

# BIG SKY PETROLEUM CORPORATION

(the “Reporting Issuer” or the “Company”)

## FORM 51-101F1 STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION For fiscal year ended December 31, 2011

*(This is the form referred to in item 1 of National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities (“NI 51-101”). Terms for which a meaning is given in NI 51-101 have the same meaning in this Form 51-101F1.)*

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Form 51-101F2	Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor	Not required – no reserves
Form 51-101F3	Report of Management and Directors on Oil and Gas Disclosure	Filed separately

#### **PART 1      DATE OF STATEMENT**

##### **Item 1.1      Relevant Dates**

The date of this report and statement is May 16, 2012. The Effective Date of information provided in this statement is as of the Company’s most recently completed fiscal year ended December 31, 2011. The date of preparation of the information provided herein is May 16, 2012.

#### **PART 6      OTHER OIL AND GAS INFORMATION**

##### **Item 6.1      Oil and Gas Properties and Wells**

As at December 31, 2011, the Company’s oil and gas properties were located in Billings, Montana, with its main focus primarily on the exploration and development of oil and gas in the Alberta Basin, commonly referred to as the Bakken source system. Big Sky owns a 33.333% working interest in approximately 100,000 net acres in Toole and Glacier counties, Montana.

Currently, Big Sky has interests in three separate land packages known as the Somont Farm-In Package, the Americana Acreage Block and the FX Block, collectively referred to as the Glacier Prospects.

On January 26, 2011 Big Sky entered into a Farmout Agreement with Somont Oil Company Inc. to acquire a 33.33% working interest (with a 20% royalty burden) on a 6,333 net acre located in Toole County, Montana known as the Somont Farm-In Package.

On January 27, 2011 Big Sky entered into a Lease Acquisition Agreement pursuant to which it purchased a 33.33% working interest (with a 20% royalty burden) on a total of 2,659 net acres located in Glacier County, Montana known as the FX Block and an additional 72,103 net acres known as the Americana Acreage Block.

Effective February 2011, the Company signed a Joint Participation Agreement and Operating Agreement with FX Producing Company, Inc. and American Eagle Energy Inc. to explore approximately 100,000 net acres in the Alberta Bakken region of Montana with an undivided 33 1/3% interest each.

Unless otherwise stated, all amounts are expressed in US dollars.

**Item 6.2 Properties with No Attributed Reserves**

	Working Interest	Gross Acres	Net Acres
Somont Farm-In Package	33.33%	19,000.0000	6,333.3334
Americana Acreage Block	33.33%	72,103.1264	24,034.3752
FX Block	33.33%	7,976.0000	2,658.6667

**Somont Farm-In Package**

Big Sky is participating in a farm-out from Somont Oil Company that earns acreage on a well by well basis and is burdened with a continuous drilling obligation. Big Sky paid \$175 to \$200 per acre for 6,333 fill-in net acres around the Somont farm-out. Big Sky’s working interest is 33.333% with a 20% royalty burden.

The initial obligation well (FX 14-29) has been drilled, as has the first of two subsequent wells (FX 15-13). A third well, if it is to be drilled, is tied to a 180-day obligation clock that started at the spud of the previous well. Any additional wells drilled after these first two subsequent wells are then tied to a 90-day drilling obligation clock that, again, starts at the spud of the previous well drilled. There is no monetary penalty if the Company elects to discontinue drilling additional wells. However, the Farm-out Agreement will terminate and the Company will lose the right to earn additional acreage if drilling ceases.

‘Earning’ in the Farm-out Agreement is limited to those formations between depth drilled and the base of the Madison Formation. Earning is also limited to formations containing only oil and

hydrocarbon bearing gas. Formations, subject to the Farm-out Agreement, that contain non-hydrocarbon bearing gasses (defined in the agreement) cannot be earned by Big Sky.

Although the Upper Exshaw and Three Forks Formations are the primary objectives of this prospect, there is no apparent language in the Farm-out Agreement that precludes Big Sky from drilling and earning rights to formations deeper than the Three Forks.

### **Americana Acreage Block**

The 'Americana' acreage package consists of approximately 72,103 net acres. Big Sky has a 33.333% working interest with a 20% royalty burden in this block. Unlike the Somont Glacier Prospect Area, Big Sky has purchased this acreage block. No earning wells will be required to earn an interest in the lease position and it is assumed that lease assignments covered rights to all depths. MHA evaluated this acreage package with the same series of maps and cross sections mentioned earlier in the NI51-101 report. The focus of the evaluation was consistent with the other two evaluations and covered only the lower Mississippian and upper Devonian potential. MHA finds this 'Americana' play concept to be interesting, geologically, but containing significant risks that directly impact the probability of economic success. Each of these risks is discussed below.

