

Enhanced Oil Resources Inc.

FORM 51-101F1

For the Year Ended December 31, 2010

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

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STATEMENT OF RESERVES DATA
AND OTHER OIL AND GAS INFORMATION

PART 1 DATE OF STATEMENT

The effective date of the information being provided in this statement is as at December 31, 2010, and for the year ended December 31, 2010. The preparation date of the information being provided in this statement is April 12, 2011.

For a glossary of terminology and definitions relating to the information included within this statement (including the aforementioned dates) readers are referred to National Instrument 51-101 ("NI 51-101").

All dollar figures are US Dollars, unless otherwise specified.

PART 2 DISCLOSURE OF RESERVES DATA

The following is a summary of the oil and natural gas reserves and net present values of future net revenue of Enhanced Oil Resources Inc. and its subsidiaries (the "Company") as evaluated by Cawley, Gillespie & Associates, Inc. ("CG&A"), an independent qualified reserves evaluator appointed by the Company pursuant to NI 51-101. The Company has two properties with proved reserves, situated onshore New Mexico, (United States) and these properties were independently evaluated by CG&A for the year ended December 31, 2010 upon which CG&A issued their report dated March 31, 2011.

Readers should note that the totals in the following tables may not add due to rounding.

The estimated future net revenue figures contained in the following tables do not necessarily represent the fair market value of the Company's reserves. There is no assurance that the forecast price and cost assumptions contained in the CG&A report will be attained and variances could be material. Other assumptions relating to costs and other matters are included in the CG&A report. The recovery and reserves estimates attributed to the Company's properties described herein are estimates only. The actual reserves attributed to the Company's properties may be greater or less than those calculated.

Possible reserves are those additional reserves that are less likely to be recovered than probable reserves. Probable reserves are those additional reserves which analysis of geosciences and engineering data indicate are less likely to be recovered than proved reserves but more certain to be recovered than Possible reserves.

The Company has adopted the standard measure of 6 mcf:1 boe when converting natural gas to barrels of oil equivalent. Boe's may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf to 1 boe is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Item 2.1 *Reserves Data (Forecast Prices and Costs)*

1. Breakdown of Reserves (Forecast Case) - The following summarizes the aggregate proved reserves of the Company which are located in New Mexico:

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Summary of Oil and Gas Reserves as of December 31, 2010 Forecast Prices and Costs								
Reserves (United States)								
	Light and Medium Oil		Heavy Oil		Natural Gas (non-associated & associated)		Natural Gas Liquids	
Reserve Category	Gross (Mbbbl)	Net (Mbbbl)	Gross (Mbbbl)	Net (Mbbbl)	Gross (MMcf)	Net (MMcf)	Gross (Mbbbl)	Net (Mbbbl)
Proved Developed Producing	933.4	744.9	-	-	37.4	29.9	-	-
Proved Developed Non-producing	126.0	100.2			30.3	24.2		
Proved Undeveloped	2,582.0	2,039.1	-	-	-	-	-	-
Total Proved	3,641.4	2,884.1	-	-	67.7	54.1	-	-
Probable	-	-	-	-	-	-	-	-

2. Net Present Value of Future Net Revenue (Forecast Case) – The following summarizes the future net revenue attributable to the Company's proved reserves disclosed in section 1, estimated using forecast prices and costs before deducting future income tax expenses, if any, calculated without discount and using discounts as presented:

Summary of Net Present Values of Future Net Revenue as of December 31, 2010 Forecast Prices and Costs						
United States	Net Present Values of Future Net Revenue ⁽¹⁾					Unit Value Before Income Tax Discounted at 10% ⁽²⁾
	Before Income Taxes Discounted at (%/Year)					
Reserve Category	0 (M\$)	5 (M\$)	10 (M\$)	15 (M\$)	20 (M\$)	
Proved Developed Producing	\$ 40,832	\$ 32,266	\$ 26,819	\$ 23,103	\$ 20,422	\$ 35.77
Proved Developed Non- producing	\$ 3,245	\$ 3,079	\$ 2,776	\$ 2,471	\$ 2,198	\$ 26.64
Proved Undeveloped ²	\$ 87,722	\$ 55,268	\$ 37,032	\$ 25,866	\$ 18,550	\$ 18.16
Total Proved	\$ 128,554	\$ 87,534	\$ 63,851	\$ 48,970	\$ 38,972	\$ 23.03
Probable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Possible	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

⁽¹⁾ Amounts before and after income taxes are equivalent.

