

February 9, 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 #1
TOWN FIELD – MONTNEY “B” POOL**

Commission staff have reviewed the application, dated December 22, 2009, requesting an amendment to the Good Engineering Practice (GEP) scheme approval for producing gas from the Town field Montney formation.

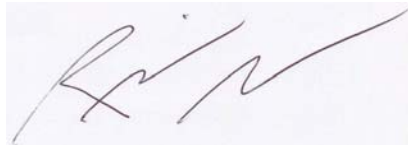
The Commission has designated the area of application as the Town field Montney “B” pool.

Attached is Approval 09-06-037 (Amendment #1), 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.

No objections were received following notice of application on the OGC website.

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 09-06-037 (AMENDMENT #1)

**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 "B" 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, and December 22, 2009, and related submissions.

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

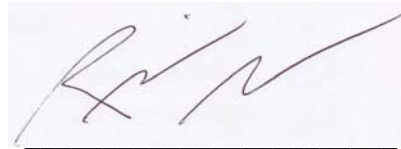
1. The area of the scheme shall consist of;

94-B-16 Block G Units 94-99
Block J Units 4-9, 14-19, 24-29, 36-39, 46-49, 58-60, 68-70, 78-80, 88-90, 98-100
Block K Units 51, 61, 71, 81, 91
93-G-1 Block A Unit 1
Block B Units 8-10.

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 9th day of February 2010.