EVALUATION OF THE INTERESTS OF

BIG SKY PETROLEUM CORPORATION

IN THE OIL & GAS LEASES IN

SCHLEICHER COUNTY, TEXAS

Undiscovered Petroleum Initially-In-Place (equivalent to undiscovered resources) is that quantity of petroleum that is estimated, on a given date, to be contained in accumulations yet to be discovered. The recoverable portion of undiscovered petroleum initially in place is referred to as "prospective resources" and the remainder as "unrecoverable."

Prospective resources are those quantities of oil and gas estimated on a given date to be potentially recoverable from undiscovered accumulations. If discovered, they would be technically and economically viable to recover; and there is no certainty that the prospective resource will be discovered. If discovered, there is no certainty that any discovery will be technically or economically viable to produce.

Prepared For

Big Sky Petroleum Corporation

By

Petrotech Engineering Ltd.

Effective Date

February 28, 2013

Table of Contents

Letter of Transmittal
Summary Table 1 – Unrisked Prospective Resources and Net Present Values of Big Sky Petroleum Corporation
Definition of Resources
Forecast Crude Oil and Natural Gas Prices
Certificate of Qualification

I Geology of the Wolfberry in the Midland Basin, Texas
II Evaluation of the Wolfcamp and Spraberry (Wolfberry) Play in the Midland Basin

Figures Description
I-1 Map of the Permian Basin in Texas
I-2 Stratigraphic Columns in the Permian Basin

Tables Description
II-1 Summary of Prospective Resource and Net Present Values of the Three Wells in the Wolfberry Play
II-2 Total Prospective Resource and Net Present Values Low Estimate
II-3 Prospective Resources and Net Present Values of the Schafer #1 Well Low Estimate
II-4 Prospective Resources and Net Present Values of the Two Proposed Wells Low Estimate
II-5 Total Prospective Resource and Net Present Values Best Estimate
II-6 Prospective Resources and Net Present Values of the Schafer #1 Well Best Estimate
II-7 Prospective Resources and Net Present Values of the Two Proposed Wells Best Estimate
II-8 Total Prospective Resource and Net Present Values High Estimate
II-9 Prospective Resources and Net Present Values of the Schafer #1 Well High Estimate
II-10 Prospective Resources and Net Present Values of the Two Proposed Wells High Estimate

Appendices Description
A Conversion Factors and Abbreviations
B Information Pertaining to the Prospects in the Wolfberry Play in Schleicher County, Texas
C Big Sky Petroleum's Leases in Schleicher County, Texas
D Permit to Drill the Schafer #1 Well in Schleicher County, Texas
E Legal Survey of the Schafer #1 Well in Schleicher County, Texas
F Wolfcamp Production Data in the Surrounding Area
G Wolfberry Play Map in the Big Sky Petroleum's Leases in Schleicher County, Texas
H Wolfberry Play Cross Section

PETROTECH ENGINEERING LTD.

7536 Manzanita Place, Burnaby, B. C., Canada V3N 4X1 Phone: (604) 525 6896
Email: johnyu@axion.net

March 22, 2013

Ref: 13-08

Big Sky Petroleum Corporation
Suite 410-325 Howe Street
Vancouver
V6C 1Z7

Attention: Mr. Sam Nastat, President

Gentlemen:

Re: Evaluation of the Interests of Big Sky Petroleum Corporation
in the Oil and Gas Leases in Schleicher County in Texas

At your request, we have prepared a technical evaluation of the above-mentioned interests of Big Sky Petroleum Corporation (here-in-after referred to as the "Company"). The effective date of the report is February 28, 2013.

The Company currently holds 90% working interest in 3,450.645 acres (net to Company's share = 3,105.58 acres and see Appendix C – lease map and areas) of oil and gas leases in Schleicher County, Texas subject to mineral rights and overriding royalty rate of 25%. The Company pays 100% of the drilling, completion, facilities and operating costs for the first three wells until payout of these costs, at which time the third party has the option to back in for a 10% working interest on a well by well basis. Production is also subject to State ad Valorem tax at 4.6% for oil and 7.5% for gas.

On January 2013, the Schafer #1 Well was drilled to 7,370 feet (vertical well) to test the Wolfcamp and Spraberry Formations in Section 2, Concho County School Land Survey, Abstract 45 in Schleicher County. The well was completed with multi-stage fracture treatments and is flowing back fracture fluids at this time. No test data is available.

This evaluation uses the definition of resources and follows the guidelines from the Canadian Oil and Gas Evaluation (COGE) Handbook. The net cash flow is calculated at **forecast prices and escalated costs** on the prospective resources (prospects), to all future time and after deduction of the capital and operating costs, royalties, before deduction of income tax. All cash flow data is in U.S. dollars. A summary of the Company's gross and net share of the prospective resources (Prospects) and net share of the future present worth net present values before income tax, discounted at 0%, 5%, 10%, 15% and 20% is presented as follows:

Unrisked Prospective Resources (Prospects)

	Gas Resources			Oil Resources		Before Tax NPV @				
	100%	Gross	Net	Gross	Net	0%	5%	10%	15%	20%
Estimate	MMcf	MMcf	MMcf	Mbbl	Mbbl	M$	M$	M$	M$	M$
Low	1,200	1,200	918	72	54	1,777	1,183	710	329	17
Best	1,800	1,786	1,373	134	100	6,435	5,239	4,292	3,531	2,910
High	2,400	2,317	1,790	208	156	11,681	9,838	8,379	7,205	6,245

The forecast prices are based on the closing future prices of NYMEX Futures of WTI oil and Henry Hub gas prices on February 28, 2013 (see Forecast Prices). The chance of discovery and the chance of development are assessed and are disclosed with the volumetric estimations. Information pertaining to the prospect in the Wolfberry Play as required in 10.3 of the COGE Handbook (see Appendix B).

If the Schafer #1 well is successful in becoming a commercial producer, it is recommended that the Company should consider horizontal drilling to enhance both reserves and production rates as the Wolfcamp Formation is within the leasehold area.

In reviewing the resource estimates, it should be understood that there are inherent uncertainties and limitations with both the database available for analysis and the interpretation of such engineering and geological data. The judgments used in assessing the resource are considered reasonable given the historical data on well performances and the knowledge of the property reviewed. Pertinent information such as extent and character of ownership of the Contracts and all factual data submitted by the Company and the Company's representatives are believed to be true. A field inspection of the oil properties was not conducted due to availability of public, published and internal data.

If additional information is required, please advise.

Respectfully Submitted,

Petrotech Engineering Ltd.

John Yu, P. Eng.

Summary Table 1 – Unrisked Prospective Resources and Net Present Values of Big Sky Petroleum Corporation

Effective Date - February 28, 2013

	Gas Resources			Oil Resources		Ad Valorem		Revenue			Opex	
	100%	Gross	Net	Gross	Net	Gas	Oil	Gas	Oil	CapEx	Fixed	Variable
Estimate	MMcf	MMcf	MMcf	Mbbl	Mbbl	M$	M$	M$	M$	M$	M$	M$
Low	1,200	1,200	918	72	54	383	291	5,614	6,336	4,508	516	1,692
Best	1,800	1,786	1,373	134	100	578	546	8,399	11,781	4,506	608	2,797
High	2,400	2,317	1,790	208	156	772	873	10,892	18,352	4,495	605	3,978

	Before Tax NPV @					After Tax NPV @				
	0%	5%	10%	15%	20%	0%	5%	10%	15%	20%
Estimate	M$	M$	M$	M$	M$	M$	M$	M$	M$	M$
Low	1,777	1,183	710	329	17	1,537	887	385	-10	-325
Best	6,435	5,239	4,292	3,531	2,910	4,722	3,663	2,837	2,182	1,656
High	11,681	9,838	8,379	7,205	6,245	8,325	6,820	5,640	4,701	3,941

DEFINITIONS OF RESOURCES

Taken from Section 5 of Volume 1 of the Canadian Oil and Gas Evaluation Handbook, by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy and Petroleum (Petroleum Society), September 1, 2007.

