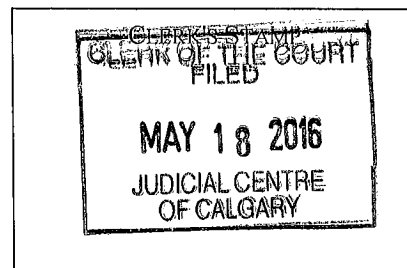


FORM 49  
[RULE 13.19]



COURT FILE NUMBER 1601 – 03113  
COURT COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL CENTRE CALGARY

**IN THE MATTER OF THE COMPANIES'  
CREDITORS ARRANGEMENT ACT, R.S.C. 1985,  
c. C-36, as amended**

**AND IN THE MATTER OF THE COMPROMISE  
OR ARRANGEMENT OF QUICKSILVER  
RESOURCES CANADA INC., 0942065 B.C. LTD.  
and 0942069 B.C. LTD.**

DOCUMENT **AFFIDAVIT**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

**BENNETT JONES LLP**  
Barristers and Solicitors  
4500, 855 – 2nd Street S.W.  
Calgary, Alberta T2P 4K7

Attention: Chris Simard / Kevin Zych  
Tel No.: 403-298-4485 / 416-777-5738  
Fax No.: 403-265-7219 / 416-863-1716

**AFFIDAVIT OF BOB MCGREGOR**

Sworn on May 18<sup>th</sup>, 2016.

I, Bob McGregor, of Calgary, Alberta, SWEAR AND SAY THAT:

1. I am the Vice President, Finance of each of Quicksilver Resources Canada Inc. ("Quicksilver Canada" or "QRCI") and 0942065 B.C. Ltd. ("LNG Co" and together with Quicksilver Canada, the "Applicants"). As such I have personal knowledge of the matters hereinafter deposed to, save where stated to be based on information and belief, in which case I verily believe the same to be true.

2. J. David Rushford previously swore an Affidavit in this Action on March 8, 2016 (the "**Rushford Affidavit No. 1**"). Where I use capitalized terms in this Affidavit, but do not define them, I intend them to bear their meanings as defined in the Rushford Affidavit No. 1.

### **Relief Requested**

3. This Affidavit is made in support of an Application by the Applicants for the following Orders:
  - (a) an Order (the "**Extension Order**") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") to extend the Stay Period granted in favour of the Applicants and defined in the Initial Order granted by this Honourable Court on March 8, 2016 and extended by way of Order granted by this Honourable Court on April 5, 2016. The Applicants request that the Extension Order extend the stay period from June 2, 2016 to August 5, 2016 (the "**Second Stay Extension**"); and
  - (b) an Order (the "**Claims Procedure Order**") in substantially the form set out in Schedule "A" to the Applicants' Application filed concurrently with this my Affidavit.

### **Second Stay Extension**

4. Since the granting of the Initial Order, the Applicants have taken significant steps to advance these restructuring proceedings, including but not limited to:
  - (a) cooperating with FTI Consulting, Inc. (the "**Monitor**") to facilitate its monitoring of the Applicants' business and operations;
  - (b) setting down applications for Approval and Vesting Orders with respect to the March 21, 2016 Asset Purchase Agreement entered into between 1069130 B.C. Ltd. regarding the Horn River Asset (the "**Horn River APA**") and the March 22, 2016 Asset Purchase Agreement entered into between 1069130 B.C. Ltd.,

0942065 B.C. Ltd. and 0942069 B.C. Ltd. regarding Discovery LNG (the "**Discovery LNG APA**"), which Orders were granted on April 22, 2016;

- (c) working with the Monitor to develop the Claims Procedure and a Plan of Compromise and Arrangement (a "**Plan**") to present to the Applicants' creditors;
  - (d) continuing to operate and manage the Applicants' business in the ordinary course, subject to the terms of the Initial Order;
5. The Applicants believe that extending the stay period for the Second Stay Extension will provide the Applicants the time needed to implement the Claims Procedure and formulate a Plan to be presented to their creditors.
6. The Applicants intend to use the two month Second Stay Extension to continue to advance the following initiatives:
- (a) implement and complete the Claims Procedure to identify all creditor claims against the Applicants and their directors and officers;
  - (b) continue to hold discussions with the Applicants' primary creditors and stakeholders (including the Agent, QRI, Spectra, KKR, the British Columbia environmental and regulatory authorities, and the Applicants' employees) to discuss a Plan that would allow for the most efficient method of monetizing the assets of the Applicants, determining claims against the Applicants and their directors, and distributing proceeds to creditors; and
  - (c) consider and if deemed advisable, schedule a further application in relation to QRCI's obligations to MMI and the Fortune Creek Gathering and Processing Partnership under the Services Agreement, the Contribution Agreement and the Gathering Agreement.

