



July 6, 2005

9000-2700/2800-59240-15
OGC - 05202

Gary J. Earl ²³⁵
Land Manager
Canadian Spirit Resources Inc.
Watermark Tower
Suite 2610, 530 -- 8th Avenue S.W.
Calgary, Alberta T2P 3S8

Dear Mr. Earl:

**RE: EXPERIMENTAL SCHEME APPROVAL FOR COAL BED METHANE
FARRELL CREEK AREA, GETHING AND CADOMIN FORMATION COALS**

The Commission has reviewed your application dated June 6, 2005 requesting experimental scheme approval for coalbed methane (CBM) exploration and production from the Gething and Cadomin Formation coals in the Farrell Creek area of northeast British Columbia.

The CBM scheme is considered experimental as it involves a potentially long dewatering period with unknown gas flow rates. Approval of an experimental scheme allows determining permeability and production testing of the wells for a long period with sweet gas flaring. No objections were received following the publication of a notice of your application in the B.C. Gazette

Attached are Approvals 05-15-009 and 05-15-010 for the application granted under section 100 of the Petroleum and Natural Gas Act

Disposal of produced water will be to an underground formation as specified by section 94 of the *Drilling and Production Regulation (D & P Regulation)* unless otherwise approved by the Commission. Gas analyses will be required as specified by section 90 of the *D & P Regulation* unless otherwise approved by the Commission.

Sincerely,

per Craig Gibson, P. Eng.
Director
Resource Conservation Branch

Attachment

Approval Letters to Industry
GEP, SWD, CONCURRENT PROD,
PRESSURE MAINTENANCE,
WATERFLOOD, ETC.

Copy 9

- Wellfile (originals)
- 59240
- Daily
- Resource Revenue
- S. Chicorelli
- R. Stefik
- G. Farr
- R. Slocomb
- D. Krezanoski

RESOURCE CONSERVATION BRANCH

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www.ogc.gov.bc.ca

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

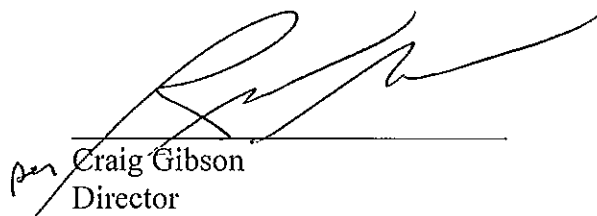
IN THE MATTER of the experimental scheme of Canadian Spirit Resources Inc. (CSRI), to evaluate the coalbed methane potential of the Gething and Cadomin Formation coals of the Farrell Creek area of northeast British Columbia.

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

1. The experimental scheme to evaluate coalbed methane potential by exploration and production from the Gething and Cadomin Formation coals in the Farrell Creek area as described in the application from CSRI to the Commission dated June 6, 2005 is hereby approved, subject to terms and conditions herein contained.
2. The area of the experimental scheme consists of the following lands:

Township 84-Range 25 W6M: Sections 11, 14 and 23
3. Submit a report of the progress, performance and efficiency of the scheme every 6 months in the first year, and then annually thereafter, within 60 days after the end of each period. The following information must be included in the progress report:
 - The daily average rate of gas and water production during each month for each producing well, and for the scheme as a whole;
 - The monthly cumulative gas and water production for each producing well, and for the scheme as a whole;
 - Representative sample analysis of produced water obtained once each 6 months;
 - The date and type of any well treatment or workover for any well in the scheme;
 - All information gathered to evaluate the coal's reservoir qualities such as gas content, desorption analysis, injectivity tests and permeabilities of coal seams.
 - Any other information that is considered necessary, in the opinion of the Commission, to evaluate the progress, performance and efficiency of the scheme.
4. Associated gas produced during the pilot testing may be flared for a maximum period of 3 months with a total volume not to exceed $135 \times 10^3 \text{ m}^3/\text{well}$.
5. A well may be drilled anywhere within the scheme area provided that it is not nearer than 100 m to the sides of the scheme area.
6. The requirement to test and determine the absolute open flow potential of the wells as set out in Section 84 of the *Drilling and Production Regulation* is hereby waived.

7. The requirement to measure the static bottom hole pressure of each well prior to production as set out in Section 95 of the *Drilling and Production Regulation* is hereby waived.
8. All information and analysis related to the scheme shall be made available to the Commission upon request.
9. The approval or any condition of it may be modified or rescinded upon application or if deemed appropriate by the Commission.


per _____
Craig Gibson
Director
Resource Conservation Branch
Oil and Gas Commission

DATED AT the City of Victoria, in the Province of British Columbia, this day of July 2005.

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

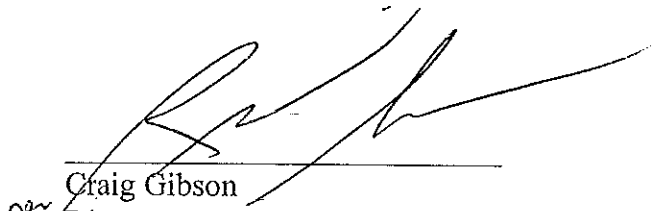
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1. The experimental scheme to evaluate coalbed methane potential by exploration and production from the Gething and Cadomin Formation coals in the Farrell Creek area as described in the application from CSRI to the Commission dated June 6, 2005 is hereby approved, subject to terms and conditions herein contained.
2. The area of the experimental scheme consists of the following lands:

Township 84-Range 25 W6M: Sections 28 and 33.
3. Submit a report of the progress, performance and efficiency of the scheme every 6 months in the first year, and then annually thereafter, within 60 days after the end of each period. The following information must be included in the progress report:
 - The daily average rate of gas and water production during each month for each producing well, and for the scheme as a whole;
 - The monthly cumulative gas and water production for each producing well, and for the scheme as a whole;
 - Representative sample analysis of produced water obtained once each 6 months;
 - The date and type of any well treatment or workover for any well in the scheme;
 - All information gathered to evaluate the coal's reservoir qualities such as gas content, desorption analysis, injectivity tests and permeabilities of coal seams.
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Craig Gibson
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Resource Conservation Branch
Oil and Gas Commission

DATED AT the City of Victoria, in the Province of British Columbia, this day of July 2005.