Crude Oil: A mixture, consisting mainly of pentanes and heavier hydrocarbons that exists in the liquid phase in reservoirs and remains liquid at atmospheric pressure and temperature. Crude oil may contain sulphur and other nonhydrocarbon compounds, but does not include liquids obtained from the processing of natural gas. Classes of crude oil are often reported on the basis of density, sometimes with different meanings. Acceptable ranges are as follows:

Light:	less than 870 kg/m^3 (greater than 31.1^o API)
Medium:	870 to 920 kg/m^3 (31.1^o API to 22.3^o API)
Heavy:	920 to 1000 kg/m^3 (22.3^o API to 10^o API)
Extra-heavy:	greater than 1000 kg/m^3 (less than 10^o API)

Heavy or extra-heavy crude oils, as defined by the density ranges given, but with viscosities greater than 10 000 mPa.s measured at original temperature in the reservoir and atmospheric pressure, on a gas-free basis, would generally be classified as bitumen.

Natural Gas: A mixture of lighter hydrocarbons that exist either in the gaseous phase or in solution in crude oil in reservoirs but are gaseous at atmospheric conditions. Natural gas may contain sulphur or other non-hydrocarbon compounds.

Natural Gas Liquids: 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 nonhydrocarbons.

Resources

The following definitions relate to the subdivisions in the resources classification framework of Figure 1 and use the primary nomenclature and concepts contained in the 2007 SPE-PRMS, with direct excerpts shown in italics.

Total Petroleum Initially-In-Place (PIIP) is that quantity of petroleum that is estimated to exist originally in naturally occurring accumulations. It includes that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations, prior to production, plus those estimated quantities in accumulations yet to be discovered (equivalent to "total resources").

Discovered Petroleum Initially-In-Place (equivalent to discovered resources) *is that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production.* The recoverable portion of discovered petroleum initially in place includes production, reserves and contingent resources; the remainder is unrecoverable.

Production is the cumulative quantity of petroleum that has been recovered at a given date.

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on the analysis of drilling, geological, geophysical and engineering data, the use of established technology and specified economic conditions, which are generally accepted as being reasonable. Reserves are further classified according to the level of certainty associated with the estimates and may be sub-classified based on development and production status. Refer to the full definition of reserves in Section 5.4.

Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political and regulatory matters, or lack of markets. It is also appropriate to classify as contingent resources the estimated discovered recoverable quantities associated with a project in the early evaluation stage. *Contingent Resources are further classified in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their economic status.*

Unrecoverable is that portion of Discovered or Undiscovered PIIP quantities, which is estimated, as of a given date, not to be recoverable by future development projects. A portion of these quantities may become recoverable in the future as commercial circumstances change or technological developments occur; the remaining portion may never be recovered due to the physical/chemical constraints represented by subsurface interaction of fluids and reservoir rocks.

Undiscovered Petroleum Initially-In-Place (equivalent to undiscovered resources) *is that quantity of petroleum that is estimated, on a given date, to be contained in accumulations yet to be discovered*. The recoverable portion of undiscovered petroleum initially in place is referred to as "prospective resources" and the remainder as "unrecoverable."

Prospective Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development. Prospective Resources are further subdivided in accordance with the level of certainty associated with recoverable estimates, assuming their discovery and development, and may be sub-classified based on project maturity.

Unrecoverable: see above.

Reserves, contingent resources and prospective resources should not be combined without recognition of the significant differences in the criteria associated with their classification. However, in some instances (e.g., basin potential studies) it may be desirable to refer to certain subsets of the total PIIP. For such purposes, the term "resources" should include the clarifying adjectives "remaining" and "recoverable," as appropriate. For example, the sum of reserves, contingent resources and prospective resources may be referred to as "remaining recoverable resources." However, contingent and prospective resources estimates involve additional risks, specifically the risks of not achieving commerciality and exploration, which are not applicable to reserves estimates. Therefore, when resources categories are combined, it is important that each

component of the summation also be provided, and it should be made clear whether and how the components in the summation were adjusted for risk.

Classification of Resources

For petroleum quantities associated with simple conventional reservoirs, the divisions between the resources categories defined in Section 5.2 may be quite clear, and in such instances, the basic definition alone may suffice for differentiation between categories. For example, the drilling and testing of a well in a simple structural accumulation may be sufficient to allow classification of the entire estimated recoverable quantity as contingent resources or reserves. However, as the industry trends toward the exploitation of more complex and costly petroleum sources, the divisions between resources categories are less distinct, and accumulations may have several categories of resources simultaneously. For example, in extensive "basin-centre" low-permeability gas plays, the division between all categories of remaining recoverable quantities, i.e., reserves, contingent resources and prospective resources, may be highly interpretive. Consequently, additional guidance is necessary to promote consistency in classifying resources. The following provides some clarification of the key criteria that delineate resources categories. Subsequent volumes of COGEH provide additional guidance.

Discovery Status

As shown in Figure 1, the total petroleum initially in place is first subdivided based on the discovery status of a petroleum accumulation. Discovered PIIP, production, reserves and contingent resources are associated with known accumulations. Recognition as a known accumulation requires that the accumulation be penetrated by a well and have evidence of the existence of petroleum. COGEH Volume 2, Sections 5.3 and 5.4, provides additional clarification regarding drilling and testing requirements relating to recognition of known accumulations.

Commercial Status

Commercial status differentiates reserves from contingent resources. The following outlines the criteria that should be considered in determining commerciality:

- economic viability of the related development project;
- a reasonable expectation that there will be a market for the expected sales quantities of production required to justify development;
- evidence that the necessary production and transportation facilities are available or can be made available;
- evidence that legal, contractual, environmental, governmental and other social and economic concerns will allow for the actual implementation of the recovery project being evaluated;
- a reasonable expectation that all required internal and external approvals will be forthcoming. Evidence of this may include items such as signed contracts, budget approvals and approvals for expenditures, etc.
- evidence to support a reasonable timetable for development. A reasonable time frame for the initiation of development depends on the specific circumstances and varies according to the scope of the project. While five years is recommended as a maximum time frame for classification of a project as commercial, a longer time frame could be applied where, for

example, development of economic projects are deferred at the choice of the producer for, among other things, market-related reasons or to meet contractual or strategic objectives.

COGEH Volume 2, Sections 5.5 to 5.8, provides additional details relating to the foregoing aspect of commerciality regarding classification as reserves versus contingent resources.

Commercial Risk

In order to assign recoverable resources of any category, a development plan consisting of one or more projects needs to be defined. In-place quantities for which a feasible project cannot be defined using established technology or technology under development are classified as unrecoverable. In this context, "technology under development" refers to technology that has been developed and verified by testing as feasible for future commercial applications to the subject reservoir. In the early stage of exploration or development, project definition will not be of the detail expected in the later stages of maturity. In most cases, recover efficiency will be largely based on analogous projects.

Estimates of recoverable quantities are stated in terms of the sales products derived from a development program, assuming commercial development. It must be recognized that reserves, contingent resources and prospective resources involve different risks associated with achieving commerciality. The likelihood that a project will achieve commerciality is referred to as the "chance of commerciality." The chance of commerciality varies in different categories of recoverable resources as follows:

Reserves: To be classified as reserves, estimated recoverable quantities must be associated with a project(s) that has demonstrated commercial viability. Under the fiscal conditions applied in the estimation of reserves, the chance of commerciality is effectively 100 percent.

Contingent Resources: Not all technically feasible development plans will be commercial. The commercial viability of a development project is dependent on the forecast of fiscal conditions over the life of the project. For contingent resources, the risk component relating to the likelihood that an accumulation will be commercially developed is referred to as the "chance of development." For contingent resources, the chance of commerciality is equal to the chance of development.

Prospective Resources: Not all exploration projects will result in discoveries. The chance that an exploration project will result in the discovery of petroleum is referred to as the "chance of discovery." Thus, for an undiscovered accumulation, the chance of commerciality is the product of two risk components-the chance of discovery and the chance of development.

