

May 13, 2009

8160-1530-59240-15

Olwen Wirth
VP Exploration
Unconventional Gas Resources
700, 736 – 8th Avenue S.W.
Calgary AB T2P 1H4

Dear Ms. Wirth:

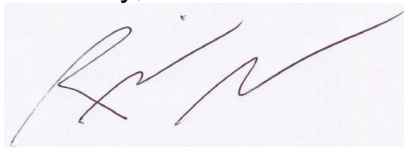
**RE: EXPERIMENTAL SCHEME APPROVAL
TOWN AREA – FORT ST JOHN FORMATION**

The Commission has reviewed your application dated December 20, 2007 requesting experimental scheme approval to explore, develop, evaluate and test the shale gas potential of the Fort St. John group, in the Town area in northeast British Columbia.

Attached are Approvals 09-15-008 (UGR Shale Project #1), 09-15-009 (UGR Shale Project #2), and 09-15-010 (UGR Shale Project #3) for the application granted under section 100 of the Petroleum and Natural Gas Act. At this time there is limited information available for the shale gas potential in the Fort St. John group in the subject area. No objections were received following the publication of a notice of your application on the OGC website.

Please note that progress reports, as specified in item 5 of the approval, 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

Attachments

APPROVAL 09-15-008

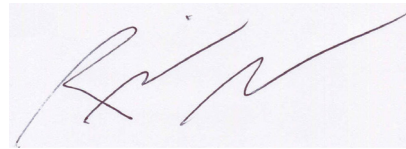
**THE PROVINCE OF BRITISH COLUMBIA
PETROLEUM AND NATURAL GAS ACT
OIL AND GAS COMMISSION**

IN THE MATTER of the experimental scheme of Unconventional Gas Resources (Operator) to test the commercial viability of shale gas in the Fort St. John group in the Town 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 Fort St. John group shale gas in the Town area, as such proposal is described in the application to the Commission received December 20, 2007 is hereby approved, subject to terms and conditions herein contained.
2. The area of the experimental scheme consists of;
 - 94-B-15 Block I – units 71, 81
 - 94-B-16 Block L – units 80, 90
 - 94-G-01 Block D – unit 10
 - 94-G-02 Block A – unit 1
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 or the Director, Drilling and Production, 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, if deemed appropriate.



Richard Slocomb
Supervisor, Reservoir Engineering
Resource Conservation Department

DATED AT the City of Victoria, in the Province of British Columbia, this 13th day of May 2009.

APPROVAL 09-15-008

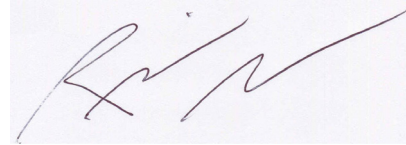
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Richard Slocomb
Supervisor, Reservoir Engineering
Resource Conservation Department

DATED AT the City of Victoria, in the Province of British Columbia, this 13th day of May 2009.

APPROVAL 09-15-009

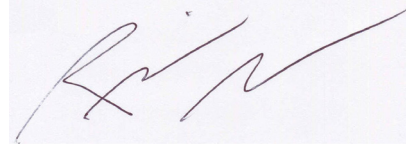
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2. The area of the experimental scheme consists of;
94-B-16 Block F – units 56, 57, 66, 67, 76-79, 86-89, 94, 95
Block K – units 4, 5, 14, 15, 24, and 25.
3. The gas wells within the scheme area may be produced without individual well allowable restrictions.
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APPROVAL 09-15-010

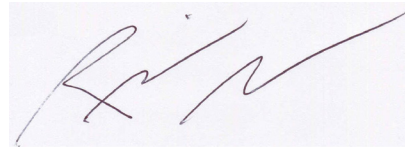
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94-B-16 Block G – units 36, 37, 46, 47, 56, 57, 66, 67, 76, 77, 86, and 87.
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