3. Additional Information Concerning Undiscounted Future Net Revenue (Forecast Case) – The following summarizes by reserve category (Proved, Probable or Possible) the

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elements using forecast pricing and costs of the undiscounted future net revenue and the per unit value of future net revenue before income tax:

Total Future Net Revenue As of December 31, 2010 Forecast Prices and Costs				
	<i>Undiscounted (In Thousands)</i>			<i>Total Proved, Probable and Possible</i>
	<u>Proved</u>	<u>Probable</u>	<u>Possible</u>	
Revenue	\$ 317,985	\$ -	\$ -	\$ 317,985
Royalties	(65,855)	-	-	(65,855)
Operating costs	(77,134)	-	-	(77,134)
Development costs	(40,157)	-	-	(40,157)
Abandonment & reclamation costs	(3,040)	-	-	(3,040)
Future Net Revenue Before Income Tax	131,798	-	-	131,798
Future income tax	-	-	-	-
Future Net Revenue After Income Tax	<u>\$ 131,798</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 131,798</u>
Per BOE ⁽¹⁾ Before Income Tax				<u>\$ 45.56</u>

⁽¹⁾ Expressed as dollars per boe's - barrel oil equivalents

4. Additional Information Concerning Discounted Future Net Revenue (Forecast Case) – The following summarizes by reserve category (Proved, Probable or Possible) the elements using forecast pricing and costs of the future net revenue discounted at 10% and the per unit value of discounted future net revenue before income tax:

Net Present Value of Future Net Revenue Light and Medium Crude Oil (including solution gas and associated by-products) as of December 31, 2010 Forecast Prices and Costs		
Reserve Category	Future Net Revenue Before Income Taxes (Discounted at 10%/Year)	
	(M\$)	\$/Per BOE
Proved Developed	\$ 29,595	\$ 34.65
Proved Undeveloped	\$ 37,032	\$ 18.16
Probable	\$ -	\$ -
Possible	\$ -	\$ -

Item 2.2 Supplemental Disclosure (Constant Prices and Costs)

Optional – not presented.

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Item 2.3 Reserves Disclosure Varies With Accounting

In determining reserves to be disclosed, the Company prepares consolidated financial statements and includes 100 percent of the reserves attributable to the parent company and 100 percent of the reserves attributable to its wholly-owned subsidiaries. There are no minority interests related to any subsidiaries of the Company.

Item 2.4 Future Net Revenue Disclosure Varies With Accounting

As discussed in Item 2.3, the Company prepares consolidated financial statements and no portion of future net revenue related to the Company's oil and gas reserves is attributable to a minority interest in a subsidiary held by non-affiliates.

Part 3 PRICING ASSUMPTIONS

Item 3.1 Constant Prices Used In Supplemental Disclosure

Optional - Not Presented

Item 3.2 Forecast Prices Used In Estimates

1. The following summarizes the pricing assumptions by product used in estimating reserves data disclosed in Item 2.1:

Summary of Pricing Assumptions as of December 31, 2010 Forecast Prices ⁽¹⁾		
Year	WTI Cushing Oil Price \$/BBL	Henry Hub Natural Gas Price \$/MMBtu
Forecast:		
2011	\$ 93.61	\$ 4.59
2012	\$ 93.95	\$ 5.06
2013	\$ 92.95	\$ 5.33
2014	\$ 92.40	\$ 5.49
2015	\$ 92.55	\$ 5.64
Thereafter	\$ 92.55	\$ 5.64
Actual Price Received in 2010:		
Weighted Average	\$ 75.78	\$ 3.70

⁽¹⁾ Pricing assumptions determined by the Company's independent reserves evaluator

PART 4 RECONCILIATION OF CHANGES IN RESERVES

Item 4.1 Reserves Reconciliation

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The following is a reconciliation of gross reserves by product of the Company since January 1, 2010 through December 31, 2010:

Gross Reserves Reconciliation				
As of December 31, 2010				
	Oil	Gas	Oil	Oil
	Gross Proved		Gross	Gross
	<u>MBBls</u>	<u>Mmcf</u>	<u>Probable</u>	<u>Possible</u>
Beginning Gross Reserves, January 1,	1,024.8	-	-	-
Purchased	-	-	-	-
Drilling Extensions (infill drilling)	2,582.0	-	-	-
Improved recovery	186.4	73.7	-	-
Technical revisions	-	-	-	-
Economic factors	-	-	-	-
Discoveries	-	-	-	-
Dispositions	-	-	-	-
Production	(151.8)	(5.9)	-	-
Ending Gross Reserves, December 31,	<u>3,641.4</u>	<u>67.8</u>	<u>-</u>	<u>-</u>

