# FORM 51-101F1
# STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

## PART 1 DATE OF STATEMENT

### 1.1 Relevant Dates

The effective date for the statement is May 1, 2005.

The preparation date for this statement is May 29 , 2006.

## PART 2 DISCLOSURE OF RESERVES DATA

In accordance with National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities, Martin & Brusset Associates ("**MBA**") prepared a report (the "**MBA Report**") dated June 23rd, 2005. The MBA Report evaluated 100% of the Corporation's crude oil and natural gas reserves, as at May 1, 2005. The tables below are a summary of the Corporation's crude oil and natural gas reserves and the net present value of future net revenue attributable to such reserves as evaluated in the MBA Report based on constant and forecast price and cost assumptions. The tables summarize the data contained in the MBA Report and as a result may contain slightly different numbers than such report due to rounding. Also due to rounding, certain columns may not add exactly.

**The net present value of future net revenue attributable to the Corporation's reserves is stated without provision for interest costs and general and administrative costs, but after providing for estimated royalties, production costs, development costs, other income, future capital expenditures, and well abandonment costs for only those wells assigned reserves by MBA. It should not be assumed that the undiscounted or discounted net present value of future net revenue attributable to the Corporation's reserves estimated by MBA represent the fair market value of those reserves. Other assumptions and qualifications relating to costs, prices for future production and other matters are summarized herein. The recovery and reserve estimates of our crude oil, NGL and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual reserves may be greater than or less than the estimates provided herein.**

The MBA Report is based on certain factual data supplied by the Corporation and MBA's opinion of reasonable practice in the industry. The extent and character of ownership and all factual data pertaining to the Corporation's petroleum properties and contracts (except for certain information residing in the public domain) were supplied by the Corporation to MBA and accepted without any further investigation. MBA accepted this data as presented and neither title searches nor field inspections were conducted.

## 2.1 Reserves Data (Constant Prices Evaluation)

The evaluation has been prepared using May 1, 2005 constant prices and unescalated costs.

**Fomack Energy Inc.**

**Summary of Oil, Gas & Natural Gas Liquids Reserves and Present Worth**
**Before Income Tax**
**(As of 01 May 2005)**
**Martin & Brusset Associates May 1, 2005 Constant Prices and Unescalated Costs**

| | Average Company Interest % | Company's Interest in Reserves — Crude Oil MBbl Gross | Crude Oil MBbl Net | Natural Gas MMcf Gross | Natural Gas MMcf Net | NGL's MBbl Gross | NGL's MBbl Net | Net Present Value of Net Production Income M$ — Undiscounted 0% | 5% | 10% | 12% | 15% | 20% |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Oil** | | | | | | | | | | | | | |
| Proved Developed Producing | 25.00 | 1 | 1 | 12 | 11 | 0 | 0 | 71 | 68 | 65 | 64 | 62 | 60 |
| Probable | | | | | | | | | | | | | |
| Total | 25.00 | 0 | 0 | 6 | 5 | 0 | 0 | 38 | 34 | 30 | 29 | 27 | 24 |
| Proved + Probable Total | 25.00 | 1 | 1 | 18 | 16 | 0 | 0 | 109 | 101 | 95 | 92 | 89 | 84 |
| **Gas** | | | | | | | | | | | | | |
| Proved Developed Producing | 4.17 | 0 | 0 | 5 | 4 | 0 | 0 | 20 | 19 | 18 | 17 | 17 | 16 |
| Probable | 4.17 | 0 | 0 | 2 | 2 | 0 | 0 | 10 | 9 | 8 | 7 | 7 | 6 |
| Proved + Probable Total | 4.17 | 0 | 0 | 7 | 6 | 0 | 0 | 30 | 27 | 25 | 24 | 23 | 22 |
| **Total – Oil & Gas** | | | | | | | | | | | | | |
| Proved Developed Producing | 12.00 | 1 | 1 | 17 | 15 | 0 | 0 | 91 | 86 | 82 | 81 | 79 | 75 |
| Probable Total | 12.16 | 0 | 0 | 8 | 7 | 0 | 0 | 49 | 43 | 37 | 36 | 33 | 30 |
| Proved + Probable Total | 12.05 | 1 | 1 | 25 | 22 | 0 | 0 | 140 | 129 | 120 | 117 | 112 | 105 |

(1) The Company has sufficient tax pools for proved and proved + probable revenues to be non-taxable.

