



September 19, 2006

8160-2600-59240-06

Michael Davies, P.Eng.
Senior Exploitation Engineer
Innova Exploration Ltd.
Suite 900, 407 – 2 Street S.W.
Calgary AB T2P 2Y3

Dear Mr. Davies:

**RE: GOOD ENGINEERING PRACTICE APPROVAL
TOWN – BLUESKY “D” POOL**

Commission staff have reviewed your application, dated July 20, 2006, and supplemental information dated August 24, 2006, requesting Good Engineering Practice (GEP) scheme approval for producing Bluesky formation gas in the Town area.

Please note that the wells in the area under application have been mapped by the Commission as part of the Town field Bluesky “D” non-associated gas pool.

Notice of your application was published in the B.C. Gazette with August 24, 2006 being the last date for any objections. The Commission received a letter dated August 23 and a follow up e-mail dated August 31, 2006 from Kereco Energy Ltd. objecting to a portion of the GEP scheme area. The Commission has carried out an extensive technical review of production information, geological mapping and confidential seismic data for the Bluesky formation in the Town field. Based on this review the Commission believes that, for effective resource recovery from the highly variable quality Bluesky formation, at least two wells per gas spacing area are required. It should be noted that approval conditions restricting the location of wells within the project area and a daily gas allowable (DGA) has been assigned to each spacing area within the GEP scheme area to address possible equity concerns raised by Kereco.

The attached Approval 06-06-057 is hereby granted under Part 8, Division 6, Section 101 of the *Drilling and Production Regulation*. This approval is intended to allow the drilling and production of gas wells without spacing and target considerations for maximization of gas recovery.

Should you have any questions, please contact Richard Slocomb at (250) 952-0366.

Sincerely,

Doug McKenzie
Director
Resource Conservation Branch

Cc Bruce Nociar, Kereco Energy Ltd.

Attachment

RESOURCE CONSERVATION BRANCH

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) 261-5729 Fax: (250) 261-5744 www.ogc.gov.bc.ca

APPROVAL 06-06-057

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

IN THE MATTER of a Good Engineering Practice (GEP) scheme of Innova Exploration Ltd. (Innova) for producing gas from the Town Bluesky "D" pool without well spacing and target restrictions.

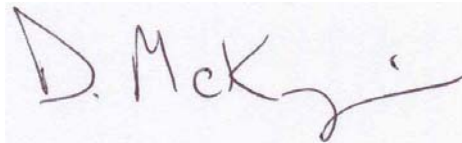
NOW, THEREFORE, the Commission, pursuant to Part 8, Division 6, Section 101 of the *Drilling and Production Regulation*, hereby approves the GEP scheme of Innova for drilling wells without spacing and target restrictions, as such scheme is described in

an Application from Innova to the Commission dated July 20, 2006 and related submissions.

This scheme is approved, subject to the conditions herein contained and, in particular:

1. The area of the project shall consist of:

94-B-16: Block K – units 12, 13, 22, 23, 32, 33, 42, and 43.
2. 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.
3. Production from each gas spacing area within the project is restricted to a daily gas allowable of $60.0 \times 10^3 \text{ m}^3$, as per Section 88(7) of the *Regulation*.
4. This approval may be modified or rescinded at a later date if deemed appropriate.



Doug McKenzie
Director
Oil and Gas Commission

DATED AT the City of Victoria, in the Province of British Columbia, this 19th day of September 2006.