



November 10, 2006

9000-8285-59240-15

Howard Pitts
Sr. Staff Geologist
Apache Canada Ltd.
1000, 700 – 9th Avenue S.W.
Calgary AB T2P 3V4

Dear Mr. Pitts:

RE: EXPERIMENTAL SCHEME APPROVALS, AMENDMENT #1
OOTLA AREA – HORN RIVER FORMATION

The Commission issued an experimental scheme approval dated May 15, 2006 to allow Apache Canada to explore, develop, evaluate and test the shale gas potential of the Muskwa Formation in the Ootla area in northeast British Columbia. Subsequent discussions with Apache have revealed that the shale intervals being investigated include the Muskwa, Otter Park, Evie and Klua shales.

The Commission believes that the Horn River formation is a more inclusive description of the shale formations being explored and is consistent with other approvals issued within this area of the Province. As such please find attached approvals 06-15-002 (Amendment #1) and 06-15-003 (Amendment #1) for the application granted under section 100 of the Petroleum and Natural Gas Act.

If you have any questions please contact Richard Slocomb at (250) 952-0366.

Sincerely,

Doug McKenzie
Director
Resource Conservation Branch

Attachments

RESOURCE CONSERVATION BRANCH

PO Box 9329 Stn Prov Gov't, Victoria BC V8W 9N3 Tel: (250) 952-0302 Fax: (250) 952-0291
Location: 6th Flr 1810 Blanshard St. Victoria BC

APPROVAL 06-15-002 (Amendment #1)

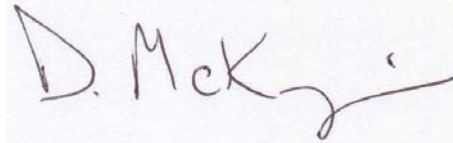
**THE PROVINCE OF BRITISH COLUMBIA
PETROLEUM AND NATURAL GAS ACT
OIL AND GAS COMMISSION**

IN THE MATTER of the experimental scheme of Apache Canada Ltd. (Operator) to test the commercial viability of Horn River shale gas in the Ootla area of NE British Columbia.

NOW THEREFORE, the Commission, pursuant to section 100 of the Petroleum and Natural Gas Act, R.S.B.C. 1996, c.361, hereby orders as follows:

1. The experimental scheme for the exploration and development of Horn River shale gas in the Ootla area, as such proposal is described in the application to the Commission dated February 22, 2006 is hereby approved, subject to terms and conditions herein contained.
2. The area of the experimental scheme consists of:
 - 094-O-09
 - Block A – units 71-75, 81-85, 92, 93
 - Block H – units 2, 3, 12, 13, 22, 23, 32, 33, 42, 43, 52, 53, 62, 63
 - 094-P-12
 - Block D – units 80 and 90.
3. The gas wells within the scheme area may be produced without individual well allowable restrictions.
4. The requirements of Section 10 of the Drilling and Production Regulation are hereby waived, provided that gas wells within the scheme area are not completed nearer than 250 m to the sides of the approved scheme area.
5. The Operator must submit a progress report to the Commission annually. The progress report is due within 60 days after the end of each period and must contain:
 - a) the daily average rate of gas and water produced during each month for each producing well, and for the scheme as a whole,
 - b) the monthly cumulative gas and water production from each producing well, and for the scheme as a whole,
 - c) details of any workover or fracture treatment program done on any of the wells with results of the workovers or fracture treatment,
 - d) an evaluation of bottom hole pressures and any other data collected,
 - e) representative sample analysis of produced gas and water,
 - f) a discussion of the overall performance of the scheme,
 - g) any other information that is considered necessary, in the opinion of the Commission, to evaluate the progress, performance and efficiency of the scheme.

6. The operations of the experimental scheme will be subject to review by the Commission. The Director, Resource Conservation Branch or the Director, Operations Engineering Branch, may issue guidelines regarding the operations of the scheme.
7. The approval or any condition of it may be modified or rescinded, if deemed appropriate.

A handwritten signature in black ink, appearing to read "D. McKenzie", is written on a light-colored rectangular background. The signature is cursive and includes a long horizontal stroke at the end.

Doug McKenzie
Director
Resource Conservation Branch

DATED AT the City of Victoria, in the Province of British Columbia, this 10th day of November 2006.

APPROVAL 06-15-003 (Amendment #1)

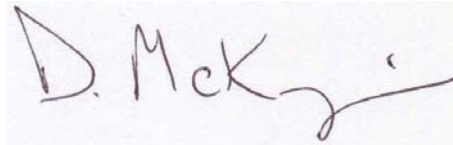
**THE PROVINCE OF BRITISH COLUMBIA
PETROLEUM AND NATURAL GAS ACT
OIL AND GAS COMMISSION**

IN THE MATTER of the experimental scheme of Apache Canada Ltd. (Operator) to test the commercial viability of Horn River shale gas in the Oootla area of NE British Columbia.

NOW THEREFORE, the Commission, pursuant to section 100 of the Petroleum and Natural Gas Act, R.S.B.C. 1996, c.361, hereby orders as follows:

1. The experimental scheme for the exploration and development of Horn River shale gas in the Ootla area, as such proposal is described in the application to the Commission dated February 22, 2006 is hereby approved, subject to terms and conditions herein contained.
2. The area of the experimental scheme consists of:
094-P-12
Block E – units 18, 19, 28, and 29.
3. The gas wells within the scheme area may be produced without individual well allowable restrictions.
4. The requirements of Section 10 of the Drilling and Production Regulation are hereby waived, provided that gas wells within the scheme area are not completed nearer than 250 m to the sides of the approved scheme area.
5. The Operator must submit a progress report to the Commission annually. The progress report is due within 60 days after the end of each period and must contain:
 - a) the daily average rate of gas and water produced during each month for each producing well, and for the scheme as a whole,
 - b) the monthly cumulative gas and water production from each producing well, and for the scheme as a whole,
 - c) details of any workover or fracture treatment program done on any of the wells with results of the workovers or fracture treatment,
 - d) an evaluation of bottom hole pressures and any other data collected,
 - e) representative sample analysis of produced gas and water,
 - f) a discussion of the overall performance of the scheme,
 - g) any other information that is considered necessary, in the opinion of the Commission, to evaluate the progress, performance and efficiency of the scheme.
6. The operations of the experimental scheme will be subject to review by the Commission. The Director, Resource Conservation Branch or the Director, Operations Engineering Branch, may issue guidelines regarding the operations of the scheme.

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Doug McKenzie
Director
Resource Conservation Branch

DATED AT the City of Victoria, in the Province of British Columbia, this 10th day of November 2006.