**Proved Reserves**
**Breakdown of Future Net Revenue**
**Undiscounted**
**As of May 1, 2005**
**Constant Prices & Costs**

| | M $ |
|---|---|
| Alberta, Canada | |
| Revenue | 179 |
| Royalties | 13 |
| Operating Costs | 70 |
| Development Costs | 0 |
| Well Abandonment Costs | 6 |
| Future Net Revenue Before Income Tax | 91 |
| Income Taxes | 0 |
| Future Net Revenue After Income Tax | 91 |

## 2.2 Reserves Data (Forecast Prices Evaluation)

The evaluation has been prepared using the prices and escalation rates forecast by Martin & Brusset Associates effective May 1, 2005.

**Fomack Energy Inc.**

**Summary of Oil, Gas & Natural Gas Liquids Reserves and Present Worth**
**Before Income Tax**
**(As of 01 May 2005)**
**Martin & Brusset Associates April 1, 2005 Prices and Escalations**

| | Average Company Interest | Company's Interest in Reserves | | | | | | Net Present Value of Net Production Income M$ | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Crude Oil MBbl | | Natural Gas MMcf | | NGL's MBbl | | Undis-counted | Discounted | | | | |
| | % | Gross | Net | Gross | Net | Gross | Net | 0% | 5% | 10% | 12% | 15% | 20% |
| **Oil** | | | | | | | | | | | | | |
| Proved Developed Producing | 25.00 | 1 | 0 | 11 | 10 | 0 | 0 | 56 | 53 | 51 | 51 | 50 | 48 |
| Probable | | | | | | | | | | | | | |
| Total | 25.00 | 0 | 0 | 4 | 4 | 0 | 0 | 24 | 22 | 20 | 19 | 18 | 17 |
| Proved + Probable | | | | | | | | | | | | | |
| Total | 25.00 | 1 | 1 | 16 | 14 | 0 | 0 | 80 | 75 | 71 | 70 | 68 | 65 |
| **Gas** | | | | | | | | | | | | | |
| Proved Developed Producing | 4.17 | 0 | 0 | 5 | 4 | 0 | 0 | 16 | 15 | 14 | 14 | 14 | 13 |
| Probable | | | | | | | | | | | | | |
| Total | 4.17 | 0 | 0 | 2 | 2 | 0 | 0 | 7 | 6 | 5 | 5 | 5 | 4 |
| Proved + Probable | | | | | | | | | | | | | |
| Total | 4.17 | 0 | 0 | 7 | 6 | 0 | 0 | 23 | 21 | 20 | 19 | 19 | 18 |

**Fomack Energy Inc. (Con't)**

**Summary of Oil, Gas & Natural Gas Liquids Reserves and Present Worth**
**Before Income Tax**
**(As of 01 May 2005)**
**Martin & Brusset Associates April 1, 2005 Prices and Escalations**

| Average Company Interest | Company's Interest in Reserves | | | | | | Net Present Value of Net Production Income M$ | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Crude Oil MBbl | | Natural Gas MMcf | | NGL's MBbl | | Undis-counted | Discounted | | | | |
| % | Gross | Net | Gross | Net | Gross | Net | 0% | 5% | 10% | 12% | 15% | 20% |
| **Total Oil & Gas** | | | | | | | | | | | | |
| Proved Developed Producing 11.83 | 1 | 0 | 16 | 14 | 0 | 0 | 72 | 69 | 66 | 65 | 63 | 61 |
| Probable Developed Total 10.94 | 0 | 0 | 7 | 6 | 0 | 0 | 31 | 28 | 25 | 24 | 23 | 21 |
| Proved + Probable Total 11.56 | 1 | 1 | 22 | 20 | 0 | 0 | 103 | 97 | 91 | 89 | 87 | 82 |

**Notes:** (1) The Company has sufficient tax pools for proved producing and proved + probable revenues to be non-taxable.