Economic Status, Development and Production Subcategories

Economic Status - By definition, reserves are commercially (and hence economically) recoverable. A portion of contingent resources may also be associated with projects that are economically viable but have not yet satisfied all requirements of commerciality. Accordingly, it may be a desirable option to sub-classify contingent resources by economic status:

Economic Contingent Resources are those contingent resources that are currently economically

recoverable.

Sub-Economic Contingent Resources are those contingent resources that are not currently economically recoverable.

Where evaluations are incomplete such that it is premature to identify the economic viability of a project, it is acceptable to note that project economic status is "undetermined" (i.e., "contingent resources-economic status undetermined.")

In examining economic viability, the same fiscal conditions should be applied as in the estimation of reserves, i.e., specified economic conditions, which are generally accepted as being reasonable (refer to COGEH Volume 2, Section 5.8).

Development and Production Status - Resources may be further sub-classified based on development and production status. For reserves, the terms "developed" and "undeveloped" are used to express the status of development of associated recovery projects, and "producing" and "non-producing" indicate whether or not reserves are actually on production (see Section 5.4.2).

Similarly, project maturity subcategories can be identified for contingent and prospective resources; the SPE-PRMS (Section 2.1.3.1) provides examples of subcategories that could be identified. For example, the SPE-PRMS identifies the highest project maturity subcategory as "development pending," defined as "a discovered accumulation where project activities are ongoing to justify commercial development in the foreseeable future."

Uncertainty Categories

Estimates of resources always involve uncertainty, and the degree of uncertainty can vary widely between accumulations/projects and over the life of a project. Consequently, estimates of resources should generally be quoted as a range according to the level of confidence associated with the estimates. An understanding of statistical concepts and terminology is essential to understanding the confidence associated with resources definitions and categories. These concepts, which apply to all categories of resources, are outlined in Sections 5.5.1 to 5.5.3.

The range of uncertainty of estimated recoverable volumes may be represented by either deterministic scenarios or by a probability distribution. Resource should be provided as low, best and high estimates as follows:

- **Low Estimate:** This is considered to be a conservative estimate of the quantity that will actually be recovered. It is likely that the actual remaining quantities recovered will exceed the low estimate. If probabilistic methods are used, there should be at least a 90 percent probability (P90) that the quantities actually recovered will equal or exceed the low estimate.

- **Best Estimate:** This is considered to be the best estimate of the quantity that will actually be recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the best estimate. If probabilistic methods are used, there should be at least a 50 percent probability (P50) that the quantities actually recovered will equal or exceed the best estimate**.**

• **High Estimate:** This is considered to be an optimistic estimate of the quantity that will actually be recovered. It is unlikely that the actual remaining quantities recovered will exceed the high estimate. If probabilistic methods are used, there should be at least a 10 percent probability (P10) that the quantities actually recovered will equal or exceed the high estimate.

This approach to describing uncertainty may be applied to reserves, contingent resources and prospective resources. There may be significant risk that sub-commercial and undiscovered accumulations will not achieve commercial production. However, it is useful to consider and identify the range of potentially recoverable quantities independently of such risk.

Forecast Crude Oil Prices

The February 28, 2013 oil price for West Texas Intermediate on the NYMEX Oil Futures closed at $92.08 per barrel and Henry Hub gas at $3.67 per MM btu. The forecast oil prices are based on the monthly closing of NYMEX oil and gas futures of WTI and Henry Hub. All future crude oil and gas prices were taken from NYMEX (www.cmegroup.com) on the last day of trading in February 2013. The historical prices for oil were taken from Sproule and Associates Inc. Forecast oil prices after 2018 are escalated at 2% per year thereafter. The following summarizes the forecast prices used in this evaluation as follows:

	WTI Crude Oil @ 40^{O}API	Henry Hub Gas
Year	($/bbl)	($/MMbtu)
2006	66.09	7.23
2007	72.27	6.86
2008	99.59	9.04
2009	62.09	4.01
2010	79.43	4.39
2011	95.00	4.04
2012	94.19	2.79
2013	92.80	3.67
2014	90.67	4.06
2015	87.72	4.27
2016	85.53	4.43
2017	84.18	4.60
2018	83.12	4.82

CERTIFICATE OF QUALIFICATION

I, JOHN YU, P. Eng., with an office at 7536 Manzanita Place, Burnaby, British Columbia hereby certify

1. That I am a Consulting Petroleum Engineer employed by Petrotech Engineering Ltd., which has prepared a report on the interests for Big Sky Petroleum Corporation during the month of March 2013.

2. That Petrotech Engineering Ltd.'s officers or its employees have no direct or indirect interests, nor do they expect to receive any direct or indirect interest, in the properties or in any securities of Big Sky Petroleum Corporation

3. That I attended the University of Alberta and that I graduated with a Bachelor of Science in Metallurgical Engineering in 1974. That I am a registered Professional Engineer in the Province of British Columbia and that I have in excess of thirty-eight years of experience in engineering studies, evaluation of oil and gas properties, drilling, completion, production and process engineering of oil and gas operations and evaluation of mineral properties in Canada, U. S. A., Guatemala, Nicaragua, Colombia, Australia, New Zealand, China, Kazakhstan, Russian Federation, United Arab Emirates, North Sea, Argentina, Cameroon, Peru, Thailand and Indonesia.

4. That I am a qualified evaluator and auditor as defined in National Instrument 51-101.

5. That a field inspection was deemed unnecessary due to the availability of public data and from the Company's records.

John Yu,
Professional Engineer
Reg. No. B. C. – 12068

I Geology of the Wolfberry in the Midland Basin in Texas

The Company's oil and gas leases are located in Schleicher County in the Permian Basin. Wolfcamp Shale is an organic shale formation from the Palaeozoic Era located in Midland Texas. It is the last of the series of formations in the Permian Basin beneath the Spraberry Formation. Wolfcamp is also an oil and natural gas zone and is made up of mainly shale, dolomitic limestones and sandstones. Shale is the source rock for oil reservoirs and the pay zones are mostly limestone. There are four parts to Wolfcamp Shale: the D, C, B and A from bottom to top. Wolfcamp, as well as the Dean and Clearfork, is a fractured oil and gas section. However, Wolfcamp is the generating rock and has a maximum thickness of more than 8,000 feet in the deepest parts of the Delaware and Val Verde Basins. Its depth is around 5,500 to 8,500 feet. Early exploration results were inconsistent and operators struggled with complex reservoir distribution and abrupt lateral facies changes. Companies began using 3-D seismic to map the play in the early 1990s and the exploration success rate rose materially. Advances in drilling and completion technology have made the Wolfcamp shale more accessible as a productive reservoir. Horizontal wells have been drilled in the Wolfcamp shale in the southern end of the Midland Basin (a sub-basin in the Permian Basin) in portions of Crockett, Irion, Reagan, Schleicher and Upton Counties. The Tippett oil field near the Crockett County line produces principally from the lowermost Wolfcamp conglomerate lenses at the base of the Permian. It has low permeability and a range of porosity from 4% to 12%. Wolfcamp Shale has a mix of 25% carbonate, 25% clay and 36% quartz. It also consists of laminated black shale and argillaceous limestone. The Total Organic Content (TOC) values range from 2% to over 10%. The Wolfcamp Formation is also referred to the Wolfcamp Trend because it is right below the Spraberry Trend.

The Spraberry is the base production zone for vertical Midland Basin producers and it is attractive due to its productive consistency and low terminal declines. The formation was discovered in 1948 and there is abundant well data for analysis. It is present for ~2,500 square miles across Martin, Midland, Glasscock, Upton, Irion and Reagan Counties with portions extending into other counties. Over 15,000 wells have been drilled into the Spraberry Trend with over 1 billion barrels of oil produced, yet only a fraction of the estimated original oil and gas in place has been produced to date. This sand makes oil recovery difficult since the up-dip lensing out of permeability causes trapping of oil. Around 90% of reserves are retained in the sand.

