS COMMISSION

JUN 05 2006

Dear Mr. Barry:

**RE: CONCURRENT PRODUCTION APPROVAL
PARADISE - HALFWAY "B" POOL**

Commission staff have reviewed your application, dated May 1, 2006, to produce the subject oil pool under Concurrent Production approval.

Production from the Paradise Halfway "B" pool commenced in August 1992 from the single well Bonavista Paradise 13-28-085-15 W6M (WA 7912), under an approved daily oil allowable of 10.0 m³. Suspended in March 1994, production has recently re-commenced.

Based on production performance of modest oil rates, significant water-cut, high gas-oil ratio, and Halfway formation mapping in the area, pool size is likely small with limited development potential. As gas production exceeds the solution gas-oil ratio and gas will be conserved, a Concurrent Production approval is considered appropriate. Accordingly, Approval 06-07-003 is hereby granted under Section 97 of the Petroleum and Natural Gas Act. This approval will allow flexibility in production management to maximize pool oil and gas recovery.

As the discovery well of a new oil pool, allowable based oil production from the well 13-28 is royalty exempt for the first 36 producing months. Therefore, a **royalty-exempt volume cap of 2,130.9 m³** has been calculated for this well, as stated in condition #5 of the approval.

Please note that the project allowables may be amended if another operator successfully completes an oil well outside the project area in the subject pool.

Should you have any questions, please contact Ron Stefik at (250) 952-0310.

Sincerely,

Doug McKenzie
Director
Resource Conservation Branch

Attachment

Approval Letters to Industry
GEP, SWD, Concurrent Prod, Pressure
Maintenance, Waterflood, Etc.

Copy 10

<input checked="" type="checkbox"/>	Daily	<input type="checkbox"/>	G. Farr
<input type="checkbox"/>	Wellfile	<input type="checkbox"/>	D. Krezanoski
<input type="checkbox"/>	59240	<input type="checkbox"/>	L. Miller
<input type="checkbox"/>	R. Stocomb	<input type="checkbox"/>	Resource Rev.
<input type="checkbox"/>	R. Stefik	<input type="checkbox"/>	S. Chicorelli

RESOURCE CONSERVATION BRANCH

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APPROVAL 06-07-003

THE PROVINCE OF BRITISH COLUMBIA
PETROLEUM AND NATURAL GAS ACT
OIL AND GAS COMMISSION

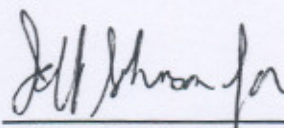
IN THE MATTER of a Concurrent Production scheme of Inisfail Resources Ltd. (Inisfail) for producing the Paradise – Halfway “B” pool with a project oil and gas allowable.

NOW, THEREFORE, the Commission, pursuant to Section 97 of the Petroleum and Natural Gas Act, hereby approves the Concurrent Production scheme of Inisfail for oil and gas production with project allowables, as such scheme is described in

an Application for Concurrent Production from Inisfail to the Commission dated May 1, 2006 and related submissions.

This scheme is approved, subject to the conditions herein contained and, in particular:

1. The area of the project shall consist of :
Twp 85 Rge 15 – NW/4 sect 28.
2. The project daily oil allowable is waived.
3. Project gas production will be limited to $14.0 \times 10^3 \text{ m}^3/\text{d}$.
4. All produced gas must be conserved.
5. Royalty exempt oil production entitlement for the discovery well Bonavista Paradise 13-28-085-15 (WA# 7912) is limited to a volume of $2,130.9 \text{ m}^3$ or the volume produced in the first 36 producing months, whichever is lesser.
6. This approval may be modified or rescinded at a later date if deemed appropriate.



Doug McKenzie
Director
Resource Conservation Branch

DATED AT the City of Victoria, in the Province of British Columbia, this 2nd day of June 2006.