PART 5. ADDITIONAL INFORMATION RELATING TO RESERVES DATA

Item 5.1 Undeveloped Reserves

The following is a reconciliation of gross reserves by product for proved undeveloped reserves of the Company's since January 1, 2010 through December 31, 2010:

Gross Reserves Reconciliation		
Undeveloped Reserves		
As of December 31, 2010		
	Oil	Oil
	Gross Proved	Gross
	<u>MBBls</u>	<u>Probable</u>
Beginning Gross Reserves, January 1,	-	-
Purchased	-	-
Extensions and improved recovery	2,624.6	-
Technical revisions	-	-
Economic factors	-	-
Discoveries	-	-
Dispositions	-	-
Production	-	-
Ending Gross Reserves, December 31,	<u>2,624.6</u>	<u>-</u>

The Company has reported undeveloped reserves for the year ended December 31, 2010, within the meaning of that term under NI 51-101, either proved, probable and possible reserves. These undeveloped reserves resulted from the continuing evaluation of the property interests at the Milnesand Field. The

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Company initiated a pilot carbon dioxide (CO₂) flood in the northern part of the Milnesand Field in September 2008 which it conducted through August 2009. The installation of the pilot flood was preceded by an October 2007 assessment of CO₂-enhanced oil recovery (EOR) potential by Advanced Resources International (ARI). Their report indicated that the Milnesand Field, discovered in 1965, had produced almost 12.0 Million barrels of oil (MMBO) out of an expected 12.5 MMBO. This primary and secondary production represented a 13% recovery factor of the 93 MMBO of original oil in place (OOIP). The ARI study concluded that significant CO₂-EOR potential existed in this mature oil reservoir based on favorable remaining OOIP and miscibility.

The 40-acre 5-spot pattern pilot flood injected straight CO₂ into one wellbore (#58) at a rate of approximately 440 mcf per day during late 2008 and early 2009. Through July 2009, 137,000 mcf of CO₂ had been injected, resulting in a maximum rate increase of approximately 15 BOPD and incremental CO₂- EOR oil of 3,000 barrels. The reserves evaluator's analysis of the pilot flood demonstrated that roughly 30,000 barrels of CO₂-EOR oil per well would be recovered for each 40-acre 5-spot in the North region of the field where the poorest recoveries to date have occurred.

In July 2010, the Company announced the completion of a field study on the Milnesand field analyzing the potential for a drilling program based on 20 acre spacing. The study the historical production performance at Milnesand, the historical results of the water flood performance at the 100% Company owned Horton Federal lease adjacent to, and south of, the Milnesand (San Andres) Unit and when compared with analogous San Andres infill projects elsewhere in the Permian Basin concluded that on average each 20 acre infill well could recover an additional 35,000 barrels of oil over a 25 year life. The addition of proved undeveloped reserves reflected in the table above represents the reserves attributable to drilling 70 infill locations on 20 acre spacing. The additional recovery per 20 acre location is estimated in the current reserve estimates to be approximately 2.8% of the original oil in place.

The Milnesand field was discovered in 1956 and, to date, has produced approximately 12 million barrels of oil from an estimated 93 million barrels of oil in place, resulting in a recovery efficiency of only 12.5%. The field was developed on 40 acre spacing with minimal infill drilling in the past. The Company intends to initiate an infill drilling program as a precursor to a full field CO₂ flood. The Company controls approximately 5,600 acres within the 6,000 acre Milnesand San Andres field.

The Company purchased the Milnesand Unit property interests effective in June 2007 and purchased the Crossroads Unit property interests effective in May 2008. Before 2007, the Company previously had no crude oil or natural gas reserves. The Company has interests the Chaveroo field, located in Roosevelt and Chaves counties, New Mexico, which was also purchased in 2007, however, these interests, currently, have no economic reserves, although this field is believed to be prospective for both infill drilling on 20 acre spacing and for tertiary recovery of oil through CO₂ injection. The Chaveroo field has similar characteristics to the Milnesand field for CO₂ flooding, however, no CO₂ projects have been conducted on this field to evaluate its potentially recoverable CO₂ reserves. Initially the Company's acquisitions of all its crude oil and natural gas was principally for their resource potential associated with tertiary recovery methods, specifically CO₂ injection. The economics of these property interests for tertiary CO₂ recoveries depend on the access to CO₂ which will require the construction of a pipeline to these properties from a source of CO₂.

