

WELWYN RESOURCES LTD.

**FORM 51-101F1
STATEMENT OF RESERVES DATA
AND OTHER OIL AND GAS INFORMATION
AS AT DECEMBER 31, 2003**

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ABBREVIATIONS AND CONVERSIONS

In this document, the abbreviations set forth below have the following meanings:

Oil and Natural Gas Liquids

Bbl	barrel
Bbls	barrels
Mbbls	thousand barrels
Mstb	1,000 stock tank barrels
Bbls/d	barrels per day
BOPD	barrels of oil per day
NGLs	natural gas liquids
STB	standard tank barrels

Natural Gas

Mcf	thousand cubic feet
Mmcf	million cubic feet
Mcf/day	thousand cubic feet per day
Mmcf/d	million cubic feet per day

Other

ARTC	Alberta Royalty Tax Credit
BOE	barrel of oil equivalent on the basis of 1 BOE to 6 Mcf of natural gas. BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 1 BOE for 6 Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.
BOE/d	barrel of oil equivalent per day
M3	cubic metres
MBOE	1,000 barrels of oil equivalent
McfGE	1,000 cubic feet of gas equivalent on the basis of 6 McfGEs to 1 bbl of crude oil. McfGEs may be misleading, particularly if used in isolation. A McfGE conversion ratio of 6 McfGEs to 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.
McfGE/d	1,000 cubic feet equivalent per day
MMcfGE	1,000 McfGE
\$000s	thousands of dollars

NOTES AND DEFINITIONS

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.

“associated gas” means the gas cap overlying a crude oil accumulation in a reservoir.

“constant prices and costs” means prices and costs used in an estimate that are:

- (a) 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; and
- (b) 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 (a).

For the purpose of paragraph (a), 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.

“Corporation” or **“Welwyn”** means Welwyn Resources Ltd..

“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.

“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.

“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.

“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 or support equipment and facilities and other costs of development activities, are costs incurred to:

- (a) 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;

- (b) 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;
- (c) 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
- (d) provide improved recovery systems.

“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.

“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:

- (a) 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”);
- (b) costs of carrying and retiring 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;
- (c) dry hole contributions and bottom hole contributions;
- (d) costs of drilling and equipping exploratory wells; and
- (e) costs of drilling exploratory type stratigraphic test wells.

“exploratory well” means a well that is not a development well, a service well or a stratigraphic test well.

“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”.

“future prices and costs” means future prices and costs that are:

- (a) generally accepted as being a reasonable outlook of the future; and
- (b) if, and only to the extent that, there are fixed or presently determinable future prices or costs to which the Corporation issuer 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 (a).

“future income tax expenses” means future income tax expenses estimated (generally, year-by-year):

- (a) making appropriate allocations of estimated unclaimed costs and losses carried forward for tax purposes, between oil and gas activities and other business activities;
- (b) without deducting estimated future costs (for example, Crown royalties) that are not deductible in computing taxable income;
- (c) taking into account estimated tax credits and allowances (for example, royalty tax credits); and
- (d) applying to the future pre-tax net cash flows relating to the reporting issuer’s oil and gas activities the appropriate year-end statutory tax rates, taking into account future tax rates already legislated.

“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.

“gross” means:

- (a) in relation to the Corporation’s interest in production or reserves, its “company gross reserves”, which are its working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests of the Corporation;
- (b) in relation to wells, the total number of wells in which the Corporation has an interest; and
- (c) in relation to properties, the total area of properties in which the Corporation has an interest.

“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 hydrocarbon sulphide, carbon dioxide and nitrogen.

“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.

“net” means:

- (a) 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 interest in production or reserves;
- (b) 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
- (c) 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.

“non-associated gas” means an accumulation of natural gas in a reservoir where there is no crude oil.

“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.

“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 + probable reserves.

“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.

“property” includes:

- (a) fee ownership or a lease, concession, agreement, permit, licence 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;
- (b) royalty interest, production payments payable in oil or gas, and other non-operating interests in properties operated by others; and
- (c) an agreement with a foreign government or authority under which a reporting issuer participates in the operating of properties or otherwise serves as “producer” of the underlying reserves (in contrast to being an independent purchaser, broker, dealer or importer).

