



December 10, 2007

8135-5000-59240-06

Dan MacLean
General Manager, Exploitation
Murphy Oil Company Ltd.
P.O. Box 2721, Station M
1700, 555 – 4 Avenue S.W.
Calgary AB T2P 3Y7

Dear Mr. MacLean:

**RE: GOOD ENGINEERING PRACTICE APPROVAL (AMENDMENT #1)
SWAN LAKE - MONTNEY**

Attached is a Good Engineering Project (GEP) scheme approval for a portion of the subject pool, as requested in your application of October 25, 2007.

The Montney formation is observed to be a very thick gross interval with production occurring from several sand/silt packages. The Commission has mapped the subject zone as two separate pools, the upper and lower Montney, designating them as the Montney “A” and Montney “B”, respectively. For production and reserves purposes the Montney formation will be treated as one pool and as such will be defined as the Swan Lake – Montney.

On February 22, 2007, the Commission issued two separate GEP approvals 07-06-003 and 07-06-004 to Bear Ridge Resources Ltd (now 100% owned by Murphy Oil). The proposed area requested in your application of October 25, 2007, has resulted in the amalgamation of these two GEP approval areas into one large project area. Therefore the Approval 07-06-003 (Amendment #1), which includes the area previously approved under GEP Approvals 07-06-003 and 07-06-004, is hereby granted under Part 8, Division 6, Section 101 of the British Columbia *Drilling and Production Regulation*. Consequently the GEP Approval 07-06-004 granted on February 22, 2007, is hereby rescinded.

The approval is intended to allow operational flexibility and to allow the drilling of additional gas wells without spacing and target considerations for maximization of gas recovery. No objections were received following posting of notice of the application on the OGC website.

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

Sincerely,

Richard Slocomb, P. Eng.
Supervising Reservoir Engineer

Attachment

RESOURCE CONSERVATION

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APPROVAL 07-06-003 (Amendment #1)

**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 Murphy Oil Company Ltd. (Murphy) for producing Montney Formation gas wells in the Swan Lake field 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 an amendment to the GEP scheme of Murphy for drilling wells without spacing and target restrictions, as such scheme is described in

an Application from Murphy to the Commission dated October 25, 2007.

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

1. The area of the scheme shall consist of:

93-P-8:

Block I – units 54, 55, 64, 65, 74-79, 84-89, 100

Block J – units 91-93

93-P-9:

Block A – units 10, 20, 30-53, 60-63, 70-77, 81-87, 91-93

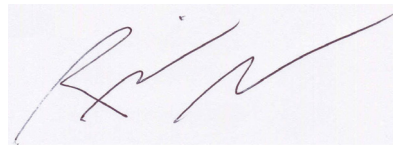
Block B – units 1-3, 11-13, 21-23, 31-33, 41-43, 51-55, 61-65

Block H – units 1-3.

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 scheme area.

3. The gas wells within the scheme 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
Supervising Reservoir Engineer
Resource Conservation

DATED AT the City of Victoria, in the Province of British Columbia, this 11th day of December 2007.