



June 1, 2004

8160-4800-59240-06
OGC - 04187

Neil Horbachewski, P.Eng.
Exploitation Engineer
Progress Energy Ltd.
Suite 1400, 440 - 2 Avenue S.W.
Calgary AB T2P 5E9

Progress Project (02)

Dear Mr. Horbachewski:

RE: GOOD ENGINEERING PRACTICE APPROVAL, AMENDMENT #2
TOWN - HALFWAY "A" POOL

Attached is a Good Engineering Project (GEP) scheme approval amendment for the subject pool, as requested in your application dated April 23, 2004.

The Approval 03-06-033 (Amendment #2) is hereby granted under Part 8, Division 6, Section 101 of the British Columbia *Drilling and Production Regulation*, increasing the size of the scheme area.

This approval is intended to allow operational flexibility and 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 either Peter Attariwala at (250) 952-0311 or Ron Stefik at 952-0310.

Sincerely,

Craig Gibson, P. Eng.
Director
Resource Conservation Branch

Attachment

Approval Letters to Industry
GEP, SWD, CONCURRENT PROD,
PRESSURE MAINTENANCE,
WATERFLOOD, ETC.

Copy 9

- Wellfile (originals)
- 59240
- Daily
- Resource Revenue
- S. Chicorelli
- R. Stefik
- G. Farr
- P. Attariwala
- D. Krezanoski
- R SLOCOMB

RESOURCE CONSERVATION BRANCH

PO Box 9329 Stn Prov Gov't, Victoria BC V8W 9N3 Tel: (250) 952-0302 Fax: (250) 952-0301
Location: 6th Flr 1810 Blanshard St, Victoria BC

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 03-06-033 (Amendment #2)

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 Halfway "A" pool gas without well spacing, target and production restrictions.

NOW, THEREFORE, the Commission, pursuant to Part 8, Division 6, Section 101 of the *Drilling and Production Regulation*, hereby amends 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 July 18, 2003, February 5, 2004 and April 23, 2004.

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 38, 39, 48, 49, 58 - 60, 68 - 70, 78 - 80, 88 - 90, 100

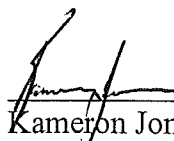
Block K - units 51, 61, 71, 81, 91-93

94-G-1

Block B - unit 10

Block C - unit 1-3, 12-15 and 22-25.

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.



Kameron Jones
Deputy Commissioner
Oil and Gas Commission

DATED AT the City of Fort St. John, in the Province of British Columbia, this 25th day of May 2004.