

August 31, 2010

9021-5000-59240-06

Daniel Tiberio  
Exploitation Manager  
Monterey Exploration Ltd.  
1000, 500 – 4<sup>th</sup> Avenue S.W.  
Calgary AB T2P 2V6

Dear Mr. Tiberio:

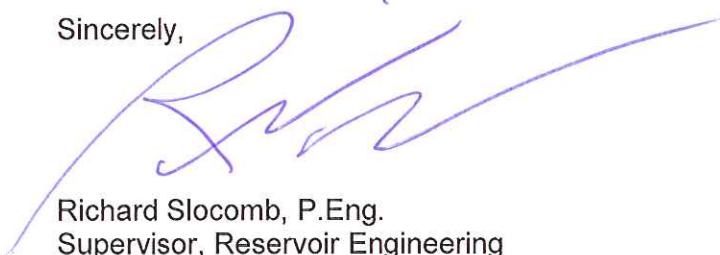
**RE: GOOD ENGINEERING PRACTICE APPROVAL  
HERITAGE FIELD – MONTNEY FORMATION**

Commission staff have reviewed the application, dated July 15, 2010, requesting Good Engineering Practice (GEP) scheme approval for producing gas from the Heritage field Montney formation.

Attached is Approval 10-06-037 (Monterey Project #1), granted under Part 8, Division 6, Section 101 of the *Drilling and Production Regulation*. A notice of this application was posted on the Commission website, with no objections received. This approval is intended to allow the drilling and production of gas wells within the GEP area for maximization of gas recovery.

Should you have any questions, please contact the undersigned at (250) 419-4421 or Travis Mercure at (250) 419-4448.

Sincerely,



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

Attachment

APPROVAL 10-06-037

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

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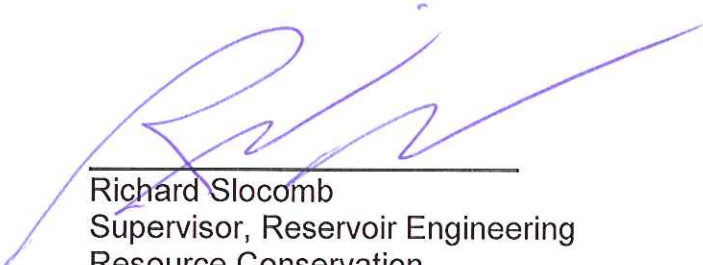
IN THE MATTER of a Good Engineering Practice (GEP) scheme of Monterey Exploration Ltd. (Monterey) for producing gas from Heritage field Montney formation without spacing and target restrictions.

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

*an Application from Monterey to the Commission dated July 15, 2010 and related submissions.*

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

1. The area of the scheme shall consist of;  
  
Twp 79 Rge 21 W6M – Sections 21, 22, 27, 28, 32, and 33.
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. 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.



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Richard Slocomb  
Supervisor, Reservoir Engineering  
Resource Conservation  
Oil and Gas Commission

DATED AT the City of Victoria, in the Province of British Columbia, this 30<sup>th</sup> day of August 2010.