



September 7, 2010

8160-5000-59240-06

Darren Tisdale
Senior Geologist
Painted Pony Petroleum Ltd.
300, 602 – 12th Avenue S.W.
Calgary AB T2R 1J3

Dear Mr. Tisdale:

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

Commission staff have reviewed the application, dated June 30, 2010, requesting Good Engineering Practice (GEP) scheme approval for producing gas from the Montney formation in the Town field.

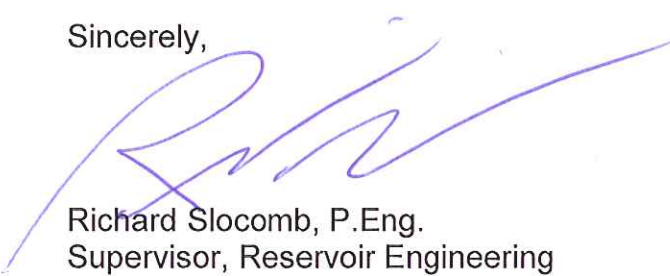
The Commission has designated the area of application as the Town field Montney “A” pool. The Montney is recognized as a tight gas resource. GEP approval will allow the location and orientation of wells for effective gas recovery without regard to normal well spacing and target area restrictions. The GEP target area has been enlarged to 150 meters from the project boundary, as supported by non-objection letters from the off-setting tenure owners.

Attached is Approval 10-06-038, granted under Part 8, Division 6, Section 101 of the *Drilling and Production Regulation*. This approval is intended to allow the drilling and production of gas wells within the GEP area for maximization of gas recovery.

As noted in condition #4 of the Other Than Normal Gas Spacing Area orders issued March 29, 2010, and May 26, 2010, approval of this GEP terminates those orders.

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

Sincerely,



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

Attachment

APPROVAL 10-06-038

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 Painted Pony Petroleum Ltd. (Painted Pony) for producing gas from the Town field 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 Painted Pony as such scheme is described in

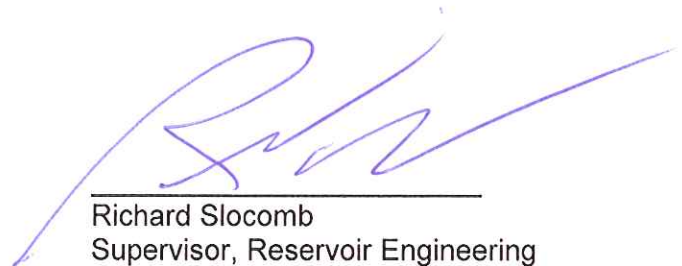
an Application from Painted Pony to the Commission dated June 30, 2010, and related submissions.

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

1. The area of the scheme shall consist of;

94-B-16 Block E Units 31, 41, 51, 61, 71, 81, 91
Block F Units 32-40, 42-50, 52-60, 62-100
Block G Units 80, 90, 100
Block J Unit 10
Block K Units 1-10, 12-19, 22-29, 32-37, 42-47
Block L Unit 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 150 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 8th day of September 2010.