



OIL AND GAS COMMISSION

June 6, 2006

8160-2600-59240-06

Cheryl Leitch, C.E.T.
Senior Engineering Technologist
Progress Energy Ltd.
1400, 440 – 2nd Avenue S.W.
Calgary AB T2P 5E9

OIL AND GAS COMMISSION

JUN 07 2006

Dear Ms. Leitch:

RE: GOOD ENGINEERING PRACTICE APPROVAL
TOWN – BLUESKY “C” POOL

Commission staff have reviewed your application, dated January 31, 2006, and supplemental information dated May 26, 2006, requesting Good Engineering Practice (GEP) scheme approval for producing Bluesky formation gas in the Town area.

Please note that the Commission designates the wells subject of application as the Town field Bluesky “C” non-associated gas pool.

The attached Approval 06-06-040 is 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 without spacing and target considerations for maximization of gas recovery.

Should you have any questions, please contact Ron Stefik at (250) 952-0310.

Sincerely,

Doug McKenzie
Director
Resource Conservation Branch

Attachment

Approval Letters to Industry
GEP, SWD, Concurrent Prod, Pressure
Maintenance, Waterflood, Etc.

Copy 10

- | | | | |
|-------------------------------------|------------|--------------------------|---------------|
| <input checked="" type="checkbox"/> | Daily | <input type="checkbox"/> | G. Farr |
| <input type="checkbox"/> | Wellfile | <input type="checkbox"/> | D. Krezanoski |
| <input type="checkbox"/> | 59240 | <input type="checkbox"/> | L. Miller |
| <input type="checkbox"/> | R. Slocomb | <input type="checkbox"/> | Resource Rev. |
| <input type="checkbox"/> | R. Stefik | <input type="checkbox"/> | S. Chicorelli |

RESOURCE CONSERVATION BRANCH

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Headquarters: #200, 10003 110th Ave, Fort St. John BC V1J 6M7 Tel: (250) 261-5729 Fax: (250) 261-5744 www.ogc.gov.bc.ca

APPROVAL 06-06-040

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 Ltd. (Progress) for producing the Town field Bluesky "C" 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 Progress for drilling wells without spacing and target restrictions, as such scheme is described in

an Application from Progress to the Commission dated January 31, 2006 and related submissions.

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

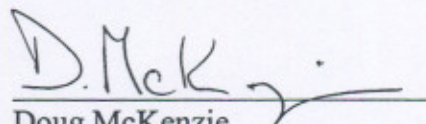
1. The area of the project shall consist of:

94-B-16: Block J – units 60, 70
Block K – units 51 and 61.

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.



Doug McKenzie
Director
Oil and Gas Commission

DATED AT the City of Victoria, in the Province of British Columbia, this 6 day of June 2006.