**Proved Reserves and Proved + Probable Reserves**
**Breakdown of Future Net Revenue**
**Undiscounted**
**As of May 1, 2005**
**Forecast Prices & Costs**

| | Proved M $ | Proved + Probable M $ |
|---|---|---|
| Alberta, Canada | | |
| Revenue | 147 | 202 |
| Royalties | 10 | 14 |
| Operating Costs | 59 | 79 |
| Development Costs | 0 | 0 |
| Well Abandonment Costs | 6 | 6 |
| Future Net Revenue Before Income Tax | 72 | 103 |
| Income Taxes | 0 | 0 |
| Future Net Revenue After Income Tax | 72 | 103 |

Notes: (1) The Company has sufficient tax pools for proved and proved + probable revenues to be non-taxable.

## PART 3 PRICING ASSUMPTIONS

### 3.1 Constant Prices Used in Estimates

The constant price evaluation has been prepared based on the following actual benchmark price, for May 1, 2005, held constant for the life of the evaluation.

| | |
|---|---|
| Alberta Spot Gas | $7.08/MMBtu |
| Average Edmonton Posted (40 API) Oil | $62.24/Bbl. |

### 3.2 Forecast Prices Used in Estimates

The forecast price evaluation has been prepared using the prices and escalation rates forecast by Martin & Brusset Associates effective May 1, 2005. These projections of prices have been made using assumptions which appear reasonable under present conditions. However, in view of the recent fluctuations in world crude oil prices, and in North American natural gas prices, currency exchange rates, and other factors, there is no assurance that these projections will turn out to be accurate.

The Martin & Brusset Associates benchmark oil and gas price forecasts and adjustments utilized to derive the gas price forecast for the Company's oil and gas sales are as follows:

| Year | Edmonton Par Light Sweet 40º API $/Bbl | Alberta Spot Gas $/Mmbtu |
|---|---|---|
| 2005 | 59.03 | 6.59 |
| 2006 | 54.70 | 6.47 |
| 2007 | 49.60 | 6.22 |
| 2008 | 45.80 | 5.72 |
| 2009 | 45.80 | 5.47 |
| 2010 | 45.80 | 5.22 |
| 2011 | 46.50 | 5.32 |
| 2012 | 47.10 | 5.42 |
| 2013 | 47.70 | 5.52 |
| 2014 | 48.40 | 5.62 |
| 2015 | 49.00 | 5.72 |
| Thereafter | - - - - - - - Escalated 2%/Yr. - - - - - - - | |

For Kaybob field, gas prices are adjusted plus $0.24/Mcf.

For West Pembina field, oil prices are Edmonton Par Light Sweet 40º API Less $2.96/Bbl., gas prices are adjusted by a factor of 1.285 (heating value = 1,285 BTU/Scf).

Historical prices for Edmonton Par oil and Alberta Spot gas for the previous five years are as follows:

| Year | Edmonton Par Light Sweet 40° API $/Cdn/Bbl | Alberta Spot Gas $/Cdn/Mmbtu |
|---|---|---|
| 2000 | 44.56 | 4.94 |
| 2001 | 39.34 | 6.10 |
| 2002 | 40.21 | 3.91 |
| 2003 | 43.57 | 6.55 |
| 2004 | 52.58 | 6.52 |

The Company's average gas price received for the past fiscal year is $8.52/Mcf.

## PART 4 RECONCILIATIONS OF CHANGES IN RESERVES AND FUTURE NET REVENUE

### 4.1 Reserves Reconciliation

| Factors | Light and Medium Oil | | | Heavy Oil | | | Total Oil | | |
|---|---|---|---|---|---|---|---|---|---|
| | Net Proved Mbbl | Net Probable Mbbl | Net Proved + Probable Mbbl | Net Proved Mbbl | Net Probable Mbbl | Net Proved + Probable Mbbl | Net Proved Mbbl | Net Probable Mbbl | Net Proved + Probable Mbbl |
| May. 1, 2004 | 1.1 | 0.9 | 2.0 | 0.0 | 0.0 | 0.0 | 1.1 | 0.9 | 2.0 |
| Extensions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Improved Rec | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Technical Rev | -0.2 | -0.8 | -1.0 | 0.0 | 0.0 | 0.0 | -0.2 | -0.8 | -1.0 |
| Discoveries | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Acquisitions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Dispositions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Economic Fac | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Production | -0.3 | 0.0 | -0.3 | 0.0 | 0.0 | 0.0 | -0.3 | 0.0 | -0.3 |
| May. 1, 2005 | 0.6 | 0.1 | 0.7 | 0.0 | 0.0 | 0.0 | 0.6 | 0.1 | 0.7 |

