

August 5, 2009

9000-8285-59240-15

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

Dear Mr. Wasylchuk:

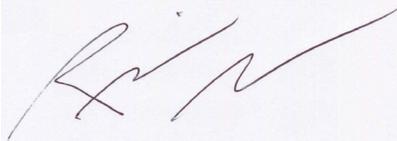
**RE: EXPERIMENTAL SCHEME APPROVAL, AMENDMENT #2
TATTOO AREA – HORN RIVER FORMATION**

Commission staff have reviewed your application dated April 21, 2009 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 is Approval 08-15-004 (Amendment #2) granted under section 100 of the Petroleum and Natural Gas Act. The configuration of the approval area has been amended to accommodate a revised drilling program; no new area has been added. Gas target buffer distances have been reduced to 50 and 100 meters on certain project boundaries based on documentation of consent from off-setting rights owners.

If you have any questions please contact the undersigned at (250) 419-4421.

Sincerely,



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

Attachment

APPROVAL 08-15-004 (Amendment #2)

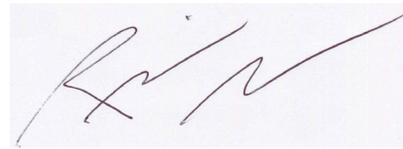
**THE PROVINCE OF BRITISH COLUMBIA
PETROLEUM AND NATURAL GAS ACT
OIL AND GAS COMMISSION**

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 April 21, 2009 is hereby amended, subject to terms and conditions herein contained.
2. The area of the experimental scheme consists of:
094-O-15 Block B – units 56-60, 66-70, 80, 90
Block C – units 51-53, 61-63, 71-73, and 81-83
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 sides of the approved project area, except for 100 m to the north side of units 66-69 Block B/94-O-15, the east side of units 80 and 90 Block B/94-O-15 and 50 m to the east side of units 56 and 66 Block B/94-O-15, the north side of unit 90 Block B/94-O-15, and the north side of units 81-83 Block C/94-O-15.
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. This approval terminates upon approval of a production scheme by the Commission, if the Commission is satisfied that the experimental scheme is completed or no longer serves its intended purpose.
9. 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 5th day of August 2009.