### **Cash Flow During the Second Stay Extension**

7. As was set out in the Rushford Affidavit No. 1, the Applicants' principal uses of cash continue to consist of the ongoing day-to-day operational expenses of the Applicants,

including with respect to field operations, such as payroll, transportation and office related expenses, and professional fees and disbursements in connection with these CCAA proceedings.

8. The Applicants in conjunction with the Monitor have prepared a revised cashflow statement covering the Second Stay Extension, which I understand will be included in a Monitor's Report to be filed in connection with this application. The Applicants will have sufficient cashflow to fund their operations during the Second Stay Extension.

### **Claims Procedure Order**

9. Based on my discussions with legal counsel and the Monitor, and my own knowledge of the stage of these CCAA proceedings, I believe:
  - (a) it is necessary that that nature, quantum, validity and enforceability of each claim against each of the Applicants be determined. This will allow the Applicants to move forward with formulating and presenting to their creditors a Plan in these proceedings, including convening a meeting or meetings for the purposes of voting upon such Plan;
  - (b) the Applicants have, in consultation with the Monitor and the Agent, developed a claims procedure, as reflected in the Claims Procedure Order attached to the Applicants' Application filed concurrently with this my Affidavit;
  - (c) the Monitor approves the proposed procedures and proposed Claims Procedure Order, and supports this Application;
  - (d) the Claims Procedure for which approval is sought herein is similar to claims procedures used in other CCAA proceedings. The Claims Procedure is designed to create a process that will allow for a timely review of all potential claims against the Applicants;
  - (e) the Claims Procedure sets a Claims Bar Date of 5:00 p.m. Calgary Time on July 5, 2016; and

- (f) the Applicants believe that the Claims Procedure will be effective and is reasonable and appropriate in these proceedings.

### **Partnership Matters**

10. As set out at paragraphs 26 to 44 of the Rushford Affidavit No. 1, with respect to the transportation, gathering and processing of gas produced by the Horn River Asset:
- (a) QRCI, LNG Co and LNG Subco entered into the KKR Transaction, in which QRCI transferred certain pipeline and compressor assets into the Fortune Creek Gathering and Processing Partnership (the "**Partnership**"). QRCI then entered into two agreements, the Contribution Agreement, which governed the partners' contribution to the Partnership, and the Gathering Agreement, a take-or-pay contract for gathering and processing of gas;
  - (b) QRCI then transferred its 50% partnership interest to Makarios Midstream Inc. ("**MMI**"), which entered into the Operating Agreement that governs the operation and maintenance of the Partnership's assets. In turn, QRCI and MMI entered into a Services Agreement, whereby QRCI agreed to provide certain services to MMI to allow MMI to fulfill its obligations under the Operating Agreement. MMI has no business assets other than its 50% interest in the Partnership and a small amount of cash; and
  - (c) despite the transfer of its interest in the Partnership, QRCI remains bound by the Contribution Agreement and the Gathering Agreement, and has obligations under those agreements that have proven to be extremely financially onerous to QRCI. These arrangements are not economically viable in the current circumstances or the foreseeable future.
11. As noted above, pursuant to the Horn River APA, QRCI sold the Horn River Asset. In light of that sale, and in light of the fact that QRCI's obligations under the Contribution Agreement and the Gathering Agreement are financially onerous and the arrangements are not economically viable, QRCI will issue disclaimer notices in respect of the Contribution Agreement and the Gathering Agreement today, May 18, 2016. True copies

of the disclaimer notices in respect of the Contribution Agreement and the Gathering Agreement are attached hereto and marked as **Exhibits "1"** and **"2"**, respectively.

- 12. QRCI is considering the need for a further Court application with respect to its involvement with the Partnership and its obligations under the Contribution Agreement, the Gathering Agreement, and the Services Agreement.

**Conclusion**

- 13. I swear this my Affidavit in support of an Application for the relief set out in paragraph 3 hereof and for no improper purpose.

SWORN (OR AFFIRMED) BEFORE ME )  
 at Calgary, Alberta, this 18<sup>th</sup> day of May, 2016 )



\_\_\_\_\_  
 A Commissioner for Oaths  
 in and for the Province of Alberta

Alexis Teasdale  
 Barrister and Solicitor



\_\_\_\_\_  
 BOB MCGREGOR

FORM 4

NOTICE BY DEBTOR COMPANY  
TO DISCLAIM OR RESILIAE AN AGREEMENT

TO: FORTUNE CREEK GATHERING AND PROCESSING PARTNERSHIP

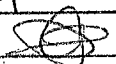
AND TO: 0927530 B.C. UNLIMITED LIABILITY COMPANY

AND TO: FTI CONSULTING (CANADA) INC.