| Factors | Associated and Non-Associated Gas | | | Solution Gas | | | Total Gas | | |
|---|---|---|---|---|---|---|---|---|---|
| | Net Proved MMcf | Net Probable MMcf | Net Proved + Probable MMcf | Net Proved MMcf | Net Probable MMcf | Net Proved + Probable MMcf | Net Proved MMcf | Net Probable MMcf | Net Proved + Probable MMcf |
| May. 1, 2004 | 9.0 | 2.0 | 11.0 | 17.0 | 17.0 | 34.0 | 26.0 | 19.0 | 45.0 |
| Extensions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Improved Rec | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Technical Rev | -3.0 | 0.0 | -3.0 | -0.3 | -13.0 | -13.3 | -3.3 | -13.0 | -16.3 |
| Discoveries | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Acquisitions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Dispositions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Economic Fac | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Production | -2.0 | 0.0 | -2.0 | -6.7 | 0.0 | -6.7 | -8.7 | 0.0 | -8.7 |
| May. 1, 2005 | 4.0 | 2.0 | 6.0 | 10.0 | 4.0 | 14.0 | 14.0 | 6.0 | 20.0 |

| Factors | Natural Gas Liquids | | |
|---|---|---|---|
| | Net Proved Mbbl | Net Probable Mbbl | Net Proved + Probable Mbbl |
| May. 1, 2004 | 2.0 | 1.0 | 3.0 |
| Extensions | 0.0 | 0.0 | 0.0 |
| Improved Rec | 0.0 | 0.0 | 0.0 |
| Technical Rev | -1.6 | -1.0 | -2.6 |
| Discoveries | 0.0 | 0.0 | 0.0 |
| Acquisitions | 0.0 | 0.0 | 0.0 |
| Dispositions | 0.0 | 0.0 | 0.0 |
| Economic Fac | 0.0 | 0.0 | 0.0 |
| Production | -0.4 | 0.0 | -0.4 |
| May. 1, 2005 | 0.0 | 0.0 | 0.0 |

Net Company Interest Reserves are defined as the applicable working interest share and/or royalty interest share of the remaining sales reserves, less all royalties and interests owned by others.

## 4.2 Future Net Revenue Reconciliation

**Reconciliation of Changes in Net Present Values of Future Net Revenue**
**Discounted at 10% Per Year**
**Proved Reserves - Constant Prices and Costs**

| | M$ |
|---|---|
| **Estimated Future Net Revenue at Beginning of Year ( May 1, 2004) After Tax** | 156 |
| **Sales & Transfers of Oil and Gas Produced, Net of Production Costs & Royalties** | -67 |
| **Net Changes in Prices,Production Costs and Royalties Related to Future Production** | 62 |
| **Changes in Previously estimated Development Costs Incurred During the Period** | 0 |
| **Changes in Estimated Future Development Costs** | 0 |
| **Extensions and Improved Recovery** | 0 |
| **Discoveries** | 0 |
| **Acquisitions of Reserves** | 0 |
| **Dispositions of Reserves** | 0 |
| **Net Change Resulting from Technical Revisions** | -71 |
| **Accretion of Discount** | 2 |
| **Net Change in Income Taxes** | 0 |
| **Estimated Future Net Revenue at End of Year (May 1, 2005) After Tax** | 82 |

# PART 5 ADDITIONAL INFORMATION RELATING TO RESERVES DATA

## 5.1 Undeveloped Reserves

As defined in PART 2, there are no Proved or Probable Undeveloped Reserves attributed as of May 1, 2005.

## 5.2 SIGNIFICANT FACTORS OR UNCERTAINITIES AFFECTING RESERVE DATA

The process of estimating reserves is complex. It requires significant judgments and decisions based on available geological, geophysical, engineering, and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The reserve estimates contained herein are based on current production forecasts, prices and economic conditions.

As circumstances change and additional data become available, reserve estimates also change. Estimates made are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, prices, economic conditions and governmental restrictions.