The Spraberry reservoir is generally low porosity and low permeability fine sandstone or coarse siltstone and mudstone with non-reservoir shaly rocks mixed in. The sand is said to be more of a siltstone than true sandstone and has inter-granular porosity of under 10% with a permeability that ranges from 0.01 to 0.4 md. The zone is naturally fractured and has vertical interconnecting fractures, where producible oil occurs, in both massive siltstone and the shale and shaly limestone inter-beds. The formation is viewed as complex with sensitive natural fractures and areas of high clay content, potentially caused by over-pressuring. The upper member of Spraberry is around 300 feet thick of fine sand or siltstone with silty shale inter-beds. The downward has 250 feet of shaly limestone and the lower Spraberry sandstone is around 300 feet thick. Formation facies are submarine fan and basin plane deposits. Recent advances in completion technology have spurred a new drilling boom in the play, as production from this reservoir is more effective.

Wolfberry, a combination of Wolfcamp and Spraberry, is an active play in the Midland Basin. The Wolfberry play has heterogeneous lithologies, low permeabilities and reservoirs and source rocks in close proximity. The play had a deepwater ocean basin surrounded by shallow carbonate platforms. Alternating layers of calcareous and siliciclastic litho-facies make up the basin-floor stratigraphy. The siliciclastic intervals (Spraberry) have sandstone turbidites and laminated siltstones inter-bedded with organic-rich mud-rocks. The calcareous intervals (Wolfcamp) have carbonate debris flows inter-bedded with carbonate turbidites and organic-rich calcareous mud-rocks.

The Dean Formation lies in between the Spraberry and Wolfcamp and is commonly produced and commingled in vertical wells. The formation has been drilled since the 1950s, but is seen as more valuable as an additional zone rather than one that can be produced commercially on its own.

The Cline shale and the deeper Strawn and the Ellenberger zones are also potential hydrocarbon bearing formations for exploration and exploitation.

Horizontal Drilling Potential

Recently, operators in the Midland Basin have been evaluating the possibility to produce certain formations using horizontal drilling technology. To date, the Wolfcamp has been the most frequently discussed target formation for horizontal drilling programs, as the zone is thick and relatively consistent. Initial results have been mixed. EOG, EP, AREX, CXO, PXD and HK (now Billiton) are all concentrating horizontal exploration programs in the southern portion of the Midland Basin.

Wolfcamp Characteristics in the Southern Midland Basin

Parameter	Model	Results
Depth, feet	5,800 to 7,000	5,880 to 7,930
Thickness, feet	400 to 850	976 to 1,080
Net Pay, feet	200 to 425	544 to 680
Porosity, %	7.0 to 15.0	9.4 to 12.0
Total Organic Carbon, %	4.0 to 15.0	4.0 to 8.2

Source: El Paso Energy Presentation

Results of some of the horizontal Wolfcamp wells were as follows:

Company	Well Name	County	IP Rate (boe/d)
EOG	University 40 #1306H	Irion/Crockett	1,576
EOG	University 40 #1308H	Irion/Crockett	1,460
EOG	University 40 #1504H	Irion/Crockett	1,538
EOG	Mayer #5003 H	Irion	903
EOG	University 40-A #0401H	Irion	1,075
EOG	Linthicum M#1H	Irion	958

EOG	Linthicum I#5H	Irion	860
EOG	University 9-A #2802H	Reagan	625
EP	UL 43-19-1H	Irion	660
EP	UL 39-7-1H	Crockett	337*
EP	UL 43-22-1H	Crockett	393*
EP	UL 8-12-1H	Reagan	331*
EP	UL 38-29-1H	Crockett	292*
PXD	Gidding Estate 2041H	Upton	854
AREX	University 45 C 803H	Crockett	1,044
AREX	University 45 B 2401H	Crockett	811
AREX	University 45 D 902H	Crockett	798

*Lateral under 5,000 feet Source: From Company Reports

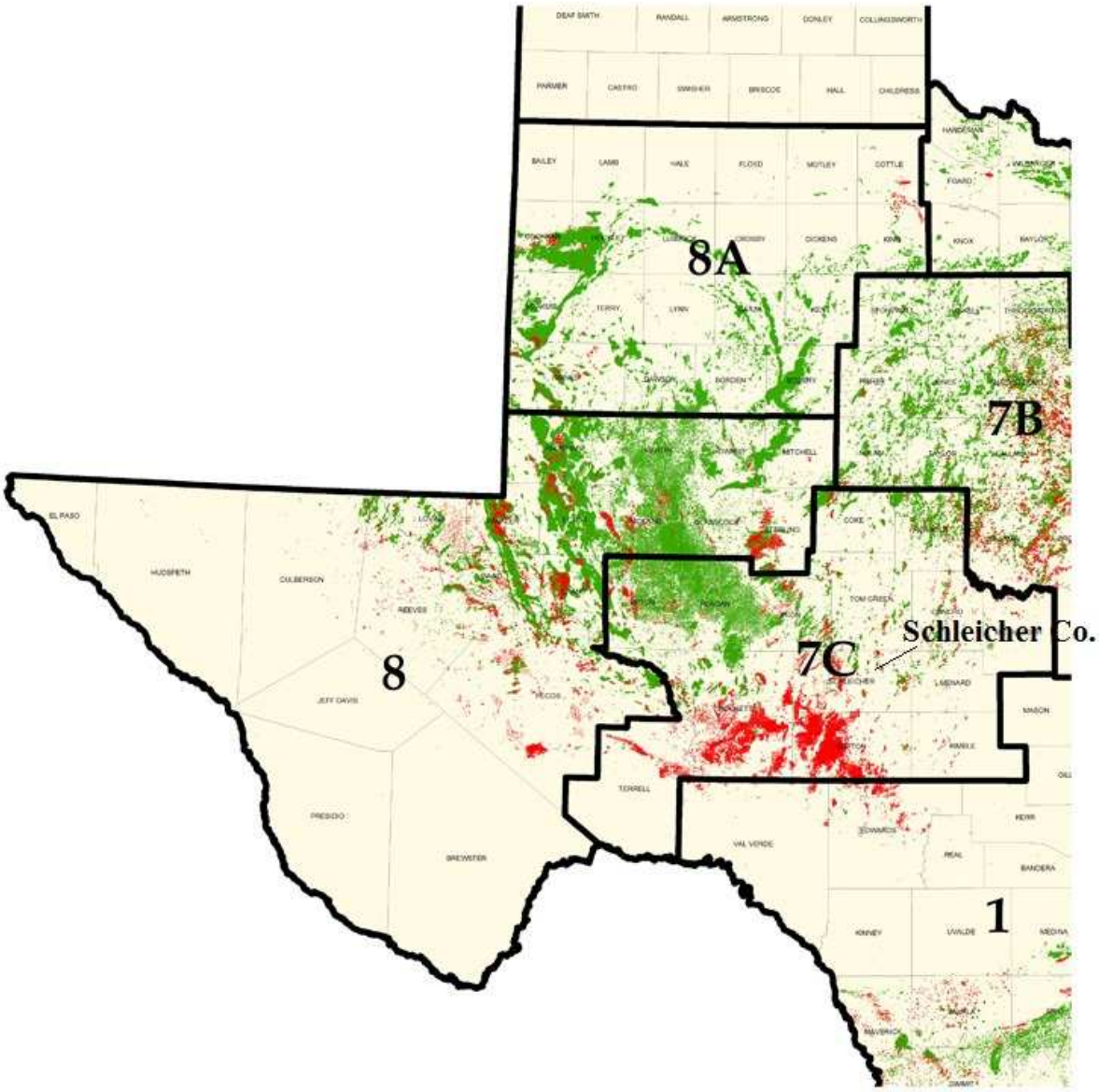
In general, operators are drilling longer lateral wells and experimenting with completion design to best stimulate the reservoir and noting a high correlation between lateral length and IP rate (similar to the Bakken Shale).