Effective March 1, 2010, the Company executed a five year CO₂ purchase agreement with Kinder Morgan CO₂ Company, L.P. (Kinder Morgan) for use by the Company in its tertiary oil recovery projects in the Permian Basin. The contract calls for a take or pay purchase commitment of 27.4 bcf of CO₂ over a five year period commencing no later than, as amended, September 1, 2013. The Company is currently planning the development of a pipeline to take delivery by the due date from a take point on the Kinder

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Morgan Cortez CO₂ pipeline, which is located approximately 25 miles from the Milnesand field. Effective March 1, 2011, the Company and Kinder Morgan amended the terms of the agreement executed effective March 1, 2010. The parties agreed to delay the date that the Company can terminate the Agreement before the take or pay obligation will commence until March 1, 2012 and delay the date that CO₂ will be required take delivery of CO₂ until September 1, 2013.

Item 5.2 Significant Factors or Uncertainties Affecting Reserves Data

See notes to the Company's financial statements for the year ended December 31, 2010, for a discussion of some of the important economic factors and significant uncertainties likely to affect the components of oil and gas information and the reserves data disclosed herein. In addition, such components may be affected by material fluctuations in commodity prices, material changes in current taxation or royalty rates and/or state and federal regulations governing the conduct of oil and gas activities.

Item 5.3 Future Development Costs

Development costs of \$39.1 million (excluding abandonment costs) have been projected for the development of the proved undeveloped reserves at the Milnesand field. There is \$1.1 million of future development costs currently projected for 2011 related to proved non-producing wells, of which \$0.7 million is associated with the Crossroads field. The Company may incur additional development costs on its properties. In connection with the future development costs projected for the proved reserves category, the Company believes it has the resources from anticipated cash flows from operations or access to financing through its Bank Credit Facility with Regions Bank to fund these expenditures. The Company will continue to evaluate the resources and capital necessary to commence and complete the development of the undeveloped reserves and pursue additional financing for a CO₂ pipeline to Kinder Morgan's Cortez CO₂ pipeline within the next three years.

PART 6. OTHER OIL AND GAS INFORMATION

Item 6.1 Oil and Gas Properties and Wells

The Company's only properties with attributed reserves are the Crossroads Unit field, Lea County, New Mexico and the Milnesand Unit, located in Roosevelt County, New Mexico, onshore United States. The following summarizes wells, capable of producing or capable of being used as injection wells, whether or not reserves have been attributed to them.

Oil Wells Capable of Producing		Injector Wells		Oil Wells Not Capable of Producing	
Gross	Net	Gross	Net	Gross	Net
103	78	30	23	9	7

Item 6.2 Properties with No Attributed Reserves

The Company has interests in 22,320 acres in the Chaveroo field in Roosevelt and Chaves counties, New Mexico, of which 22,320 acres are net to the Company. As the operator of this field, a subsidiary of the Company has agreed to certain fieldwork commitments with regard to certain wells in the field. These

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operations include re-activation of wells, converting wells to injector wells, temporarily abandonment or complete plug and abandonment of wells over a two year period covering 80 wells in this field. During 2008, the Company's subsidiaries reactivated 50 wells to production and converted two wells to injector status in this field. One reactivation was completed in this field in 2010. A subsidiary of the Company has operating and financial assurance bonds of \$644,000 posted in connection with wells on these property interests. Substantially all of these leases or separate groups of unitized leases are held by production or the payment of delay rentals.

Item 6.2 Significant Factors or Uncertainties Relevant to *Properties with No Attributed Reserves*

As discussed above, the Company interests in the Chaveroo field were also purchased in 2007, however, no economic reserves have been attributed to the field, pending field studies and engineering evaluations. The field has limited production and high operating costs due to the condition of the property which will require significant expenditures to re-activate limited production, abandon old well bores and deal with increasing regulatory activity. The field was purchased, as with the objective for the Company's two other fields, for its resource potential associated with tertiary recovery methods, specifically CO₂ injection. The field produces from the same formation as the much smaller Milnesand field, the San Andres, and is believed to be prospective for both infill drilling on reduced well spacing and for tertiary recovery of oil through CO₂ injection. Although similar characteristics to the Milnesand field, no CO₂ pilot projects have been conducted on this field to evaluate results potentially recoverable from CO₂ injection. The economics of these property interests for tertiary CO₂ recoveries depend on the access to CO₂ which will require the construction of a pipeline to these properties from a source of CO₂. The connection to Kinder Morgan's Cortez pipeline, discussed above, is currently contemplated will pass through the Chaveroo field to the Milnesand field. Approximately six miles separate the Milnesand and Chaveroo fields.