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

“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:

- (a) costs of lease bonuses and options to purchase or lease a property;
- (b) the portion of the costs applicable to hydrocarbons when land including rights to hydrocarbons is purchased in fee;
- (c) brokers’ fees, recording and registration fees, legal costs and other costs incurred in acquiring properties.

”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.

“proved property” means a property or part of a property to which reserves have been specifically attributed.

“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.

“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.

“service well” means a well drilled or completed for the purpose of supporting production in an existing field. Wells in this class are drilled for the following specific purposes: gas injection (natural gas, propane, butane or flue gas), water injection, steam injection, air injection, salt-water disposal, water supply for injection, observation, or injection for combustion.

“solution gas” means natural gas dissolved in crude oil.

“stratigraphic test well” means a drilling effort, geologically directed, to obtain information pertaining to a specific geologic condition. Ordinarily, such wells are drilled without the intention of being completed for hydrocarbon production. They include wells for the purpose of core tests and all types of expendable holes related to hydrocarbon exploration. Stratigraphic test wells are classified as (a) “exploratory type” if not drilled into a proved property; or (b) “development type”, if drilled into a proved property. Development type stratigraphic wells are also referred to as “evaluation wells”.

“support equipment and facilities” means equipment and facilities used in oil and gas activities, including seismic equipment, drilling equipment, construction and grading equipment, vehicles, repair shops, warehouses, supply points, camps, and division, district or field offices.

“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 sub-divide 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.

“unproved property” means a property or part of a property to which no reserves have been specifically attributed.

“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.

OIL AND NATURAL GAS RESERVES AND NET PRESENT VALUE OF FUTURE NET REVENUE

In accordance with National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities, Chapman Petroleum Engineering Ltd. ("Chapman") prepared a report (the "Chapman Report") dated January 1, 2004. The Chapman Report evaluated, as at December 31, 2003, the Corporation's oil, NGL and natural gas reserves. The tables below are a summary of the oil, NGL and natural gas reserves of the Corporation and the net present value of future net revenue attributable to such reserves as evaluated in the Chapman Report based on constant and forecast price and cost assumptions. The tables summarize the data contained in the Chapman 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 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 Chapman Petroleum Engineering Ltd. 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 Chapman Petroleum Engineering Ltd. 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 the Corporation's 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 Chapman Report is based on certain factual data supplied by the Corporation and Chapman Petroleum Engineering Ltd.'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 Chapman Petroleum Engineering Ltd. and accepted without further investigation. Chapman Petroleum Engineering Ltd. accepted this data as presented and neither title searches nor field inspections were conducted.

Reserves Data - Constant Prices and Costs

Summary of Oil and Gas Reserves

	Gross Reserves			Net Reserves		
	Heavy Crude Oil	Natural Gas Liquids	Natural Gas	Heavy Crude Oil	Liquids	Natural Gas
	Mbbls	Mbbls	Mmcf	Mbbls	Mbbls	Mmcf
Proved						
Developed Producing	8	-	-	7	-	-
Developed Non-Producing	-	-	-	-	-	-
Undeveloped	-	-	-	-	-	-
Total Proved	8	-	-	7	-	-
Probable	4	-	-	3	-	-
Total Proved plus Probable	12	-	-	10	-	-

Net Present Value of Future Net Revenue of Oil and Gas Reserves

	Before Future Income Tax Expenses and Discounted at		After Future Income Tax Expenses and Discounted at	
	0%	10%	0%	10%
	(M\$)	(M\$)	(M\$)	(M\$)
Proved				
Developed Producing	96	82	96	82
Developed Non-Producing	-	-	-	-
Undeveloped	-	-	-	-
Total Proved	96	82	96	82
Probable	80	54	80	54
Total Proved plus Probable	176	137	176	137

Additional Information Concerning Future Net Revenue – (Undiscounted)

	Revenue (M\$)	Royalties (M\$)	Operating Costs (M\$)	Development Costs (M\$)	Abandonment and Reclamation Costs (M\$)	Future Net Revenue Before Income Taxes (M\$)	Income Taxes (M\$)	Future Net Revenue After Income Taxes (M\$)
Total Proved Reserves	270	44	101	26	11	96	Nil	96
Total Proved plus Probable	383	70	123	26	1	176	Nil	176

Future Net Revenue by Production Group

	Future Net Revenue Before Income Taxes and Discounted at 10% (M\$)
Proved	
Heavy Crude Oil ⁽¹⁾	82
Natural Gas ⁽²⁾	-
Proved plus Probable	
Heavy Crude Oil ⁽¹⁾	137
Natural Gas ⁽²⁾	-

Notes:

- (1) Including solution gas and other by-products.
- (2) Including by-products, but excluding solution gas from oil wells.