For estimated ultimate recovery in vertical wells (spacing of 40 acres) in the Wolfberry, the average is 140 Mboe per well and an average 30 day IP rate of 80 boe/day. The average well cost is between $1.6 and $2.2 million depending the number of stimulation treatments.

For estimated ultimate recovery in horizontal wells (spacing unknown) in the Wolfberry, the average is 450 Mboe per well and an average 30 day IP rate of 350 boe/day. The average well cost is around $5.5 million depending the length of the lateral and the number of stimulation treatments.

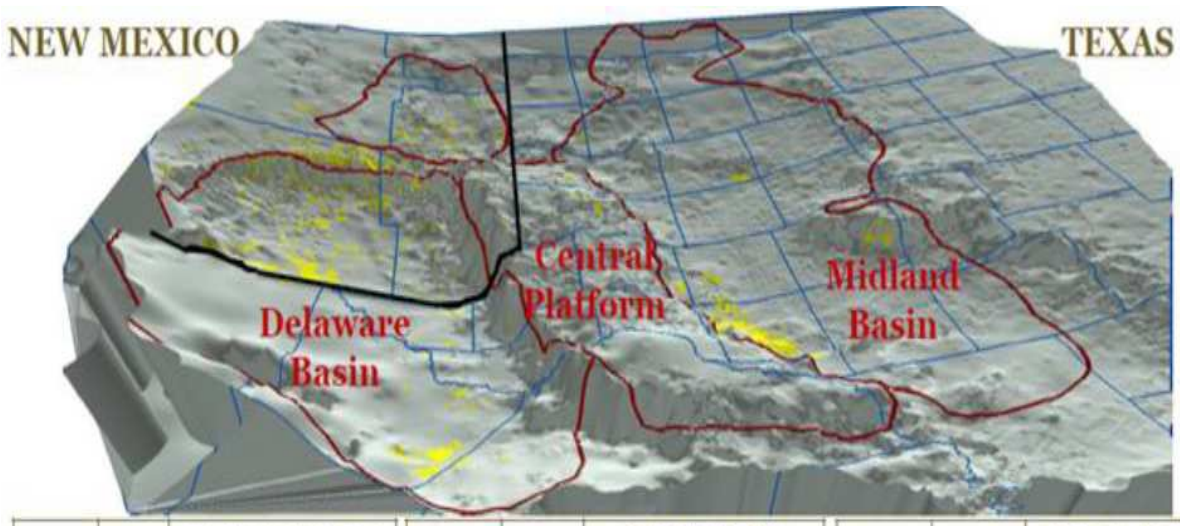
Source: Howard Bell

Figure I-1 Map of the Permian Basin in Texas



Note: Schleicher County is located in Texas Railroad Commission District 7C.

Figure I-2 Stratigraphic Columns of Permian Basin



PERIOD	SERIES	DELAWARE BASIN FORMATION
GUADALAUPE	DELAWARE GROUP	LAMAR BELL CANYON
		CHERRY CANYON
		BRUSHY CANYON
LEONARD		UPPER AVALON SHALE
		LOWER AVALON SHALE
		1ST BONE SPRING
		2ND BONE SPRING
		3RD BONE SPRING
WOLFCAMP		WOLFCAMP
PENN		PENNSYLVANIAN

PERIOD	SERIES	CENTRAL PLATFORM FORMATION
GUADALAUPE	WHITE-HORSE	TANSILL
		YATES
		7 RIVERS
		QUEEN
		GRAYBURG
	WARD	SAN ANDRES
		GLORIETA
LEONARD	YESO	PADDOCK
		BLINEBRY
		TUBB
		DRINKARD
	ABO	
WOLFCAMP	WOLFCAMP	HUECO
		BURSUM
PENN	PENNSYLVANIAN	

PERIOD	SERIES	MIDLAND BASIN FORMATION
GUADALAUPE	WHITE-HORSE	TANSILL
		YATES
		7 RIVERS
		QUEEN
		GRAYBURG
	WARD	SAN ANDRES
		GLORIETA
LEONARD	CLEAR FORK	UPPER LEONARD
		UPPER SPRABERRY
		LOWER SPRABERRY
		DEAN
WOLFCAMP		WOLFCAMP
PENN		PENNSYLVANIAN

Source: Concho Resources Company Presentation

II Evaluation of the Wolfcamp and Spraberry (Wolfberry) Play in the Midland Basin

In November 2012, the Company entered the Wolfberry play currently developing in the southern Midland Basin portion of the Permian Basin located in West Texas. Wolfberry is comprised of a combination of Wolfcamp Shale and Spraberry Shale and is an active play in the Midland Basin.

The Company currently holds 90% working interest in 3,450.645 acres (net to Company's share = 3,105.58 acres and see Appendix C – lease map and areas) of oil and gas leases in Schleicher County, Texas subject to mineral rights and overriding royalty rate of 25%. The Company pays 100% of the drilling, completion, facilities and operating costs for the first three wells until payout of these costs, at which time the third party has the option to back in for a 10% working interest on a well by well basis. Production is also subject to State ad Valorem tax at 4.6% for oil and 7.5% for gas.

On January 2013, the Schafer #1 Well was drilled to 7,370 feet (vertical well) to test the Wolfcamp and Spraberry Formations in Section 2, Concho County School Land Survey, Abstract 45 in Schleicher County. The well was completed with multi-stage fracture treatments and is flowing back fracture fluids at this time. No test data is available.

In the mud log of the Schafer #1 Well, the top of the Wolfcamp was identified at 4,170 feet. Fluorescence of yellow and green colour at 5 to 10%% from 4,420 to 4,470 feet and at 5 to 15% from 4,490 to 4,540 feet were recorded. Wolfcamp B was identified at 4,540 feet. Fluorescence at 5 to 10% was recorded from 4,800 to 5,100 feet and from 5,190 to 5,520 feet and at 2 to 4% from 6,320 to 6,340 feet. In the Canyon Sand Formation starting at 6,350 feet, 10% to 15% fluorescence shows from 6,560 to 6,590 feet. In the electric log, the porosity is less than 7% in the intervals with the fluorescence.

In the completion, six intervals were perforated and fracture-treated as follows:

Intervals	Perforations	Breakdown	XL Gel	20/40	100 mesh	20/40 SLC
Cline	6,793-7,045'	3,144 psig	143,000 12#,	168,000#,	8,100#,	17,750#
Probrty	5,350-5,551'	1,218 psig	145,000 12#,	166,900#,	9,100#,	19,600#
L.Wolfcamp	5,040-5,257'	1,105 psig	150,318 12#,	165,200#,	8,900#,	15,100#
Wolfcamp 1	4,770-4,935'	1,228 psig	133,182 12#,	92,600#,	7,300#,	13,300#
Wolfcamp 2	4,490-4,685'	2,040 psig	155,600 12#,	161,200#,	8,800#,	20,500#
U. Wolfcamp	4,130-4,405'	1,454 psig	127,282 12#,	112,500#,	12,000#,	7,750#

The fracture treatments were done on February 18, 2013 and the total treatment cost was $417,945.36. The flow return is continuing with oil and gas shows. No test can be conducted when all fracture fluids are flowed back.

From surrounding oil and gas production data taken from the Texas Railroad Commission (see Appendix C), a number of fields with Wolfcamp production may be used for analogue in the Crockett and Schleicher Counties of District 7C.