TAKE NOTICE THAT:

1. Proceedings under the *Companies' Creditors Arrangement Act* (the "Act") in respect of Quicksilver Resources Canada Inc., 0942065 B.C. Ltd. and 0942069 B.C. Ltd. were commenced on the 8<sup>th</sup> day of March, 2016.
2. In accordance with subsection 32(1) of the Act, the debtor company gives you notice of its intention to disclaim or resiliate the following agreement:
  - (a) Contribution Agreement dated as of December 23, 2011 among Quicksilver Resources Canada Inc., Fortune Creek Gathering and Processing Partnership and 0927530 B.C. Unlimited Liability Company.
3. In accordance with subsection 32(2) of the Act, any party to the agreement may, within 15 days after the day on which this notice is given and with notice to the other parties to the agreement and to FTI Consulting (Canada) Inc. (the "Monitor"), apply to court for an order that the agreement is not to be disclaimed or resiliated.
4. In accordance with paragraph 32(5)(a) of the Act, if no application for an order is made in accordance with subsection 32(2) of the Act, the agreement is disclaimed or resiliated on the 16<sup>th</sup> day of June, 2016, being 30 days after the day on which this notice has been given.

Dated at Calgary, Alberta, on May 17, 2016.

This is Exhibit " 1 "  
referred to in the Affidavit of  
BOB MCGREGOR  
Sworn before me this 18<sup>th</sup>  
day of MAY, 2016  


Alexis Teasdale  
Barrister and Solicitor

QUICKSILVER RESOURCES CANADA

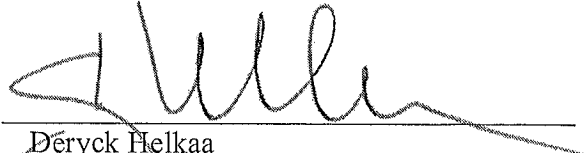
  
Name: \_\_\_\_\_  
Title: **Bob McGregor**  
**Vice President, Finance**

The Monitor approves the proposed disclaimer or resiliation.

Dated at Calgary, Alberta, on May 17, 2016.

**FTI CONSULTING (CANADA) INC.**

Per:



Deryck Helkaa



FORM 4

NOTICE BY DEBTOR COMPANY  
TO DISCLAIM OR RESILIAE AN AGREEMENT

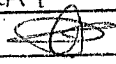
TO: FORTUNE CREEK GATHERING AND PROCESSING PARTNERSHIP

AND TO: FTI CONSULTING (CANADA) INC.

TAKE NOTICE THAT:

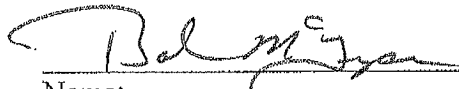
1. Proceedings under the *Companies' Creditors Arrangement Act* (the "Act") in respect of Quicksilver Resources Canada Inc., 0942065 B.C. Ltd. and 0942069 B.C. Ltd. were commenced on the 8<sup>th</sup> day of March, 2016.
2. In accordance with subsection 32(1) of the Act, the debtor company gives you notice of its intention to disclaim or resiliate the following agreement:
  - (a) Gathering Agreement made as of the 23<sup>rd</sup> day of December 2011 between Fortune Creek Gathering and Processing Partnership and Quicksilver Resources Canada Inc.
3. In accordance with subsection 32(2) of the Act, any party to the agreement may, within 15 days after the day on which this notice is given and with notice to the other parties to the agreement and to FTI Consulting (Canada) Inc. (the "Monitor"), apply to court for an order that the agreement is not to be disclaimed or resiliated.
4. In accordance with paragraph 32(5)(a) of the Act, if no application for an order is made in accordance with subsection 32(2) of the Act, the agreement is disclaimed or resiliated on the 16<sup>th</sup> day of June, 2016, being 30 days after the day on which this notice has been given.

Dated at Calgary, Alberta, on May 17, 2016.

THIS IS EXHIBIT " 2 " referred to in the Affidavit of BOB MCGREGOR  
Sworn before me this 18<sup>th</sup>  
day of MAY, 2016  


Alexis Teasdale  
Barrister and Solicitor

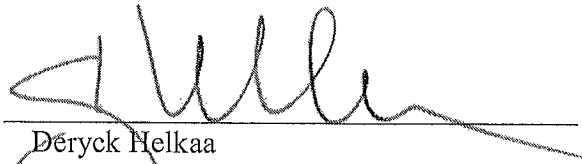
QUICKSILVER RESOURCES CANADA

  
Name: \_\_\_\_\_  
Title: **Bob McGregor**  
**Vice President, Finance**

The Monitor approves the proposed disclaimer or resiliation.

Dated at Calgary, Alberta, on May 17, 2016.

**FTI CONSULTING (CANADA) INC.**

Per:   
Deryck Helkaa