

June 15, 2010

9045-8295-59240-15

Jenny Hay
Mineral Negotiator
Land Department
Imperial Oil Resources Limited
237 Fourth Avenue S.W.
PO Box 2480 Station 'M'
Calgary, Alberta T2P 3M9

Dear Ms. Hay:

**RE: EXPERIMENTAL SCHEME APPROVAL, AMENDMENT #2
HORN RIVER FIELD (KOMIE AREA) – HORN RIVER FORMATION**

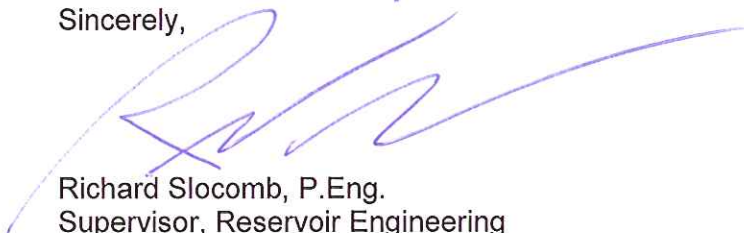
Commission staff have reviewed the application dated May 3, 2010 requesting an amendment to the experimental scheme approval issued September 5, 2008 and amended November 24, 2009, to explore, develop, evaluate and test the shale gas potential of the Horn River shale sequence, specifically the Muskwa, Otter Park and Evie formations, in the Komie area in northeast British Columbia.

Attached is Approval 08-15-010 (Imperial Project #3), Amendment #2, granted under section 100 of the Petroleum and Natural Gas Act.

This amendment enlarges the gas target area of the approval area to accommodate drilling and completion optimization plans. The gas spacing areas bounding to the north and east are extensions of the Project tenure. The tenure to the east and south are registered as common interest.

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

Sincerely,



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

Attachment

APPROVAL 08-15-010 (Amendment #2)

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

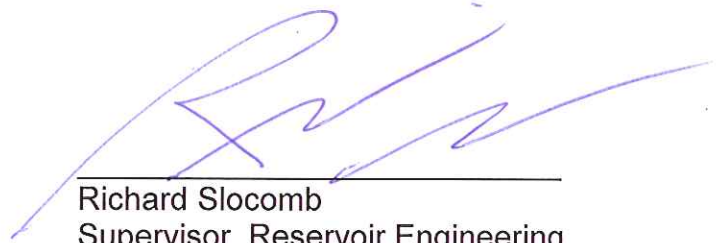
IN THE MATTER of the experimental scheme of Imperial Oil Resources Limited (Operator) to test the commercial viability of Horn River shale gas in the Horn River Field (Komie) area of NE British Columbia.

NOW THEREFORE, the Commission, pursuant to section 100 of the Petroleum and Natural Gas Act, R.S.B.C. 1996, c.361, hereby orders as follows:

The experimental scheme for the exploration and development of Horn River shale gas in the Komie area, as such proposal is described in the application to the Commission received July 14, 2008, October 2, 2009 and May 3, 2010 is hereby approved, subject to terms and conditions herein contained.

1. The area of the experimental scheme consists of:
 - 094-O-01 Block E – units 71, 81, 91
 - Block F – units 76-80, 86-90, 96-100
 - Block K – units 6-10, 16-20, 26-30
 - Block L – units 1, 11 and 21.
2. The gas wells within the scheme area may be produced without individual well allowable restrictions.
3. 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:
 - 0 m to the north side of units 26-K to 21-L of the approved project area,
 - 0 m to the west side of units 71-E to 21-L of the approved project area,
 - 100 m to the south side of unit 71-E to 76-F of the approved project area,
 - 100 m to the east side of unit 76-F to 26-K of the approved project area.
4. The Operator must submit a progress report to the Commission annually. The progress report is due within 60 days after the end of each period and must contain:
 - a) the daily average rate of gas and water produced during each month for each producing well, and for the scheme as a whole,
 - b) the monthly cumulative gas and water production from each producing well, and for the scheme as a whole,
 - c) details of any workover or fracture treatment program done on any of the wells with results of the workovers or fracture treatment,
 - d) an evaluation of bottom hole pressures and any other data collected,
 - e) representative sample analysis of produced gas and water,
 - f) a discussion of the overall performance of the scheme,
 - g) any other information that is considered necessary, in the opinion of the Commission, to evaluate the progress, performance and efficiency of the scheme.

5. The operations of the experimental scheme will be subject to review by the Commission. The Director, Resource Conservation or the Director, Drilling and Production, may issue guidelines regarding the operations of the scheme.
6. The Operator of the scheme shall complete operations as set out in the proposed program described in the application from Imperial Oil Resources Limited to the Commission dated October 2, 2009.
7. The approval or any condition of it may be modified or rescinded, if deemed appropriate.



Richard Slocomb
Supervisor, Reservoir Engineering
Resource Conservation

DATED AT the City of Victoria, in the Province of British Columbia, this 18th day of June 2010.