Although every reasonable effort is made to ensure that reserve estimates are accurate, reserve estimation is an inferential science. As a result, the subjective decisions, new geological or production information and a changing environment may impact these estimates. Revisions to reserve estimates can arise from changes in year-end oil and gas prices, and reservoir performance. Such revisions can be either positive or negative.

### 5.3 Future Development Costs

There are no future development costs included in the reserve evaluation prepared by Martin & Brusset Associates effective May 1, 2005.

## PART 6 OTHER OIL AND GAS INFORMATION

### 6.1 Oil and gas Properties and wells

The Company has petroleum interests in 640 acres (1 section) of land in the Kaybob area and 320 acres (1/2 section) of land in the West Pembina area of Alberta. One gas well and one oil well are currently producing. The Company's gross and net wells located on these lands are:

| Producing | Gross Wells | Net WI Wells |
|---|---|---|
| Kaybob (Gas) | 1 | .04 |
| West Pembina (Oil) | 1 | .25 |
| Total | 2 | .29 |

### 6.2 Unproved Properties

The Company has unproved properties in the Kaybob Area (Section 23-63-19-W5M) and Brazeau Area ( Section 31-48-14 W5M)

.

### 6.3 There are no forward contracts

### 6.4 Additional Information Concerning Abandonment and Reclamation Costs

The Company's current abandonment and reclamation liabilities pertain to two existing gross wells (0.29 net wells) and the related facilities. Anticipated abandonment and reclamation costs are cursory estimates only at this point in time. The portion of these costs included in the estimation of future net revenue disclosed in Part 2 from the evaluation prepared by Martin & Brusset Associates is 6 M$. This cost relates specifically to the cost of abandoning and disconnecting the currently producing wells without consideration for reclamation costs. A cursory estimate of the total costs of abandonment and reclamation including wellsites and facilities is approximately 10-12 M$.

### 6.5 Tax Horizon

Based on revenues derived from proved and proved plus probable reserves the Company does not become taxable for some period of time.

## 6.6 Development costs

There were no development costs incurred in the past year.

## 6.7 Developed Activities

No development activities occurred in the past year.

## 6.8 Production Estimates

Production estimated from the Kaybob field in the first forecast year commencing May 1, 2005 is 1.8 MMcf of gas. Production estimated from the West Pembina field in the first year commencing May 1, 2005 is 0.3 MSTB of oil and 4.7 MMcf of gas.

## 6.9 Production History

Production details and financial data for the most recent fiscal year ended June 30, 2005.

| | Avg. Daily Oil Sales BOPD | Avg. Daily Gas Sales Mcfpd | Avg. Price Received $Bbl | $/Mcf | $/Boe | Royalties Paid $/Boe | Production Costs $/Boe | Netback $/Boe |
|---|---|---|---|---|---|---|---|---|
| Q1 | | | | | | | | |
| Q2 | | | | | | | | |
| Q3 | | | | | | | | |
| Q4 | | | | | | | | |
| Yearly Average | 0.9 | 23.8 | 55.16 | 8.52 | 42.43 | 1.66 | 9.88 | 30.89 |

Production for the past fiscal year totalled 322 Bbls oil and 8,692 Mcf of gas for a total of 1,771 Boe. Any liquids value has been included in the heating value of the gas.

**Notes and Definitions**

In the tables set forth above in "Disclosure of Reserves Data" and elsewhere in any required Annual Information Form, the following notes and other definitions are applicable.

*Reserve Categories*

The determination of oil and gas reserves involves the preparation of estimates that have an inherent degree of associated uncertainty. Categories of proved, probable and possible reserves have been established to reflect the level of these uncertainties and to provide an indication of the probability of recovery.

The estimation and classification of reserves requires the application of professional judgment combined with geological and engineering knowledge to assess whether or not specific reserves classification criteria have been satisfied. Knowledge of concepts including uncertainty and risk, probability and

statistics, and deterministic and probabilistic estimation methods is required to properly use and apply reserves definitions.

(a) "**Reserves**" are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on (a) analysis of drilling, geological, geophysical, and engineering data; (b) the use of established technology; and (c) specified economic conditions, which are generally accepted as being reasonable and shall be disclosed. Reserves are classified according to the degree of certainty associated with the estimates.

5.2 "**Proved**" reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

5.3 "**Developed Producing**" reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

5.4 "**Developed Non-Producing**" reserves are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.