Item 6.3 Forward Contracts

As of December 31, 2010, two subsidiaries of the Company entered into a derivative contract (a crude oil swap) for approximately 55,000 net barrels of crude oil for delivery in 2011 at an average price of \$90.64 per barrel, based on the monthly settlement of the NYMEX WTI price for crude oil.

Item 6.4 Additional Information Concerning Abandonment and Reclamation Costs

The Company's abandonment and reclamation costs are ascertained by estimating the costs using current techniques to fulfill the current obligations in regard to wells that are under appraisal or pending development. The Company routinely estimates and provides for asset retirement obligations with respect to all property interests, including oil and properties, in its consolidated financial statements in accordance with Canadian generally accepted accounting principles (See Notes to Consolidated financial statements for the year ended December 31, 2010).

At December 31, 2010, the Company reported its liability for asset retirement obligations as \$15.8 million which includes the obligation to "plug and abandon" a total of 463 oil and gas wells (gross and net) in the three fields it operates in New Mexico at the end of their useful life which has been estimated to occur before 2029 based on the assumption that CO₂ flooding would occur before such wells were retired and abandoned. The total undiscounted amount of estimated future cash flows required to settle the obligations as of December 31, 2010 is US\$37.8 million, which has been discounted using a credit-adjusted risk free rate from 7.2% to 9.85% or a risk free rate of 6% and assumes an inflation rate from 1.5% to 4%. In connection with the evaluation of the timing and cost estimates required for such future cash flows associated with its oil and gas properties in 2010, the Company accelerated the timing of when such costs were likely to occur and increased the estimate of the amount of future plugging, abandonment and reclamation costs, principally related to its Chaveroo and Milnesand oil fields. These obligations are

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expected to be settled over the next five years (approximately US\$ 8.8 million) to thirty years and will be funded from general Company resources at the time of retirement.

Item 6.5 Tax Horizon

Based on current reserves, the Company currently does not estimate that income taxes are likely to become payable before 2020, subject to current assumptions of production levels, operating and capital expense deductions and commodity prices. There are no income taxes associated with the estimated future net cash flows estimated from current proved reserves based on the Company's basis in its assets and net operating loss carry forwards available to offset taxable income within its consolidated U.S. group.

Item 6.6 Costs Incurred

In the year ending December 31, 2010, the Company made the following expenditures (whether capitalized or charged to expense):

Country	United States
Property Acquisition Costs – Proved properties	\$2.4 million
Property Acquisition Costs – Unproved properties	-
Exploration Costs	-
Development Costs	-

Item 6.7 Exploration and Development Activities

At December 31, 2010, the Company drilled or completed no exploratory or development wells in its New Mexico oil and natural gas properties.

Item 6.8 Production Estimates

The gross volume of production estimated for the year ended December 31, 2011 included in future net revenue calculations for gross proved developed reserves estimated under Item 2.1 is 174,000 gross barrels of oil and 28.8 gross mmcf of natural gas.

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Item 6.9 Production History

The Company's quarterly share of daily production and netback for the periods ended December 31, 2010 are presented below:

		Oil Production - By Quarter			
		2010			
		1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
		\$ per Barrel			
Averages per barrel volume:					
	Prices received ⁽¹⁾	\$ 75.17	\$ 73.46	\$ 72.14	\$ 80.11
	Royalties paid	(13.81)	(13.42)	(12.89)	(14.26)
	Production taxes	(6.29)	(6.12)	(6.08)	(6.76)
	Production costs	(16.47)	(21.65)	(18.17)	(23.29)
	Netback	\$ 38.60	\$ 32.27	\$ 35.00	\$ 35.81
Share of Average Daily Production before royalties		513.9	327.2	478.4	490.7
	BOEs / day				

⁽¹⁾ Includes associated natural gas

Production and operating costs for natural gas produced and natural gas volumes are not significant as all gas production is associated gas occurring with crude oil produced.

The Company's share of production volumes by field for the year ended December 31, 2010 were as follows:

	2010 Production Volumes	
	<u>MBbls</u>	<u>MMcf</u>
Crossroads Unit Field	107.77	2.15
Milnesand Unit Field	12.53	-
Chaveroo Field	11.01	0.64
	<u>131.32</u>	<u>2.79</u>