



December 11, 2007

9000-2700-59240-15

Kenneth G. Sinclair
Vice President, Business Development
Canadian Spirit Resources Inc.
Ford Tower
Suite 1950, 633 – 6th Avenue S.W.
Calgary, Alberta T2P 2Y5

Dear Mr. Sinclair:

RE: EXPERIMENTAL SCHEME APPROVAL
FARRELL CREEK AREA, GETHING FORMATION

The Commission has reviewed your application dated September 20, 2007, requesting experimental scheme approval to evaluate the unconventional natural gas resource potential from the shale, tight sand and coal of the Gething Formation in the Farrell Creek area of northeast British Columbia.

The unconventional scheme is considered experimental as it requires ongoing research as to drilling, completion and production methodology. No objections were received following the posting of a notice of your application on the OGC website. Attached are Approvals 07-15-010 and 07-15-011 for the application granted under section 100 of the Petroleum and Natural Gas Act.

The Commission must be notified in writing of the effective commencement date of activity for the scheme approval. In accordance with section 57 of the *Drilling & Production Regulation* all well reports and well data will be held confidential for a period of 3 years after the date of release of the drilling rig for a well forming part of this experimental scheme.

Please note that the Commission has included a condition requiring the drilling of a well within each approval area prior to October 31, 2008. Should CSRI be unable to meet this deadline the OGC will rescind the approval(s). Additionally progress reports, as specified in item 4 of the approvals, must be submitted on an annual basis with the first one due on the first anniversary of the commencement date.

Sincerely,

Richard Slocomb, P.Eng.
Supervisor, Reservoir Engineering
Resource Conservation

Attachment

cc: Terrence Branscombe, MEMPR – Oil and Gas Titles

RESOURCE CONSERVATION

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

Headquarters: #200, 10003 110th Ave, Fort St. John BC V1J 6M7 Tel: (250) 261-5729 Fax: (250) 261-5744 www.ogc.gov.bc.ca

APPROVAL 07-15-010

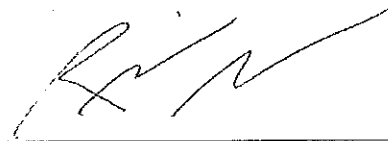
THE PROVINCE OF BRITISH COLUMBIA
PETROLEUM AND NATURAL GAS ACT
OIL AND GAS COMMISSION

IN THE MATTER of the experimental scheme of Canadian Spirit Resources Inc. (CSRI), to evaluate the coalbed gas potential of the Gething 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 Formation coals in the Farrell Creek area as described in the application from CSRI to the Commission dated September 20, 2007 is hereby approved, subject to terms and conditions herein contained.
2. The area of the experimental scheme consists of the following lands:
 - Township 83-Range 24 W6M: Sections 6, 7
 - Township 83-Range 25 W6M: Sections 1, 12, and 13.
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 $300 \times 10^3 \text{ m}^3/\text{well}$.
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. A well must be drilled within the scheme area prior to October 31, 2008, for the purpose of evaluating the coalbed gas potential of the Gething formation.
9. All information and analysis related to the scheme shall be made available to the Commission upon request.
10. The approval or any condition of it may be modified or rescinded upon application or if deemed appropriate by the Commission.



Richard Slocomb
Supervisor, Reservoir Engineering
Resource Conservation

DATED AT the City of Victoria, in the Province of British Columbia, this 11th day of December 2007.

APPROVAL 07-15-011

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

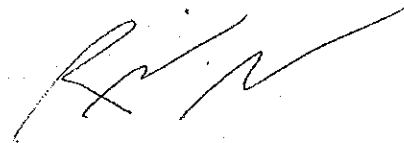
IN THE MATTER of the experimental scheme of Canadian Spirit Resources Inc. (CSRI), to evaluate the coalbed gas potential of the Gething Formation coals of the Farrell Creek area of northeast British Columbia.

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 Formation coals in the Farrell Creek area as described in the application from CSRI to the Commission dated September 20, 2007 is hereby approved, subject to terms and conditions herein contained.
2. The area of the experimental scheme consists of the following lands:

Township 83-Range 25 W6M: Sections 10, 11, 14 and 15.
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;
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