Capital Costs

Drilling Costs	$2,400,000 for the first well (**the cost of the well was spent before the effective date and this cost is not included in the evaluation.)** $1,920,000 per well for the second and third wells
Facilities	$200,000 for the first well (**this cost is included in this evaluation.)** $150,000 per well for the second and third wells
Abandonment and Reclamation Costs	$50,000 per well net of salvage values

Operating Costs

Fixed Costs	$2,500 per well per month
Variable Costs	$0.75 per Mcf of gas $10.00 per barrel of oil

Parameters and Assumptions

Working Interest	100% before payout and 90% after payout on first three wells
Royalty	25%
Ad Valorem	7.5% for gas and 4.6% for oil
Oil and Gas Prices	See Forecast Oil and Gas Prices
BTU adjustment	1,100 btu/scf or 10% increase in the gas price
Operating Days	350 per year
US Federal Tax	35%
Depreciation	7 years straight line
G&A for after tax estimation	$5.00 per barrel and $0.25 per Mcf
Effective Date	February 28, 2013

Estimated Prospective Resources (Assignment)

Estimate	Low	Best	High
Recoverable (Mcf/well)	400,000	600,000	800,000
Recoverable oil rate (bbl/MMcf)	60	75	90
Recoverable (bbl/well)	24,000	45,000	72,000
boe/well	90,667	145,000	205,333

The estimated recoverable resources are based on the current operators' data in the Wolfberry play in Southern Midland Basin. At this time, two additional wells are to be drilled within the vicinity of the Schafer #1 well and prospective resources are assigned to only three locations (including the existing well). Until test and production data is available, an updated reserve evaluation will then be conducted and additional resources may also be updated as well.

Production and Decline Rates

	Production Start	Initial Rates	Decline per month
Low Estimate – 1st Well	Q2 2013	400 Mcf/day	2.25%
2nd & 3rd Wells	Q4 2013	400 Mcf/day	2.25%

Best Estimate – 1st Well	Q2 2013	600 Mcf/day	2.50%
2nd & 3rd Wells	Q4 2013	600 Mcf/day	2.50%
High Estimate - 1st Well	Q2 2013	800 Mcf/day	2.50%
2nd & 3rd Wells	Q4 2013	800 Mcf/day	2.50%

Table II-1 Summary of Prospective Resources and Net Present Values of the Three Wells in the Wolfberry Play
Effective Date = February 28, 2012

	Gas Resources			Oil Resources		Ad Valorem		Revenue			Opex	
	100%	Gross	Net	Gross	Net	Gas	Oil	Gas	Oil	CapEx	Fixed	Variable
Estimate	MMcf	MMcf	MMcf	Mbbl	Mbbl	M$	M$	M$	M$	M$	M$	M$
Low	1,200	1,200	918	72	54	383	291	5,614	6,336	4,508	516	1,692
Best	1,800	1,786	1,373	134	100	578	546	8,399	11,781	4,506	608	2,797
High	2,400	2,317	1,790	208	156	772	873	10,892	18,352	4,495	605	3,978

	Before Tax NPV @					After Tax NPV @				
	0%	5%	10%	15%	20%	0%	5%	10%	15%	20%
Estimate	M$	M$	M$	M$	M$	M$	M$	M$	M$	M$
Low	1,777	1,183	710	329	17	1,537	887	385	-10	-325
Best	6,435	5,239	4,292	3,531	2,910	4,722	3,663	2,837	2,182	1,656
High	11,681	9,838	8,379	7,205	6,245	8,325	6,820	5,640	4,701	3,941

With the effective date on February 28, 2013, the first well was drilled in January 2013. The cost of that well was $2.4 million and was not included in the evaluation. The low estimate is not anticipated to pay out.

Table II-2 Total Prospective Resources and Net Present Values (Low Estimate)

Working Interest = 100% before payout and 90% after payout on the first three wells
Payout = Recovery of total costs of drilling, completion, facilities and opex on a per well basis
Total Royalty = 25%
ad Valorem tax = 4.6% for oil and 7.5% for gas
Abandonment and Reclamation Costs = $50,000 per well net of salvage values
Effective Date = February 28, 2013

	Gas Resources			Oil Resources		Royalty	Ad Valorem		Revenue			Opex		Before Tax NPV @
	100%	Gross	Net	Gross	Net		Gas	Oil	Gas	Oil	CapEx	Fixed	Variable	0%
Year	MMcf	MMcf	MMcf	Mbbl	Mbbl	M$	M$	M$	M$	M$	M$	M$	M$	M$
2013	155	155	118	9	7	349	43	40	625	862	4,340	35	209	-3,528
2014	335	335	256	20	15	775	102	84	1,496	1,821	0	92	461	1,803
2015	255	255	195	15	11	591	81	62	1,195	1,341	0	94	358	1,351
2016	194	194	148	12	9	450	64	46	944	995	0	96	278	1,005
2017	148	148	113	9	7	346	51	34	747	745	0	97	216	748
2018	104	104	80	6	5	248	38	24	552	520	55	91	155	461
2019	10	10	8	1	0	25	4	2	55	52	113	11	16	-63
Total	**1,200**	**1,200**	**918**	**72**	**54**	**2,783**	**383**	**291**	**5,614**	**6,336**	**4,508**	**516**	**1,692**	**1,777**

NPV of Future Net Revenue Before Tax Deducted (in M$) @

0%	5%	10%	15%	20%
1,777	1,183	710	329	17

NPV of Future Net Revenue Afetr Tax Deducted (in M$) @

0%	5%	10%	15%	20%
1,537	887	385	-10	-325

The capital costs of the three wells are estimated at $6,940,000. The three wells are not anticipated to pay out.

Table II-3 Prospective Resources and Net Present Values of the Schafer #1 Well (Low Estimate)

Working Interest = 100% before payout and 90% after payout on the first three wells
Payout = Recovery of total costs of drilling, completion, facilities and opex on a per well basis
Total Royalty = 25%
ad Valorem tax = 4.6% for oil and 7.5% for gas
Abandonment and Reclamation Costs = $50,000 per well net of salvage values
Effective Date = February 28, 2013

	Gas Resources			Oil		Royalty	Ad Valorem		Revenue			Opex		Before Tax NPV @
	100%	Gross	Net	Gross	Net		Gas	Oil	Gas	Oil	CapEx	Fixed	Variable	0%
Year	MMcf	MMcf	MMcf	Mbbl	Mbbl	M$	M$	M$	M$	M$	M$	M$	M$	M$
2013	86	86	66	5	4	195	24	22	349	481	200	20	117	252
2014	103	103	79	6	5	239	31	26	461	562	-	31	142	554
2015	79	79	60	5	4	182	25	19	369	414	-	31	110	415
2016	60	60	46	4	3	139	20	14	291	307	-	32	86	308
2017	46	46	35	3	2	107	16	11	230	230	-	32	67	228
2018	26	26	20	2	1	63	10	6	140	132	55	25	39	74
Total	**400**	**400**	**306**	**24**	**18**	**925**	**126**	**98**	**1,841**	**2,125**	**255**	**171**	**561**	**1,831**

NPV of Future Net Revenue Before Tax Deducted (in M$) @

0%	5%	10%	15%	20%
1,831	1,628	1,462	1,325	1,210

This well is not anticipated to pay out.

Table II-4 Prospective Resources and Net Present Values of the Two Proposed Wells (Low Estimate)

Working Interest = 100% before payout and 90% after payout on the first three wells
Payout = Recovery of total costs of drilling, completion, facilities and opex on a per well basis
Total Royalty = 25%
ad Valorem tax = 4.6% for oil and 7.5% for gas
Abandonment and Reclamation Costs = $50,000 per well net of salvage values
Effective Date = February 28, 2013

	Gas Resources			**Oil**		**Royalty**	**Ad Valorem**		**Revenue**			**Opex**		Before Tax NPV @
	100%	Gross	Net	Gross	Net		Gas	Oil	Gas	Oil	CapEx	Fixed	Variable	0%
Year	MMcf	MMcf	MMcf	Mbbl	Mbbl	M$	M$	M$	M$	M$	M$	M$	M$	M$
2013	68	68	52	4	3	154	19	18	276	381	4,140	15	92	(3,781)
2014	231	231	177	14	10	536	71	58	1,034	1,259	-	61	319	1,249
2015	176	176	135	11	8	408	56	43	826	927	-	62	247	936
2016	134	134	103	8	6	311	45	32	653	688	-	64	192	697
2017	102	102	78	6	5	239	35	24	517	515	-	65	149	520
2018	78	78	59	5	3	185	28	18	412	388	-	66	116	387
2019	10	10	8	1	0	25	4	2	55	52	113	11	16	(63)
Total	**800**	**800**	**612**	**48**	**36**	**1,859**	**257**	**194**	**3,773**	**4,210**	**4,253**	**345**	**1,131**	**(54)**

NPV of Future Net Revenue Before Tax Deducted (in M$) @				
0%	5%	10%	15%	20%
(54)	(445)	(752)	(996)	(1,193)

Both wells are not anticipated to pay out.

