

February 11, 2010

4460-2600-59240-06

Joe Leonard, P. Eng
Exploitation Engineer
Progress Energy Resources Corp.
1200, 205 – 5th Ave. S.W.
Calgary AB T2P 2V7

Dear Mr. Leonard:

**RE: GOOD ENGINEERING PRACTICE APPROVAL
GUNDY CREEK WEST – BLUESKY “A” POOL**

Commission staff have reviewed the application, dated January 8, 2010, requesting Good Engineering Practice (GEP) approval for producing gas from the Bluesky formation in the Gundy Creek West area.

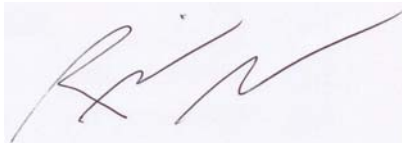
Gas recovery from this tight formation would benefit from the ability to produce additional wells from optimal locations.

Attached is Approval 10-06-007, hereby 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 at increased density without regard for normal spacing and target areas for maximization of gas recovery. No written objections were received following notice of this application on the OGC website.

Portions of the GEP area with rights held under Drilling License will require Lease selection prior to production from wells on the affected tenure.

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 10-06-007

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

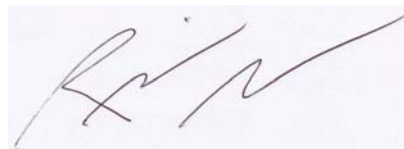
IN THE MATTER of a Good Engineering Practice (GEP) scheme of Progress Energy Resources Corp. (Progress) for producing gas from the Gundy Creek West field Bluesky "A" pool without spacing and target restrictions.

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

*an Application from Progress to the Commission dated January 8, 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-9 Block J Units 76-79, 86-89, 96-99
94-B-16 Block B Units 6-9, 16-19, 26-29.
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 11th day of February 2010.