Reserves Data – Forecast Prices and Costs

Summary of Oil and Gas Reserves

	Gross Reserves			Net Reserves		
	Heavy Crude Oil	Natural Gas Liquids	Natural Gas	Heavy Crude Oil	Liquids	Natural Gas
	Mbbls	Mbbls	Mmcft	Mbbls	Mbbls	Mmcft
Proved						
Developed Producing	8	-	-	7	-	-
Developed Non-Producing	-	-	-	-	-	-
Undeveloped	-	-	-	-	-	-
Total Proved	8	-	-	7	-	-
Probable	5	-	-	4	-	-
Total Proved plus Probable	14	-	-	11	-	-

Net Present Value of Future Net Revenue of Oil and Gas Reserves

Before Future Income Tax Expenses and Discounted at					
	0%	5%	10%	15%	20%
	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)
Proved					
Developed Producing	74	69	65	61	57
Developed Non-Producing	-	-	-	-	-
Undeveloped	-	-	-	-	-
Total Proved	74	69	65	61	57
Probable	89	74	62	54	47
Total Proved plus Probable	163	143	127	114	104

After Future Income Tax Expenses and Discounted at					
	0%	5%	10%	15%	20%
	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)
Proved					
Developed Producing	74	69	65	61	57
Developed Non-Producing	-	-	-	-	-
Undeveloped	-	-	-	-	-
Total Proved	74	69	65	61	57
Probable	89	74	62	54	47
Total Proved plus Probable	163	143	127	114	104

Additional Information Concerning Future Net Revenue – (Undiscounted)

	Revenue (M\$)	Royalties (M\$)	Operating Costs (M\$)	Development Costs (M\$)	Abandonment and Reclamation Costs (M\$)	Future Net Revenue Before Income Taxes (M\$)	Income Taxes (M\$)	Future Net Revenue After Income Taxes (M\$)
Total Proved Reserves	247	40	103	26	11	74	Nil	74
Total Proved plus Probable	394	69	147	26	2	163	Nil	163

Future Net Revenue by Production Group

	Future Net Revenue Before Future Income Tax Expenses and Discounted at 10% (M\$)
Proved	
Heavy Crude Oil ⁽¹⁾	65
Natural Gas ⁽²⁾	-
Proved plus Probable	
Heavy Crude Oil ⁽¹⁾	127
Natural Gas ⁽²⁾	-

Notes:

- (1) Including solution gas and other by-products.
- (2) Including by-products, but excluding solution gas from oil wells.

Pricing Assumptions – Constant Prices and Costs

Chapman Petroleum Engineering Ltd. employed the following pricing, exchange rate and inflation rate assumptions as of December 31, 2003 in estimating the Corporation's reserves data using constant prices and costs.

NATURAL GAS	CRUDE OIL	NATURAL GAS LIQUIDS			
<i>N/A</i>	<i>Alberta Heavy</i>	<i>N/A</i>	<i>N/A</i>	Inflation Rate 1.5%/Yr	Exchange Rate 0.75
(\$Cdn/mcf)	(\$Cdn/bbl)	(\$Cdn/bbl)	(\$Cdn/bbl)	%Yr	(\$US/\$Cdn)
N/A	31.75	N/A	N/A	N/A	N/A

Pricing Assumptions – Forecast Prices and Costs

Chapman Petroleum Engineering Ltd. employed the following pricing, exchange rate and inflation rate assumptions as of December 31, 2003 in estimating the Corporation's reserves data using forecast prices and costs.

