



December 6, 2007

6400-2600-59240-06

Matthew Mazuryk, P.Eng.
Manager of Engineering
Monterey Exploration Ltd.
1800, 407 – 2nd Street S.W.
Calgary AB T2P 2Y3

Dear Mr. Mazuryk:

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

The Commission has reviewed your application dated July 13, 2007 (prepared by Fekete Associates Inc.) requesting a Good Engineering Practice (GEP) scheme approval for producing gas from a portion of the Nig Creek – Bluesky “D” pool.

Attached is a GEP scheme approval for the subject pool. The Approval 07-06-044 is hereby granted under Part 8, Division 6, Section 101 of the *Drilling and Production Regulation*. No objections were received following posting of notice of the application on the OGC website.

This approval is intended to allow operational flexibility and 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,

A handwritten signature in black ink, appearing to read 'R. Slocomb', is written over a light blue rectangular background.

for Richard Slocomb, P. Eng.
Supervising Reservoir Engineer
Resource Conservation

Attachment

cc: Barry Braithwaite, Fekete Associates Inc.

RESOURCE CONSERVATION

PO Box 9329 Stn Prov Gov't, Victoria BC V8W 9N3 Tel: (250) 952-0302 Fax: (250) 952-0291
Location: 6th Flr 1810 Blanshard St, Victoria BC

Headquarters: #200, 10003 110th Ave, Fort St. John BC V1J 6M7 Tel: (250) 261-5700 Fax: (250) 261-5744 www.ogc.gov.bc.ca

APPROVAL 07-06-044

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

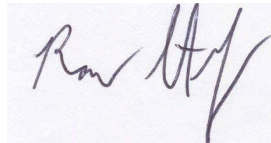
IN THE MATTER of a Good Engineering Practice (GEP) scheme of Monterey Exploration Ltd. (Monterey) for producing a portion of the Nig Creek field Bluesky "D" gas pool without well spacing and target restrictions.

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

an Application from Monterey to the Commission dated July 13, 2007.

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

1. The area of the project shall consist of:
 - 94-H-4: Block G – units 51-53, 61-63, 71-73, 81-83
Block H – units 60, 70, 80, and 90.
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.



for Richard Slocomb
Supervising Reservoir Engineer
Resource Conservation
Oil and Gas Commission

DATED AT the City of Victoria, in the Province of British Columbia, this 6th day of December 2007.