5.5 "**Undeveloped**" reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (e.g., when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable, possible) to which they are assigned. In multi-well pools, it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to subdivide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator's assessment as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status.

5.6 "**Probable**" reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

*Levels of Certainty for Reported Reserves*

The qualitative certainty levels referred to in the definitions above are applicable to individual reserve entities (which refers to the lowest level at which reserves calculations are performed) and to reported reserves (which refers to the highest level sum of individual entity estimates for which reserves are presented). Reported reserves should target the following levels of certainty under a specific set of economic conditions:

4 At least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves;

5 At least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves.

A quantitative measure of the certainty levels pertaining to estimates prepared for the various reserves categories is desirable to provide a clearer understanding of the associated risks and uncertainties. However, the majority of reserves estimates will be prepared using deterministic methods that do not provide a mathematically derived quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.

*Additional Definitions*

The following terms, used in the preparation of the GLJ Report (as defined herein) and any required Annual Information Form, have the following meanings:

(a) "**associated gas**" means the gas cap overlying a crude oil accumulation in a reservoir.

(b) "**constant prices and costs**" means prices and costs used in an estimate that are:

5.6.1 the Corporation's prices and costs as at the effective date of the estimation, held constant throughout the estimated lives of the properties to which the estimate applies;

5.6.2 if, and only to the extent that, there are fixed or presently determinable future prices or costs to which the Corporation is legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in paragraph (i).

For the purpose of paragraph (i), the Corporation's prices will be the posted price for oil and the spot price for gas, after historical adjustments for transportation, gravity and other factors.

(c) "**crude oil**" or "**oil**" means a mixture that consists mainly of pentanes and heavier hydrocarbons, which may contain sulphur and other non-hydrocarbon compounds, that is recoverable at a well from an underground reservoir and that is liquid at the conditions under which its volume is measured or estimated. It does not include solution gas or natural gas liquids.

(d) "**development costs**" means costs incurred to obtain access to reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas from the reserves. More specifically, development costs, including applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to:

(i) gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground, draining, road building, and relocating public roads, gas lines and power lines, to the extent necessary in developing the reserves;

(ii) drill and equip development wells, development type stratigraphic test wells and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment and the wellhead assembly;

5.6.3 acquire, construct and install production facilities such as flow lines, separators, treaters, heaters, manifolds, measuring devices and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems; and

5.6.4 provide improved recovery systems.

(e) "**development well**" means a well drilled inside the established limits of an oil or gas reservoir, or in close proximity to the edge of the reservoir, to the depth of a stratigraphic horizon known to be productive.

(f) "**exploration costs**" means costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects that may contain oil and gas reserves, including costs of drilling exploratory wells and exploratory type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property (sometimes referred to in part as "prospecting costs") and after acquiring the property. Exploration costs, which include applicable operating costs of support equipment and facilities and other costs of exploration activities, are:

(i) costs of topographical, geochemical, geological and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews and others conducting those studies (collectively sometimes referred to as "geological and geophysical costs");

(ii) costs of carrying and retaining unproved properties, such as delay rentals, taxes (other than income and capital taxes) on properties, legal costs for title defence, and the maintenance of land and lease records;

(iii) dry hole contributions and bottom hole contributions;

(iv) costs of drilling and equipping exploratory wells; and

(v) costs of drilling exploratory type stratigraphic test wells.

5.7 "**exploratory well**" means a well that is not a development well, a service well or a stratigraphic test well.

5.8 "**field**" means an area consisting of a single reservoir or multiple reservoirs all grouped on or related to the same individual geological structural feature and/or stratigraphic condition. There may be two or more reservoirs in a field that are separated vertically by intervening impervious strata or laterally by local geologic barriers, or both. Reservoirs that are associated by being in overlapping or adjacent fields may be treated as a single or common operational field. The geological terms "structural feature" and "stratigraphic condition" are intended to denote localized geological features, in contrast to broader terms such as "basin", "trend", "province", "play" or "area of interest".

5.9 **forecast prices and costs**" means future prices and costs that are:

5.9.1 generally accepted as being a reasonable outlook of the future;

5.9.2 if, and only to the extent that, there are fixed or presently determinable future prices or costs to which the Corporation is legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in paragraph (i).

