

November 15, 2010

9045-7710-59240-15

V. Michele Taylor
Engineering Technologist
Community and Regulatory Affairs Group
Quicksilver Resources Canada Inc.
2000, 125 – 9th Avenue S.W.
CALGARY, AB T2G 0P8

Dear Ms. Taylor:

**RE: INNOVATIVE TECHNOLOGY SPECIAL PROJECT, AMENDMENT #1
OTHER THAN NORMAL SPACING ORDER, AMENDMENT #1
HORN RIVER AREA – EXSHAW FORMATION**

The Commission has reviewed your application dated September 29, 2010, requesting an amendment to an Experimental Scheme approval, in the Fortune area of the Horn River Basin to test the shale oil potential of the Exshaw formation.

Due to a change in drilling plans a modified area is required to accommodate proposed activity. The requested area is west of the original location and less than half of the size.

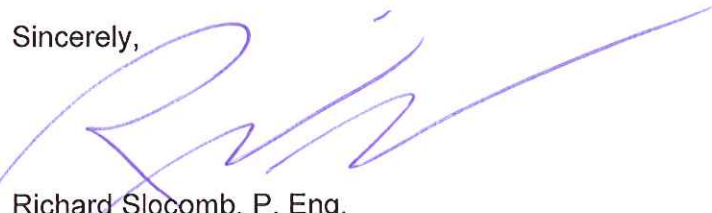
As a result of recent legislative changes, authorities previously contained in a single approval document for this activity are now covered in the attached;

- 1) Order 10-15-002 (Amendment #1) designating the application of innovative technology within a portion of the regional Horn River area Exshaw formation as a Special Project under section 75(1)(b) of the *Oil and Gas Activities Act*, and
- 2) Order 10-15-002-OTN (Amendment #1) approving Other Than Normal Spacing under section 65.1 of the *Petroleum and Natural Gas Act* for the subject formation and area.

Approval allows evaluation of this remote potential unconventional oil resource and refinement of drilling and completion methods in a confidential manner. Please note that as per section 17(1)(f)(i) of the *Oil and Gas Activities Act General Regulation*, the expiry of confidentiality shall be 3 years after the date of the order designating the special project. In this case, that date is July 8, 2013. Also, the operation of the project will be subject to periodic review and the Commission may modify the Orders, if deemed appropriate.

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

Sincerely,



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

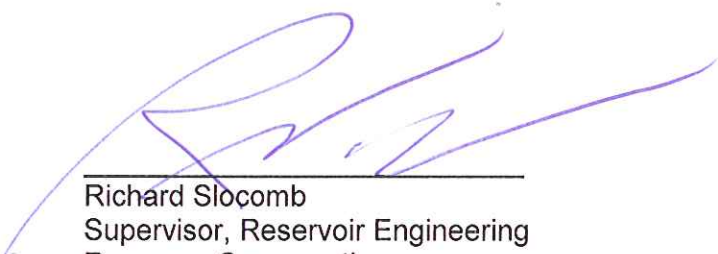
Attachments

IN THE MATTER of an application from Quicksilver Resources Canada Inc. to the Commission dated September 29, 2010 for the application of Innovative Technology.

ORDER 10-15-002 (Amendment #1)

1. Under Section 75(1)(b) of the *Oil and Gas Activities Act*, the Horn River – Exshaw formation is designated as a special project for the recovery of oil using innovative technology within the following area;

94-O-15: Block A – units 28, 38, 39, 49 and 50.
2. Oil wells within the project area may be produced without individual well allowable restrictions.
3. The Permit Holder 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 oil, gas and water produced during each month for each producing well, and for the project as a whole,
 - b) the monthly cumulative oil, gas and water production from each producing well, and for the project 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 oil, gas and water,
 - f) a discussion of the overall performance of the project,
4. Quicksilver shall complete operations as set out in the proposed program described in the application to the Commission.



Richard Slocomb
Supervisor, Reservoir Engineering
Resource Conservation

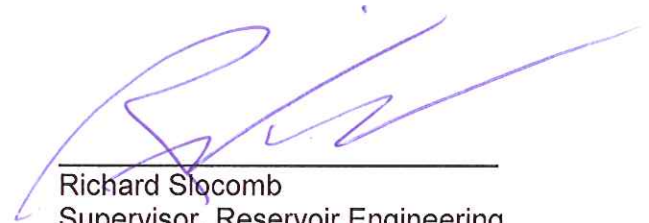
DATED AT the City of Victoria, in the Province of British Columbia, this 15 day of November 2010.

IN THE MATTER of an application from Quicksilver Resources Canada Inc. to the Commission dated September 29, 2010 for Other Than Normal Spacing.

ORDER 10-15-002-OTN (Amendment #1)

- 1 Under Section 65.1(2) of the *Petroleum and Natural Gas Act*, Other Than Normal Spacing is approved within the Horn River/Fortune area Exshaw formation within the following area;
94-O-15: Block A Units 28, 38, 39, 49 and 50.

- 2 Under section 65.1(3) of the *Petroleum and Natural Gas Act*, I specify the following:
 - a) the target area for an oil well completed within the project area is not nearer than 100 m to the sides of the Other Than Normal Spacing area,
 - b) an oil well completed outside the specified target area may be subject to an off-target production penalty,
 - c) oil wells drilled within the specified project area are not subject to spacing requirements.



Richard Stocomb
Supervisor, Reservoir Engineering
Oil and Gas Commission

DATED AT the City of Victoria, in the Province of British Columbia, this 15 day of November 2010.