

June 1, 2010

5200-4997-59240-06

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

Dear Mr. Leonard:

**RE: GOOD ENGINEERING PRACTICE APPROVAL  
KOBES FIELD – DOIG PHOSPHATE-MONTNEY “C” POOL**

Commission staff have reviewed the application, dated March 5, 2010, requesting Good Engineering Practice (GEP) approval for producing gas from the Montney formation in the Kobes and Gundy Creek West area.

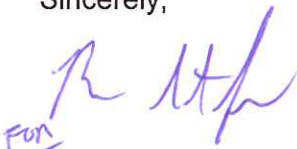
The Commission designates the area of application as the Kobes field, Doig Phosphate-Montney “C” pool, in recognition of the vertical continuity of these reservoir quality formations. Gas recovery from this tight formation would benefit from the ability to produce additional wells from optimal locations.

Attached is Approval 10-06-020, hereby granted under Part 8, Division 6, Section 101 of the *Drilling and Production Regulation*. This approval is intended to allow the 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.

Letters of consent to an enlarged gas target area for the project have been provided from numerous off-setting tenure owners. Condition #2 of the Approval provides the specifics. Future application to amend this approval may be made upon forwarding of any additional consent letters.

Should you have any questions, please contact Ron Stefik at (250) 419-4430.

Sincerely,



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

Attachment

APPROVAL 10-06-020

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

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IN THE MATTER of a Good Engineering Practice (GEP) scheme of Progress Energy Resources Corp. (Progress) for producing gas from the Kobes field Doig Phosphate-Montney "C" 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 March 5, 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;

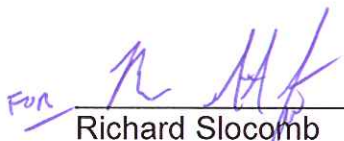
94-B-9 Block F	Units 91-93
Block G	Unit 100
Block J	Units 10, 20, 30, 40, 50, 54-59, 64-69, 74-79, 84-89
Block K	Units 1-3, 11, 21, 31 and 41.

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, with the exception of 250 m to the sides of;

the south boundary of units 91, 92, 93 Block F & unit 100 Block G, and  
the south boundary of units 54, 55 Block J/94-B-9.

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  
Supervisor, Reservoir Engineering  
Resource Conservation  
Oil and Gas Commission

DATED AT the City of Victoria, in the Province of British Columbia, this 1st day of June 2010.