



OIL AND GAS COMMISSION

August 28, 2006

7620-4100-59240-06

F. Aaron Lane, P.Eng.
Operations Manager
Milagro Energy Inc.
1500, 700 – 4th Avenue SW
Calgary AB T2P 3J4

Dear Mr. Lane:

**RE: GOOD ENGINEERING PRACTICE APPROVAL
RIGEL EAST – BALDONNEL “B” POOL**

The Commission has reviewed your application dated May 11, 2006, requesting Good Engineering Practice (GEP) scheme approval for producing gas from the subject pool.

The gas spacing unit comprising the area under application is on the boundary between the Dominion Land Survey and National Topographic System grids. As such the gas spacing unit is approximately 50% larger than normal and it is expected that additional wells will be required to maximize reserve recovery. Attached is Approval 06-06-051 granted under Part 8, Division 6, Section 101 of the British Columbia *Drilling and Production Regulation*.

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

Sincerely,

A handwritten signature in dark ink, appearing to read 'D. McKenzie', is written over a light-colored rectangular background.

Doug McKenzie
Director
Resource Conservation Branch

Attachment

RESOURCE CONSERVATION BRANCH

PO Box 9329 Stn Prov Gov't, Victoria BC V8W 9N3 Tel: (250) 952-0302 Fax: (250) 952-0301
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APPROVAL 06-06-051

**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 Milagro Energy Inc. (Milagro), for producing gas wells without spacing and target restrictions from the Rigel East - Baldonnel "B" pool.

NOW, THEREFORE, the Oil and Gas Commission (Commission), pursuant to Part 8, Division 6, Section 101 of the *Drilling and Production Regulation*, hereby approves the GEP scheme of Milagro as such scheme is described in

an Application from Milagro to the Commission dated May 11, 2006.

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

1. The area of the project shall consist of:


088-16 W6M: sections E 35F and W 36F.

94-A-9: Block L – units 14F, 15F and 24, 25.

2. 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 project area.

3. The gas wells within the project area may be produced without individual well allowable restrictions.

4. This approval may be modified or rescinded at a later date if deemed appropriate.



Doug McKenzie
Director
Resource Conservation Branch

DATED AT the City of Victoria, in the Province of British Columbia, this 28th day of August 2006.