YEAR	NATURAL GAS	CRUDE OIL	NATURAL GAS LIQUIDS			
	<i>N/A</i>	<i>Alberta Heavy</i>	<i>N/A</i>	<i>N/A</i>	Inflation Rate 1.5%/Yr	Exchange Rate 0.75
	(\$Cdn/mcf)	(\$Cdn/bbl)	(\$Cdn/bbl)	(\$Cdn/bbl)	%Yr	(\$US/\$Cdn)
2003		32.65				
Forecast						
2004		30.88				
2005		28.88				
2006		27.88				
2007		26.63				
2008		27.02				

The weighted average realized sales price for the Corporation for the year ended December 31, 2003 was \$30.50/Bbl for crude oil.

RECONCILIATIONS OF CHANGES IN RESERVES AND FUTURE NET REVENUE

Reserves Reconciliation

The following table sets forth a reconciliation of the Corporation's total proved, probable and total proved plus probable reserves as at December 31, 2003 against such reserves as at December 31, 2002 based on forecast price and cost assumptions.

	Heavy Crude Oil			Natural Gas Liquids		
	Total Proved Reserves	Probable Reserves	Total Proved Plus Probable	Total Proved Reserves	Probable Reserves	Total Proved Plus Probable
	Mbbls	Mbbls	Mbbls	Mbbls	Mbbls	Mbbls
December 31, 2002	0	0	0	0	0	0
Drilling Acquisitions	10	5	15	0	0	0
Technical Revisions	0	0	0	0	0	0
Production	2	0	2	0	0	0
December 31, 2003	8	5	14	0	0	0

	Associated and Non-Associated Gas		
	Total Proved Reserves	Probable Reserves	Total Proved Plus Probable
	Mbbbls	Mbbbls	Mbbbls
December 31, 2002	0	0	0
Drilling Additions	0	0	0
Technical Revisions	0	0	0
Production	0	0	0
December 31, 2003	0	0	0

Future Net Revenue Reconciliation

The following table sets forth a reconciliation of the estimate of the net present value of future net revenue attributable to the Corporation's reserves as evaluated in the Chapman Report as at December 31, 2003 against the estimate of such amount as at December 31, 2002, calculated before tax using a discount rate of 10% and constant price and cost assumptions.

	(M\$)
December 31, 2002	0
Sales and Transfers of Oil and Gas Produced during the Period Net of Production Costs and Royalties	0
Net Change in Sales and Transfer Prices and in Production Costs and Royalties related to Future Production	0
Changes in Previously Estimated Development Costs Incurred During the Period	0
Changes in Estimated Future Development Costs	0
Net Change Resulting from Extensions and Improved Recovery	0
Net Change Resulting from Discoveries	0
Changes Resulting from Acquisitions of Reserves	137
Net Change Resulting from Revisions in Quantity Estimates	0
Accretion of Discount	0
Net Change in Income Taxes	0
Other Significant Factors	0
December 31, 2003	137

UNDEVELOPED RESERVES

The following discussion generally describes the basis on which the Corporation attributes Proved and Probable Undeveloped Reserves and its plans for developing those Undeveloped Reserves.

Proved Undeveloped Reserves

Proved undeveloped reserves are generally those reserves related to wells that have been tested and not yet tied-in, wells drilled near the end of the fiscal year or wells further away for the Corporation's gathering systems. In addition, such reserves may relate to planned infill drilling locations. The majority of these reserves are planned to be on stream within a two-year timeframe.

Probable Undeveloped Reserves

Probable undeveloped reserves are generally those reserves tested or indicated by analogy to be productive, infill drilling locations and lands contiguous to production. The majority of these reserves are planned to be on stream within a two-year timeframe.

SIGNIFICANT FACTORS OR UNCERTAINTIES AFFECTING RESERVES 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. The Corporation's reserves are evaluated by Chapman Petroleum Engineering Ltd., an independent engineering firm.

As circumstances change and additional data become available, reserve estimates also change. Estimates 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.

FUTURE DEVELOPMENT COSTS

The table below sets out the development costs deducted in the estimation of future net revenue attributable to proved reserves (using both constant prices and costs and forecast prices and costs) and proved plus probable reserves (using forecast prices and costs only).