5.10 "**future income tax expenses**" means future income tax expenses estimated (generally, year-by-year):

5.10.1 making appropriate allocations of estimated unclaimed costs and losses carried forward for tax purposes, between oil and gas activities and other business activities;

5.10.2 without deducting estimated future costs (for example, Crown royalties) that are not deductible in computing taxable income;

5.10.3 taking into account estimated tax credits and allowances (for example, royalty tax credits); and

5.10.4 applying to the future pre-tax net cash flows relating to the Corporation's oil and gas activities the appropriate year-end statutory tax rates, taking into account future tax rates already legislated.

5.11 "**future net revenue**" means the estimated net amount to be received with respect to the development and production of reserves (including synthetic oil, coal bed methane and other non-conventional reserves) estimated using constant prices and costs or forecast prices and costs.

5.12 "**gross**" means:

5.12.1 in relation to the Corporation's interest in production or reserves, its "company gross reserves", which are it's working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests of the Corporation;

5.12.2 in relation to wells, the total number of wells in which the Corporation has an interest; and

5.12.3 in relation to properties, the total area of properties in which the Corporation has an interest.

5.13 "**natural gas**" means the lighter hydrocarbons and associated non-hydrocarbon substances occurring naturally in an underground reservoir, which under atmospheric conditions are essentially gases but which may contain natural gas liquids. Natural gas can exist in a reservoir either dissolved in crude oil (solution gas) or in a gaseous phase (associated gas or non-associated gas). Non-hydrocarbon substances may include hydrogen sulphide, carbon dioxide and nitrogen.

5.14 "**natural gas liquids**" means those hydrocarbon components that can be recovered from natural gas as liquids including, but not limited to, ethane, propane, butanes, pentanes plus, condensate and small quantities of non-hydrocarbons.

5.15 "**net**" means:

5.15.1 in relation to the Corporation's interest in production or reserves its working interest (operating or non-operating) share after deduction of royalty obligations, plus its royalty interests in production or reserves;

5.15.2 in relation to the Corporation's interest in wells, the number of wells obtained by aggregating the Corporation's working interest in each of its gross wells; and

5.15.3 in relation to the Corporation's interest in a property, the total area in which the Corporation has an interest multiplied by the working interest owned by the Corporation.

(p) "**operating costs**" or "**production costs**" means costs incurred to operate and maintain wells and related equipment and facilities, including applicable operating costs of support equipment and facilities and other costs of operating and maintaining those wells and related equipment and facilities.

(q) "**production**" means recovering, gathering, treating, field or plant processing (for example, processing gas to extract natural gas liquids) and field storage of oil and gas.

(r) "**property**" includes:

(i) fee ownership or a lease, concession, agreement, permit, license or other interest representing the right to extract oil or gas subject to such terms as may be imposed by the conveyance of that interest;

(ii) royalty interests, production payments payable in oil or gas, and other non-operating interests in properties operated by others;

(iii) an agreement with a foreign government or authority under which the Corporation participates in the operation of properties or otherwise serves as "producer" of the underlying reserves (in contrast to being an independent purchaser, broker, dealer or importer); and

(iv) a property does not include supply agreements, or contracts that represent a right to purchase, rather than extract, oil or gas.

(s) "**property acquisition costs**" means costs incurred to acquire a property (directly by purchase or lease, or indirectly by acquiring another corporate entity with an interest in the property), including:

(i) costs of lease bonuses and options to purchase or lease a property;

(ii) the portion of the costs applicable to hydrocarbons when land including rights to hydrocarbons is purchased in fee; and

(iii) brokers' fees, recording and registration fees, legal costs and other costs incurred in acquiring properties.

(t) "**proved property**" means a property or part of a property to which reserves have been specifically attributed.

(u) "**reservoir**" means a porous and permeable underground formation containing a natural accumulation of producible oil or gas that is confined by impermeable rock or water barriers and is individual and separate from other reservoirs.

(v) "**unproved property**" means a property or part of a property to which no reserves have been specifically attributed.

(w) "**well abandonment costs**" means costs of abandoning a well (net of salvage value) and of disconnecting the well from the surface gathering system. They do not include costs of abandoning the gathering system or reclaiming the wellsite.