

June 16, 2009

9021-5000-59240-06

Bill Meeuwissen, P.Eng.
Vice President, Production and Operations
Monterey Exploration Ltd.
1000, 500-4th Ave S.W.
Calgary AB T2P 2V6

Dear Mr. Meeuwissen:

**RE: GOOD ENGINEERING PRACTICE APPROVAL
HERITAGE – MONTNEY “A” POOL**

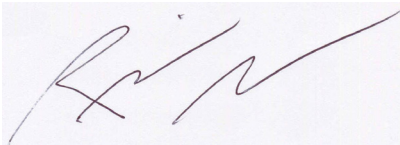
Commission staff have reviewed your application, dated May 6, 2009, requesting Good Engineering Practice (GEP) approval for producing Montney gas in the Groundbirch field. The area of application has been designated as part of the regional Heritage – Montney “A” pool.

Attached are GEP Approvals 09-06-017 (Monterey Project #1) and 09-06-018 (Monterey Project #2), hereby granted under Part 8, Division 6, Section 101 of the *Drilling and Production Regulation*. These approvals are intended to allow the drilling and production of gas wells at increased density without regard for normal spacing and target areas, for maximization of gas recovery.

No objections were received following public notice of the application on the OGC website. However, Monterey was not able to get consent from offsetting mineral owners for a 150 m project buffer so a standard buffer of 250 m applies.

Should you have any questions, please contact the undersigned at (250) 952-0366 or Kelly Okuszko at (250) 952-0325.

Sincerely,



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

Attachment

APPROVAL 09-06-017

**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 Monterey Exploration Ltd. (Monterey) for producing gas from a portion of the Heritage - Montney "A" pool 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 May 6, 2009 and related submissions.

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

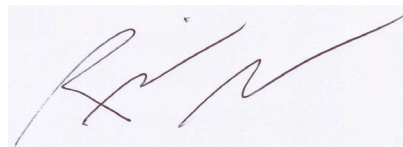
1. The area of the scheme shall consist of;

Twp 80 Rge 21 W6M	Section 21, 28-33
Twp 81 Rge 21 W6M	Section 5, 6, 8

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.



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

DATED AT the City of Victoria, in the Province of British Columbia, this 16th day of June 2009.

APPROVAL 09-06-018

**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 Monterey Exploration Ltd. (Monterey) for producing gas from a portion of the Heritage - Montney "A" pool without spacing and target restrictions.

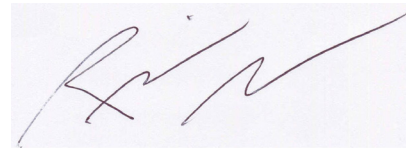
NOW, THEREFORE, the Commission, pursuant to Part 8, Division 6, Section 101 of the *Drilling and Production Regulation*, hereby approves the GEP scheme of Monterey as such scheme is described in

an Application from Monterey to the Commission dated May 6, 2009 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 80 Rge 20 W6M	Section 19
Twp 80 Rge 21 W6M	Section 13, 25, 35
Twp 81 Rge 21 W6M	Section 1
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.



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

DATED AT the City of Victoria, in the Province of British Columbia, this 16th day of June 2009.