	Constant Prices and Costs	Forecast Prices and Costs	
	Proved Reserves	Proved Reserves	Proved Plus Probable Reserves
	(M\$)	(M\$)	(M\$)
2004	26	26	26
2005			
2006			
2007			
2008			
Remaining Years			
Total Undiscounted	26	26	26
Total Discounted at 10% per year	26	26	26

2004 development costs of \$26,000 are funded from 2004 net operating revenue of \$43,487

OIL AND GAS PROPERTIES

A summary description of the Corporation's major producing and exploration properties is set out below. References to gross volumes refer to total production. References to net volumes refer to the Corporation's working interest share before the deduction of royalties payable to others.

OIL AND GAS WELLS

The following table summarizes the Corporation's interest as at December 31, 2003 in wells that are producing and non-producing.

	Oil		Producing Wells Natural Gas		Coal Bed Methane	
	Gross	Net	Gross	Net	Gross	Net
Provost	1	0.53	0	0	0	0
Total	1	0.53	0	0	0	0

[Names of Properties]	Oil		Non-Producing Wells Natural Gas		Coal Bed Methane	
	Gross	Net	Gross	Net	Gross	Net
	0	0	0	0	0	0
Total	0	0	0	0	0	0

PROPERTIES WITH NO ATTRIBUTED RESERVES

The following table summarizes the gross and net acres of unproved properties in which the Corporation has an interest and also the number of net acres for which the Corporation's rights to explore, develop and exploit will, absent further action, expire within one year.

[Names of Properties]	Gross Acres	Net Acres	Net Acres Expiring Within One Year
	0	0	0
Total	0	0	0

DRILLING ACTIVITY

The following table summarizes the Corporation's drilling result for the year ended December 31, 2003.

	2003	
	Gross	Net
Oil	0	0
Natural Gas	0	0
Coal bed methane	0	0
Dry & Abandoned	0	0
Total	0	0

ADDITIONAL INFORMATION CONCERNING ABANDONMENT AND RECLAMATION COSTS

The Corporation estimates well abandonment costs stereotypically area by area. Such costs are included in the Chapman Report as deductions in arriving at future net revenue. The expected total abandonment costs included in the Chapman Report for 0.53 net wells under the proved reserves category is \$10,720 undiscounted, of which a total of nil is estimated to be incurred in 2004, 2005 and 2006. This estimate includes expected reclamation costs for surface leases. Expected future abandonment costs related to facilities are expected to be less than the salvage value recovery.

TAX HORIZON

The Corporation was not required to pay income taxes during the year ended December 31, 2003. Based on a strategy of re-investing fully all internally generated cash flow in an exploration and development program and based on the commodity prices used in the Chapman Report, the Corporation estimates that it will not be required to pay income taxes from revenues generated by current holdings.

COSTS INCURRED

The following table summarizes the Corporation's property acquisition costs, exploration costs and development costs for the year ended December 31, 2003.

	Property Acquisition Costs		Exploration Costs	Development Costs
	Proved Properties	Unproved Properties		
Total \$141,938	100,000	-	-	41,938

PRODUCTION ESTIMATES

The following table discloses for each product type the total volume of production estimated by Chapman Petroleum Engineering Ltd. for 2004 in the estimates of future net revenue from proved reserves previously disclosed under the heading "Oil and Natural Gas Reserves and Net Present Value of Future Net Revenue".

	Heavy Crude Oil (Bbls/d)	Natural Gas (Mcf/d)	Natural Gas Liquids (Bbls/d)	BOE (BOE/d)	%
Provost	8.1			8.1	100
Other	-			-	
Estimated Total Production	8.1			8.1	

PRODUCTION HISTORY

The following table discloses, on a quarterly basis for the year ended December 31, 2003, the Corporation's share of average daily production volume, prior to royalties, and the prices received, royalties paid, production costs incurred and netbacks on a per unit of volume basis for each product type.

Average Daily Production Volume

	Three Months Ended				Total
	Mar. 31, 2003	June 30, 2003	Sept. 30, 2003	Dec. 31, 2003	
Natural gas (Mcf/d)	-	-	-	-	-
Heavy Crude Oil (Bbl/d)	-	1.3	9.8	15.5	6.7
NGL (Bbl/d)	-	-	-	-	-
Total (BOE/d)	-	1.3	9.8	15.5	6.7

Prices Received, Royalties Paid, Production Costs and Netback – Heavy Crude Oil

(\$ per Bbl)

	Three Months Ended				
	Mar. 31, 2003	June 30, 2003	Sept. 30, 2003	Dec. 31, 2003	Total
Prices Received	-	33.33	30.70	30.12	30.50
Royalties Paid	-	1.22	5.30	3.89	4.28
Production Costs	-	40.12	19.73	16.85	19.02
Netback	-	(8.01)	5.67	9.38	7.20

Production Volume by Field

The following table discloses for each important field, and in total, the Corporation's production volumes for the financial year ended December 31, 2003 for each product type.

