

December 14, 2009

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
TOWN FIELD – MONTNEY “B” POOL**

Commission staff have reviewed the application, dated November 6, 2009, requesting Good Engineering Practice (GEP) scheme approval for producing gas from the Montney formation in the Town field.

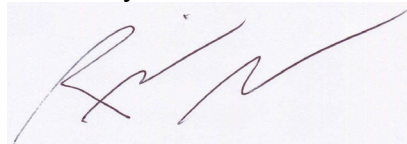
Pool development thus far is limited to one vertical and one horizontal well. The Commission has designated the area of application as the Town field Montney “B” pool. The Montney is recognized as a tight gas resource. GEP approval will allow the location and orientation of wells for effective gas recovery without regard to normal well spacing and target area restrictions.

Attached is Approval 09-06-037, 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 within the GEP area for maximization of gas recovery.

As noted in condition #4 of the Other Than Normal Gas Spacing Area order issued October 20, 2009, approval of this GEP terminates the order.

Should you have any questions, please contact Ron Stefik at (250) 491-4430.

Sincerely,



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

Attachment

APPROVAL 09-06-037

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

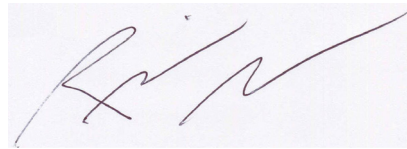
IN THE MATTER of a Good Engineering Practice (GEP) scheme of Progress Energy Resources Corp. (Progress) for producing gas from the Town field Montney "B" pool without spacing and target restrictions.

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 as such scheme is described in

*an Application from Progress to the Commission dated November 6, 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 J Units 14-19, 24-29, 36-39, 46-49, 58-60, 68-70
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.



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

DATED AT the City of Victoria, in the Province of British Columbia, this 15th day of December 2009.