### **FX Block**

Big Sky's FX acreage block consists of 10,597 gross acres located in Townships 31N-33N Ranges 5W-6W, Glacier County, Montana. This was a purchase by Big Sky for \$200 per acre (total of 2,659 net acres) for a 33.33% working interest with a 20% royalty burden.

### **Item 6.3 Forward Contracts**

The Company has not entered into any forward contracts.

### **Item 6.4 Abandonment and Reclamation Costs**

The Company will continue to estimate its liability for abandonment and reclamation costs as exploration and development activities continue. To date, all abandonment and reclamation costs have been expensed as incurred given the limited investment in above surface facilities.

### **Item 6.5 Tax Horizon**

The Company was not required to pay income taxes during 2011. Given the Company is in the exploration stage and does not currently have reserves, no reasonable estimate may be made as to when the Company will be required to pay income taxes in the future.

### **Item 6.6 Costs Incurred**

The net costs incurred by the Company during 2011 were as follows:

Acquisition of oil and gas properties	<u>\$1,022,601</u>
Exploration and evaluation expenses	
Intangible drilling	\$1,036,295
Intangible completion	734,357
Engineering and geological	76,863
Lease operating	<u>13,169</u>
Total exploration and evaluation expenses	<u>\$1,858,684</u>

## **Item 6.7      Exploration and Development Activities**

### **Somont Farm-In Package**

#### **Exploration Program**

The first exploration well drilled to evaluate this prospect was the FX 14-29, located in the SESW 29 T35N R1W. Sample descriptions documented the presence of good, even, light to dark brown oil staining on samples recovered while coring the Upper Exshaw interval and core plug analysis confirmed the presence of interesting residual oil saturations in a porosity zone developed in the lower portion of the Upper Exshaw. Analysis of well logs indicates that the Upper Exshaw (Middle Bakken) is 82' thick. The Three Forks interval was only 6' thick. While cross-plotting the Density and Neutron porosity curves would indicate approximately 18-20' of porosity greater than 6% in the Upper Exshaw interval, MH uses only the Density curve as an indicator of effective porosity. As a result, MHA assigned 0' of porosity greater than 6%.

Fractures were expected to be associated with drilling in this structural setting and their presence was documented in the core analysis. It was hoped that natural fractures should enhance reservoir productivity on this structure. The horizontal leg of this well was drilled and fracture stimulated in the Upper Exshaw (Middle Bakken) interval, but thus far its performance has not lived up to expectations. There is no potential in the Three Forks interval in this well.

The second well to be drilled was the FX 15-13, located in the SWSE 13 T34N R2W. Only the vertical portion of this well has been drilled to date. The horizontal leg is still pending and may not be drilled until the late second quarter or early third quarter of 2012. Like the 14-29 well, sample shows in the Upper Exshaw interval are encouraging. Sample shows in the upper Three Forks are also encouraging.

#### **Development Program**

A third well is currently being considered for this block of acreage, but it probably will not be drilled before the late third quarter or early fourth quarter of 2012. Its location and timing will be dependent on the performance of the first two wells.

#### **Conclusions**

Through this geologic evaluation commissioned from MHA Petroleum Consultants, the following observations and conclusions about the Somont Farm-in (Glacier Project Area) are made:

- The Somont Prospect Area lies along the crest and northern flank of current day structural configuration of the Kevin Sunburst Dome.
- Current value of the leased properties is between \$1,125,000 and \$1,500,000.
- The “Bakken” reached thermal maturity and generated significant amounts of liquid rich hydrocarbons either within, or near, the Prospect Area.
- Only one of the two “Bakken” shales is present within the Prospect Area.
- The Upper Exshaw Formation is present throughout the Prospect Area.
- The Upper Exshaw Formation contains zones of measurable porosity within the Prospect Area.
- There appears to be more Upper Exshaw potential within the majority of the Prospect Area than Three Forks potential.
- The Three Forks Formation is present throughout the Prospect Area, but contains no recognizable zones of mappable porosity within the Prospect Area.
- There have been no completion attempts of Upper Exshaw or Three Forks intervals within the Prospect Area.
- MHA’s assessment of effective source risk is approximately 70%.
- MHA’s assessment of trap risk is approximately 60%.
- MHA’s assessment of reservoir risk is approximately 75%.
- MHA’s overall assessment of the Probability of Success for the first well drilled within this prospect is approximately 32%.
- This play concept appears to have been proven successful in recently drilled wells 30-40 miles to the west-southwest.

