



July 6, 2010

8160-5000-59240-06

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

Dear Mr. Leonard:

**RE: GOOD ENGINEERING PRACTICE APPROVAL, AMENDMENT #2
TOWN FIELD – MONTNEY “A” POOL**

Commission staff have reviewed the application, dated June 1, 2010, requesting an amendment to the Good Engineering Practice (GEP) scheme approval for producing gas from the Town field Montney formation.

The Commission has designated the area of application as the Town field Montney “A” pool. The Montney “B” pool has been merged with and is now part of the Montney “A” pool.

Attached is Approval 09-06-037 (Amendment #2), granted under Part 8, Division 6, Section 101 of the *Drilling and Production Regulation*. This amendment expands the project area and is intended to allow the drilling and production of gas wells at increased density without regard for normal spacing within the GEP area, for maximization of gas recovery.

As noted in condition #4 of the Other Than Normal Gas Spacing Area orders issued April 1, 2009 (WA# 25055), and October 20, 2009 (WA# 21621), approval of this GEP terminates those orders.

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

Sincerely,

A handwritten signature in blue ink, appearing to read 'Richard Slocomb'.

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

Attachment

APPROVAL 09-06-037 (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 Resources Corp. (Progress) 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 Progress for drilling wells without spacing and target restrictions, as such schemes are described in

Applications from Progress to the Commission dated November 6, 2009, December 22, 2009, June 1, 2010, and related submissions.

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

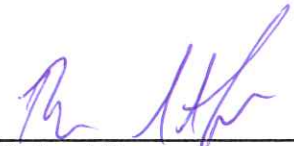
1. The area of the scheme shall consist of;

94-B-16	Block G	Units 94-99
	Block J	Units 4-9, 14-19, 24-29, 36-40, 46-50, 58-60, 68-70, 78-80, 88-90, 98-100
	Block K	Units 31, 41, 51-53, 61-63, 71-77, 81-87, 91-97
94-G-1	Block B	Units 8-10, 20, 30
	Block C	Units 1-7, 11-17, 21-27, 34-37, 44-47, 56-60, 66-70, 76-80, 86-90
	Block D	Units 51, 61, 71 and 81.

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.

Fon

Richard Slocomb
Supervisor, Reservoir Engineering
Resource Conservation
Oil and Gas Commission

DATED AT the City of Victoria, in the Province of British Columbia, this *6th* day of July 2010.