Table II-5 Total Prospective Resources and Net Present Values (Best Estimate)

Working Interest = 100% before payout and 90% after payout on the first three wells
Payout = Recovery of total costs of drilling, completion, facilities and opex on a per well basis
Total Royalty = 25%
ad Valorem tax = 4.6% for oil and 7.5% for gas
Abandonment and Reclamation Costs = $50,000 per well net of salvage values
Effective Date = February 28, 2013

	Gas Resources			**Oil**		**Royalty**	**Ad Valorem**		**Revenue**			**Opex**		Before Tax NPV @
	100%	Gross	Net	Gross	Net		Gas	Oil	Gas	Oil	CapEx	Fixed	Variable	0%
Year	MMcf	MMcf	MMcf	Mbbl	Mbbl	M$	M$	M$	M$	M$	M$	M$	M$	M$
2013	231	231	177	17	13	597	64	74	932	1,606	4,340	35	346	-2,918
2014	490	490	376	37	28	1,293	149	153	2,188	3,331	0	92	749	3,082
2015	361	361	278	27	20	951	116	109	1,696	2,378	0	94	564	2,240
2016	267	265	204	20	15	697	89	79	1,292	1,702	0	95	422	1,612
2017	197	191	147	14	11	504	68	57	966	1,205	0	94	310	1,138
2018	145	141	108	11	8	377	53	42	747	879	0	96	233	825
2019	100	97	75	7	5	265	37	29	525	618	51	90	164	507
2020	10	10	7	1	1	27	4	3	53	63	115	11	8	-52
Total	**1,800**	**1,786**	**1,373**	**134**	**100**	**4,711**	**578**	**546**	**8,399**	**11,781**	**4,506**	**608**	**2,797**	**6,435**

NPV of Future Net Revenue Before Tax Deducted (in M$) @				
0%	5%	10%	15%	20%
6,435	5,239	4,292	3,531	2,910

NPV of Future Net Revenue After Tax Deducted (in M$) @				
0%	5%	10%	15%	20%
4,722	3,663	2,837	2,182	1,656

The capital costs of the three wells are estimated at $6,940,000.

Table II-6 Prospective Resources and Net Present Values of the Schafer #1 Well (Best Estimate)

Working Interest = 100% before payout and 90% after payout on the first three wells
Payout = Recovery of total costs of drilling, completion, facilities and opex on a per well basis
Total Royalty = 25%
ad Valorem tax = 4.6% for oil and 7.5% for gas
Abandonment and Reclamation Costs = $50,000 per well net of salvage values
Effective Date = February 28, 2013

	Gas Resources			Oil		Royalty	Ad Valorem		Revenue			Opex		Before Tax NPV @
	100%	Gross	Net	Gross	Net		Gas	Oil	Gas	Oil	CapEx	Fixed	Variable	0%
Year	MMcf	MMcf	MMcf	Mbbl	Mbbl	M$	M$	M$	M$	M$	M$	M$	M$	M$
2013	128	128	99	10	7	332	35	41	518	893	200	20	193	590
2014	150	150	115	11	8	395	46	47	669	1,019	-	31	229	940
2015	111	111	85	8	6	291	35	33	519	727	-	31	172	682
2016	82	80	62	6	5	211	27	24	391	515	-	31	128	484
2017	60	54	42	4	3	143	21	17	274	342	-	29	88	318
2018	44	40	31	3	2	107	16	13	212	250	-	30	66	230
2019	25	23	17	2	1	62	9	7	122	144	51	23	38	76
Total	**600**	**586**	**450**	**44**	**33**	**1,541**	**190**	**183**	**2,705**	**3,889**	**251**	**195**	**914**	**3,321**

NPV of Future Net Revenue Before Tax Deducted (in M$) @				
0%	5%	10%	15%	20%
3,321	2,950	2,650	2,404	2,199

The capital cost of this well is estimated at $2,600,000. This well is anticipated to pay out in November 2016.

Table II-7 Prospective Resources and Net Present Values of the Two Proposed Wells (Best Estimate)

Working Interest = 100% before payout and 90% after payout on the first three wells
Payout = Recovery of total costs of drilling, completion, facilities and opex on a per well basis
Total Royalty = 25%
ad Valorem tax = 4.6% for oil and 7.5% for gas
Abandonment and Reclamation Costs = $50,000 per well net of salvage values
Effective Date = February 28, 2013

	Gas Resources			Oil Resources		Royalty	Ad Valorem		Revenue			Opex		Before Tax NPV @
	100%	Gross	Net	Gross	Net		Gas	Oil	Gas	Oil	CapEx	Fixed	Variable	0%
Year	MMcf	MMcf	MMcf	Mbbl	Mbbl	M$	M$	M$	M$	M$	M$	M$	M$	M$
2013	102	102	79	8	6	265	28	33	414	713	4,140	15	154	(3,508)
2014	340	340	261	25	19	897	104	106	1,519	2,312	-	61	520	2,142
2015	251	251	193	19	14	660	80	76	1,177	1,651	-	62	392	1,558
2016	185	185	142	14	10	486	61	55	901	1,188	-	64	295	1,128
2017	137	137	105	10	8	361	47	40	692	863	-	65	222	820
2018	101	101	78	8	6	270	36	29	535	629	-	66	167	596
2019	74	74	57	6	4	203	27	22	403	474	-	68	126	431
2020	10	10	7	1	1	27	4	3	53	63	115	11	8	(52)
Total	**1,200**	**1,200**	**923**	**90**	**68**	**3,170**	**388**	**363**	**5,694**	**7,892**	**4,255**	**413**	**1,883**	**3,114**

NPV of Future Net Revenue Before Tax Deducted (in M$) @				
0%	5%	10%	15%	20%
3,114	2,289	1,642	1,127	711

The capital costs of the proposed two wells are $4,140,000. Both wells are not anticipated to pay out.

Table II-8 Total Prospective Resources and Net Present Values (High Estimate)

Working Interest = 100% before payout and 90% after payout on the first three wells
Payout = Recovery of total costs of drilling, completion, facilities and opex on a per well basis
Total Royalty = 25%
ad Valorem tax = 4.6% for oil and 7.5% for gas
Abandonment and Reclamation Costs = $50,000 per well net of salvage values
Effective Date = February 28, 2013

	Gas Resources			**Oil**		**Royalty**	**Ad Valorem**		**Revenue**			**Opex**		Before Tax NPV @
	100%	Gross	Net	Gross	Net		Gas	Oil	Gas	Oil	CapEx	Fixed	Variable	0%
Year	MMcf	MMcf	MMcf	Mbbl	Mbbl	M$	M$	M$	M$	M$	M$	M$	M$	M$
2013	302	302	234	27	20	884	83	116	1,221	2,525	4,340	35	499	-2,211
2014	647	647	500	58	44	1,917	197	243	2,890	5,278	0	92	1,088	4,630
2015	477	467	360	42	31	1,374	153	173	2,189	3,684	0	91	801	3,281
2016	352	342	264	31	23	1,002	117	125	1,664	2,630	0	92	598	2,360
2017	260	234	181	21	16	688	90	91	1,185	1,773	0	88	418	1,583
2018	192	173	133	16	12	513	69	66	916	1,293	0	89	315	1,157
2019	142	127	98	11	9	386	52	50	689	973	0	91	237	847
2020	28	25	19	2	2	78	11	10	139	196	155	26	22	34
Total	**2,400**	**2,317**	**1,790**	**208**	**156**	**6,841**	**772**	**873**	**10,892**	**18,352**	**4,495**	**605**	**3,978**	**11,681**

NPV of Future Net Revenue Before Tax Deducted (in M$) @				
0%	5%	10%	15%	20%
11,681	9,838	8,379	7,205	6,245

NPV of Future Net Revenue Afetr Tax Deducted (in M$) @				
0%	5%	10%	15%	20%
8,325	6,820	5,640	4,701	3,941

The capital costs of the three wells are estimated at $6,940,000. All three wells are anticipated to pay out.

