



March 27, 2012

9045-8295/8550-59240-06

Eugene Wasylchuck
Consultant
Stone Mountain Resources Ltd.
2800, 144 - 4th Avenue
Calgary, AB T2P 3N4

Dear Mr. Wasylchuck:

**RE: GOOD ENGINEERING PRACTICE SPECIAL PROJECT
OTHER THAN NORMAL SPACING ORDER
HORN RIVER REGIONAL FIELD – MUSKWA-OTTER PARK & EVIE FORMATIONS**

The Commission has reviewed your application dated January 31, 2012, requesting approval of Good Engineering Practice for an area within the Horn River Regional field, Tattoo area, Muskwa-Otter Park & Evie formations.

Gas recovery from this resource will benefit from the ability to produce horizontal wells in optimal locations, drilling from central sites.

The following Orders are attached;

- 1) Order 12-06-009 designating Good Engineering Practice within a portion of the Horn River Basin, Muskwa-Otter Park & Evie formations as a Special Project under section 75 of the *Oil and Gas Activities Act*, and
- 2) Order 12-06-009-OTN approving Other Than Normal Spacing under section 65.1 of the *Petroleum and Natural Gas Act* for the subject pool and area.

Please note that the following Experimental Scheme approvals are hereby rescinded;

Approval 08-15-004 SMR PROJECT #1

094-O-15 Block B – units 56-60, 66-70, 80, 90
Block C – units 51-53, 61-63, 71-73 and 81-83.

Approval 08-15-005 SMR PROJECT #2

094-O-15 Block F – units 31, 41, 51 and 61.

Any well already rig released within the Experimental Schemes will retain the remaining portion of the 3-year confidentiality period, however new wells will not obtain Innovative Technology (former Experimental) status. Final Progress Reports, required as a condition of the Experimental Scheme approvals, must be submitted to the Commission within 60 days of this date, regardless of the previous reporting cycle.

...2

March 27, 2012

Please note that requests for changes to requirements for drilling samples, logging, reservoir pressure and flow testing, and commingled production are not addressed in this approval and should be applied for separately.

As a Good Engineering Practice special project, the applicant intends to locate, complete and operate wells in a manner to optimize resource recovery while minimizing surface impacts. No objections were received following notice of application on the OGC website.

Should you have any questions, please contact Ron Stefik at (250) 419-4430 or Curtis Kitchen at (250) 419-4443.

Sincerely,



Paul Jeakins
Commissioner & CEO
Oil and Gas Commission

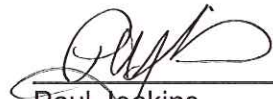
Attachments

IN THE MATTER of an application from Stone Mountain Resources Ltd. to the Oil and Gas Commission dated January 31, 2012 for a Good Engineering Practice project.

ORDER 12-06-009

- 1 Under Section 75(1)(a) of the *Oil and Gas Activities Act*, the Horn River Regional field – Muskwa-Otter Park/Evie formation is designated as a special project for the enhanced recovery of natural gas utilizing Good Engineering Practice within the following area;

NTS 94-O-15 Block B – Units 54-59, 64-69, 74-79, 84-89, 94-99
Block G – Units 4-9, 14-19, 24-29, 34-39, 44-49, 54-59 and 64-69.



Paul Jenkins
Commissioner & CEO
Oil and Gas Commission

DATED AT the City of Victoria, in the Province of British Columbia, this 27th day of March 2012.

IN THE MATTER of an application from Stone Mountain Resources Ltd. to the Oil and Gas Commission dated January 31, 2012 for Other Than Normal Spacing.

ORDER 12-06-009-OTN

1 Under Section 65.1(2) of the *Petroleum and Natural Gas Act*, Other Than Normal Spacing is approved within the Horn River Regional field – Muskwa-Otter Park/Evie formation within the following area;

NTS 94-O-15 Block B – Units 54-59, 64-69, 74-79, 84-89, 94-99

Block G – Units 4-9, 14-19, 24-29, 34-39, 44-49, 54-59 and 64-69.

2 Under section 65.1(3) of the *Petroleum and Natural Gas Act*, I specify the following:

- a) the target area for a gas well completed within the project area is not nearer than 100 m to the sides of the Other Than Normal Spacing area,
- b) a gas well completed outside the specified target area may be subject to an off-target production penalty,
- c) gas wells drilled within the specified project area are not subject to spacing requirements.



Ron Stefik
Sr Technical Advisor, Reservoir Engineering
Oil and Gas Commission

DATED AT the City of Victoria, in the Province of British Columbia, this 27th day of March 2011.