



March 4, 2009

9000-8285-59240-15

Eugene Wasylichuk, P.Eng.
Consultant
Stone Mountain Resources Ltd.
Sun Life Plaza, West Tower
2800, 144 – 4th Avenue SW
Calgary, Alberta T2P 3N4

Dear Mr. Wasylichuk:

**RE: EXPERIMENTAL SCHEME APPROVAL, AMENDMENT #1
TATTOO AREA – HORN RIVER FORMATION**

Commission staff have reviewed your application dated December 17, 2008 requesting an amendment to the experimental scheme approvals to explore and evaluate shale gas potential of the Horn River formation in the Tattoo area of northeast British Columbia.

Attached are Approvals 08-15-004 (Amendment #1), 08-15-005 (Amendment #1) and 08-15-006 (Amendment #1) granted under section 100 of the Petroleum and Natural Gas Act. Please note that only the approval areas have been changed all other conditions remain the same.

If you have any questions please contact the undersigned at (250) 952-0366.

Sincerely,

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

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

Attachment

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

Headquarters: #200, 10003 110th Ave, Fort St. John BC V1J 6M7 Tel: (250) 261-5700 Fax: (250) 261-5744 www.ogc.gov.bc.ca

APPROVAL 08-15-004 (Amendment /#1)

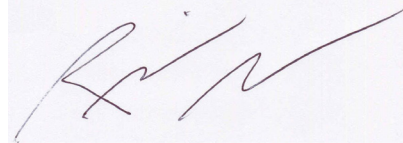
**THE PROVINCE OF BRITISH COLUMBIA
PETROLEUM AND NATURAL GAS ACT
OIL AND GAS COMMISSION**

IN THE MATTER of the experimental scheme of Stone Mountain Resources Ltd. (Operator) to test the commercial viability of Horn River formation shale gas in the Tattoo 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 Tattoo area, as such proposal is described in the application to the Commission received December 17, 2008 is hereby amended, subject to terms and conditions herein contained.
2. The area of the experimental scheme consists of:
94-O-15
Block B – units 56-60, 66-70, 76-80, 86-90
Block C – units 51, 61, 71, and 81.
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 project area are not completed nearer than 250 m to the sides of the approved project 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 or the Director, Drilling and Production, or their designates, may issue guidelines regarding the operations of the scheme.

7. The Operator of the scheme shall complete operations as set out in the proposed program described in the application to the Commission.
8. The approval or any condition of it may be modified or rescinded, if deemed appropriate.



Richard Slocomb
Supervisor, Reservoir Engineering
Resource Conservation

DATED AT the City of Victoria, in the Province of British Columbia, this 4th day of March 2009.

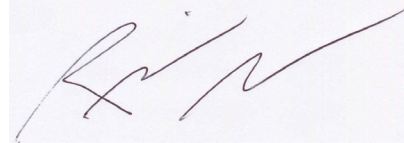
APPROVAL 08-15-005 (Amendment #1)
THE PROVINCE OF BRITISH COLUMBIA
PETROLEUM AND NATURAL GAS ACT
OIL AND GAS COMMISSION

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1. The experimental scheme for the exploration and development of Horn River shale gas in the Tattoo area, as such proposal is described in the application to the Commission received December 17, 2008 is hereby amended, subject to terms and conditions herein contained.
2. The area of the experimental scheme consists of:
94-O-15
Block F – units 31, 41, 51, 61
Block G – units 40, 50, 60, and 70
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 project area are not completed nearer than 250 m to the sides of the approved project 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,
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Richard Slocomb
Supervisor, Reservoir Engineering
Resource Conservation

DATED AT the City of Victoria, in the Province of British Columbia, this 4th day of March 2009.

APPROVAL 08-15-006 (Amendment #1)

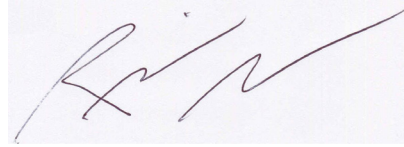
**THE PROVINCE OF BRITISH COLUMBIA
PETROLEUM AND NATURAL GAS ACT
OIL AND GAS COMMISSION**

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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 Tattoo area, as such proposal is described in the application to the Commission received December 17, 2008 is hereby amended, subject to terms and conditions herein contained.
2. The area of the experimental scheme consists of:
94-O-10
Block H – units 52, 53, 62, and 63.
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 project area are not completed nearer than 250 m to the sides of the approved project 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.
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