Based on all of the above observations, MHA can confirm that both potential reservoirs are present within the Glacier Prospect Area, that there is an excellent relationship between source and potential reservoir, and that the play concept targeted within the prospect area merits additional testing.

### **Americana Acreage Block**

#### **Exploration Program**

Big Sky, with FX Energy as operator, is scheduled to drill its first exploration well (NWNW 3 T34N R1E) on this acreage block in March of 2012. While the Bakken and Three Forks intervals remain the primary objectives of this exploration effort, the well will be taken into the Devonian Nisku Formation to evaluate its potential.

#### **Development Plan**

Until this play concept has been tested and confirmed, no specific plans for development have been outlined or discussed.

#### **Conclusions**

The following observations and conclusions about the Americana Acreage Block are made:

- The acreage package lies along the eastern flank of the current day structural configuration of Kevin Sunburst Dome.

- Current value of the leased properties is based on historical lease sale records and is approximately \$4,266,000.
- The “Bakken” reached thermal maturity and generated significant amounts of liquid rich hydrocarbons either within, or near, the acreage package.
- Only one of the two “Bakken” shales is present within the Americana Block.
- The Upper Exshaw Formation (Middle Bakken) is present throughout the acreage package.
- The Upper Exshaw Formation contains zones of measurable porosity within the acreage package.
- There appears to be more Upper Exshaw potential within the majority of the acreage package than Three Forks potential.
- The Three Forks Formation is present throughout the acreage package. It contains a mappable zone of interest, but contains no mappable density porosity.
- There have been no completion attempts of Upper Exshaw or Three Forks intervals within the acreage package.
- MHA’s assessment of effective source risk is approximately 30%.
- MHA’s assessment of trap risk is approximately 40%.
- MHA’s assessment of reservoir risk is approximately 70%.
- MHA’s overall assessment of the Probability of Success for the first well drilled within this Prospect is approximately 8%.
- This general play concept appears to have been proven successful in recently drilled wells 40 miles to the west-southwest.

Based on all of the above observations, MHA can confirm that both potential reservoirs are present within the acreage package, that there is only a good relationship between source and potential reservoir, and that the play concept targeted within the acreage package merits testing if the assigned risk elements are recognized and accepted.

Upper Exshaw/Banff plays to both the west and to the north have proven to be very prolific and there is evidence that this acreage package may exhibit some of the same productive potential.

### **FX Block**

#### **Exploration and Development**

Big Sky has already participated in a well (FX 81-3, NWNE 26 T32N R6W) on the FX block. Although open-hole electric logs were not particularly encouraging, there was a good show of live oil recovered from the perforating gun as the well was being readied for stimulation. But since the Three Forks, Upper Exshaw and Banff Formations were all perforated at the same time, it cannot be determined which formation or formations contributed that oil. Based on log resistivity only, it would appear that the oil came from the Upper Exshaw interval. Unfortunately, well performance after completion was not as encouraging as earlier sample shows might have indicated. The FX 81-3 is currently shut-in, awaiting further evaluation. A couple of additional locations are in the process of being permitted, but the timing of more drilling on this block has not yet been determined.

The Upper Exshaw is only 16 feet thick in the FX 81-3 and there is no obvious development of log porosity on the limited views of logs available to MHA. Regional maps of this zone indicate that the well probably encountered some of the thickest potential development of the Upper Exshaw on this acreage block and that additional wells are expected to encounter only between 10 feet and 20 feet.

There is no mapped potential in the Three Forks Formation and while there is some porosity development at the base of the interval, low resistivities would suggest little or no effective hydrocarbon charge. The Banff section contains no log porosity.

### Conclusions

The presence of both the Lower Banff and Lower Exshaw shales in the well indicates that the relationship between source and potential reservoir is excellent. Adequate reservoir development, however, appears to be a significant risk factor that may slow the successful development of the FX block. It is MHA's opinion that the FX block contains only limited development potential in the target zones mentioned above, the economics of which have yet to be determined.

### **Item 6.8      Production Estimates**

The Company is unable to estimate production or future net revenue from its oil and gas activities as of December 31, 2011.

### **Item 6.9      Production History**

The Company had no oil and gas production history as of December 31, 2011.