



OIL AND GAS COMMISSION

August 10, 2006

Gord Oliver, P.Eng.  
Manager Exploitation  
Terra Energy Corp.  
970, 333 – 7<sup>th</sup> Avenue SW  
CALGARY, AB T2P 2Z1

1880-4100-59240-06

Terra Energy Project #1 (02)

ORIGINAL

(project #2 rescinded)

Dear Mr. Oliver:

**RE: GOOD ENGINEERING PRACTICE APPROVAL, AMENDMENT #1**  
**BOUDREAU - BALDONNEL "A" POOL**

The Commission has reviewed your application dated June 14, 2006 requesting a Good Engineering Practice (GEP) scheme approval for producing from a portion of the Boudreau – Baldonnel "A" gas pool.

The OGC issued GEP Approval 05-06-027 on June 3, 2005 for this pool, for section 13-84-21 W6M, and Approval 05-06-040 on September 19, 2005 for section 23-84-21 W6M. This new application, for sections 24, 25 and 26, creates an enlarged contiguous area. Terra Energy has confirmed that a single GEP approval incorporating all lands is preferred and has provided a letter of consent from the other affected registered title holder.

Therefore, attached is GEP scheme Approval 05-06-027 (Amendment #1), hereby granted under Part 8, Division 6, Section 101 of the *Drilling and Production Regulation*. This approval includes all lands under application, by modifying the original GEP order. Approval 05-06-040, issued for section 23-84-21, is hereby rescinded. Also, the off-target penalized daily gas allowable restriction for the well Terra Bearflat 9-23-84-21 (WA# 11410), condition #3 of Approval 05-06-040, no longer applies. GEP approval is intended to allow operational flexibility and to allow the production of additional gas wells for maximization of gas recovery.

Should you have any questions, please contact Ron Stefik at (250) 952-0310.

Sincerely,

Doug McKenzie  
Director  
Resource Conservation Branch

Attachment

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**RESOURCE CONSERVATION BRANCH**

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APPROVAL 05-06-027 (Amendment #1)

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

ORIGINAL

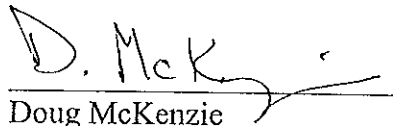
IN THE MATTER of a Good Engineering Practice (GEP) scheme of Terra Energy Corp. (Terra) for producing the Boudreau – Baldonnel “A” pool without spacing and target restrictions.

NOW, THEREFORE, the Commission, pursuant to Part 8, Division 6, Section 101 of the *Drilling and Production Regulation*, hereby amends the GEP scheme of Terra as such scheme is described in

*an Application from Terra to the Commission dated May 2, 2005, August 4, 2005 and June 14, 2006 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 ;  
Twp 84 Rge 21 W6M – Sections 13 and 23 - 26.
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.



Doug McKenzie  
Director  
Resource Conservation Branch  
Oil and Gas Commission

DATED AT the City of Victoria, in the Province of British Columbia, this 10<sup>th</sup> day of August 2006.