Field	Heavy Crude Oil (Bbls/d)	Natural Gas (Mcf/d)	Natural Gas Liquids (Bbls/d)	BOE (BOE/d)	%
Provost	6.7	-	-	6.7	100
Other	-	-	-	-	-
Total	6.7	-	-	6.7	-

Chapman Petroleum Engineering Ltd.

445, 708 - 11th Avenue S.W., Calgary, Alberta T2R 0E4 • Phone: (403) 266-4141 • Fax: (403) 266-4259

May 18, 2004

Welwyn Resources Ltd.
650,101 - 6th Avenue SW
Calgary, Alberta
T2P 3P4

Attention: Board of Directors

**Re: Report on Reserves Data
by Chapman Petroleum Engineering Ltd. ("Chapman")
Qualified Reserves Evaluators**

To the board of directors of Welwyn Resources Ltd. (the "Company"):

1. We have evaluated the Company's reserves data as at December 31, 2003. The reserves data consist of the following:
 - (a) (i) proved and proved plus probable oil and gas reserves estimated as at December 31, 2003 using forecast prices and costs; and
 - (ii) the related estimated future net revenue; and
 - (b) (i) proved oil and gas reserves estimated as at December 31, 2003 using constant prices and costs; and
 - (ii) the related estimated future net revenue.
2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook") prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).

3. The following tables set forth the estimated future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount of 10 percent, included in the reserves data of the Company evaluated by us for the year ended December 31, 2003, and identifies the respective portions thereof that we have evaluated and reported on to the Company's management and board of directors:

Independent Qualified Reserves Evaluator	Description & Preparation Date of Evaluation Report	Location of Reserves	Net Present Value of Future Revenue (before income taxes, 10% discount rate) - M\$			
			Audited	Evaluated	Reviewed	Total
Chapman	Jan. 1, 2004	Canada	-	127	-	127
Totals			-	127	-	127

4. In our opinion, the reserves data evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook.
5. We have no responsibility to update our reports referred to in paragraph 4 for events and circumstances occurring after their respective preparation dates.
6. Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

Chapman, Calgary AB, May 18, 2004

Original Signed By

C. W. Chapman, P. Eng.

cwc/hmh/3658

FORM 51-101F3
Report of Management and Directors
On Oil and Gas Disclosure

Management of Welwyn Resources Ltd. (the "Company") are responsible for the preparation and disclosure of information with respect to the Company's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data, which consist of the following:

- (i) proved and proved plus probable oil and gas reserves estimated as at December 31, 2003 using forecast prices and costs; and
- (ii) the related estimated future net revenue; and
- (i) proved oil and gas reserves estimated as at December 31, 2003 using constant prices and costs; and
- (ii) the related estimated future net revenue.

An independent qualified reserves evaluator has evaluated the Company's reserves data. The report of the independent qualified reserves evaluator will be filed with securities regulatory authorities concurrently with this report.

The board of directors of the Company has:

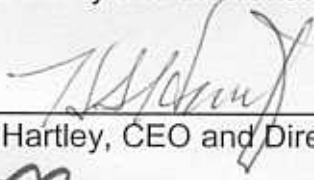
- reviewed the Company's procedures for providing information to the independent qualified reserves evaluator;
- (b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation; and
- (c) reviewed the reserves data with management and the independent qualified reserves evaluator.

The board of directors has reviewed the Company's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of directors has approved:

- the content and filing with securities regulatory authorities of the reserves data and other oil and gas information;
- the filing of the report of the independent qualified reserves evaluator on the reserves data; and

(c) the content and filing of this report.

Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.



H.S. (Scobey) Hartley, CEO and Director



Douglas H. Church, President and Director

May 18, 2004