Table II-9 Prospective Resources and Net Present Values of the Schafer #1 Well (High Estimate)

Working Interest = 100% before payout and 90% after payout on the first three wells
Payout = Recovery of total costs of drilling, completion, facilities and opex on a per well basis
Total Royalty = 25%
ad Valorem tax = 4.6% for oil and 7.5% for gas
Abandonment and Reclamation Costs = $50,000 per well net of salvage values
Effective Date = February 28, 2013

	Gas Resources			Oil Resources		Royalty	Ad Valorem		Revenue			Opex		Before Tax NPV @
	100%	Gross	Net	Gross	Net		Gas	Oil	Gas	Oil	CapEx	Fixed	Variable	0%
Year	MMcf	MMcf	MMcf	Mbbl	Mbbl	M$	M$	M$	M$	M$	M$	M$	M$	M$
2013	166	166	128	15	11	485	46	64	670	1,385	200	20	274	967
2014	193	193	149	17	13	573	59	73	864	1,579	-	31	326	1,382
2015	143	132	102	12	9	389	46	52	620	1,043	-	29	227	920
2016	105	95	73	9	6	278	35	37	462	730	-	29	166	647
2017	78	70	54	6	5	206	27	27	354	530	-	29	125	471
2018	57	52	40	5	3	153	21	20	274	387	-	30	94	343
2019	42	38	29	3	3	115	16	15	206	291	-	30	71	250
2020	15	14	11	1	1	42	6	5	75	106	52	16	12	49
Total	**800**	**759**	**587**	**68**	**51**	**2,242**	**254**	**293**	**3,525**	**6,050**	**252**	**213**	**1,294**	**5,028**

NPV of Future Net Revenue Before Tax Deducted (in M$) @				
0%	5%	10%	15%	20%
5,028	4,445	3,981	3,604	3,294

The capital cost of this well is estimated at $2,600,000. This well is anticipated to pay out in Q2 of 2015..

Table II-10 Prospective Resources and Net Present Values of the Two Proposed Wells (High Estimate)

Working Interest = 100% before payout and 90% after payout on the first three wells
Payout = Recovery of total costs of drilling, completion, facilities and opex on a per well basis
Total Royalty = 25%
ad Valorem tax = 4.6% for oil and 7.5% for gas
Abandonment and Reclamation Costs = $50,000 per well net of salvage values
Effective Date = February 28, 2013

	Gas Resources			Oil Resources		Royalty	Ad Valorem		Revenue			Opex		Before Tax NPV @
	100%	Gross	Net	Gross	Net		Gas	Oil	Gas	Oil	CapEx	Fixed	Variable	0%
Year	MMcf	MMcf	MMcf	Mbbl	Mbbl	M$	M$	M$	M$	M$	M$	M$	M$	M$
2013	137	137	105	12	9	399	38	52	551	1,140	4,140	15	225	(3,178)
2014	453	453	350	41	31	1,344	138	170	2,025	3,699	-	61	763	3,248
2015	335	335	258	30	23	985	107	121	1,570	2,641	-	62	574	2,361
2016	247	247	191	22	17	724	82	87	1,202	1,900	-	64	432	1,713
2017	182	164	127	15	11	482	63	63	830	1,242	-	58	293	1,113
2018	134	121	93	11	8	359	49	46	642	906	-	60	220	814
2019	99	89	69	8	6	270	37	35	483	682	-	61	166	597
2020	13	12	9	1	1	36	5	5	64	90	103	10	10	(15)
Total	**1,600**	**1,557**	**1,203**	**140**	**105**	**4,599**	**518**	**581**	**7,367**	**12,302**	**4,243**	**392**	**2,684**	**6,653**

NPV of Future Net Revenue Before Tax Deducted (in M$) @				
0%	5%	10%	15%	20%
6,653	5,393	4,398	3,600	2,950

The capital costs of these two wells are estimated at $4,140,000. Both wells are anticipated to pay out at the end of 2016.

Appendix A Conversion Factors and Abbreviations

Conversion Factors

1 metre	3.28 feet
1 cubic metre of gas	35.31467 cubic feet of gas
1 cubic metre of liquid	6.28981 barrels
1 kg/sq. cm.	14.22334 psi
1 hectare (10,000 square metres)	2.471054 acres

Abbreviations

ac	acre
AOF	absolute open flow
API	American Petroleum Institute
bbl	barrel
bopd	barrels of oil per day
BTU	British Thermal Unit
cp	centipose
^{o}F	degrees, Fahrenheit
^{o}R	degrees, Rankin
ft	feet
GOR	gas oil ratio
KB	Kelly bushing
LT	long tonne
m	metre
Mbbl	thousands of barrels
MMbbl	millions of barrels
$M	thousand dollars
Mcf	thousand cubic feet
mD	milli-Darcy
MD	measured depth
MMcf	million cubic feet
ppm	parts per million
PVT	pressure-volume-temperature
psia	pounds per square inch absolute
psig	pounds per square inch gauge
rb	reservoir barrel
RFT	Repeat formation test
scf	standard cubic feet
ss	subsea
stb	stock tank barrel
STOOIP	stock tank original oil-in-place
TVD	true vertical depth
WI	working interest

Appendix B - Information Pertaining to the Prospects in the Wolfberry Play in Schleicher County, Texas

As required in 10.3 (Reporting Resources and Values of Undeveloped Lands) of the COGE Handbook, the information relating to the Prospects is as follows:

1. Location and basin name

   Section 2 of Concho County School Land Survey, Abstract 45 in Schleicher County and the sub-basin is Midland Basin within the Permian Basin

2. Gross and Net interest in the lands (see Appendix C).

Section	Gross, acres	Working Interest	Net, acres
Concho County School Land Survey, Abstract 45 in Schleicher County.	3,450.645	90%	3,105.58

3. Expiry Dates of Lease

   Three-year lease from November 2012

4. Geologic Age and Lithology of the Target Zone

   Wolfcamp – Dolomite, limestone and shale of the Permian Age

5. Distance to the nearest analogous commercial production

   The nearest analogous commercial production is within three miles.

6. The Wolfcamp Formation is expected to produce both oil and gas.

7. Range of pool or field sizes and the probability of discovery.

Prospect	Formation	Low Estimate	High Estimate
Section 2 in CCSL Survey	Wolfcamp	0.4 Bcf of gas/well	0.8 Bcf of gas/well
Abstract 45, Schleicher Co.		24 Mbbl of oil/well	72 Mbbl of oil/well

The estimates are the recoverable gas and oil per well. The pool or field size is based on the number of wells to be drilled.

As the Wolfcamp Formation is spread throughout this area, chance of discovery is assessed at approximately 60%. The commercial production of the Wolfcamp depends on the success of the multi-stage fracture treatments.

8. Depth of the target zone.

The target zone is the Lower Wolfcamp, Wolfcamp 1, Wolfcamp 2 and Upper Wolfcamp as identified in the Schafer #1 well. The four intervals are from 4,100 to 5,300 feet and are listed on page 18.

9. Estimated cost (at 100% working interest) to drill, test and complete a well to the target depth is $2,400,000. Subsequent development wells would be 15 to 20% cheaper.

10. Drilling commencement and completion dates for one exploratory well.

Prospect	Drill and Complete
Schafer #1	January 2013- drilled
	February 2013 - completed

11. Price environment – the product price is to be based on the most likely spot gas price in West Texas.

12. Expected marketing and transportation arrangements –

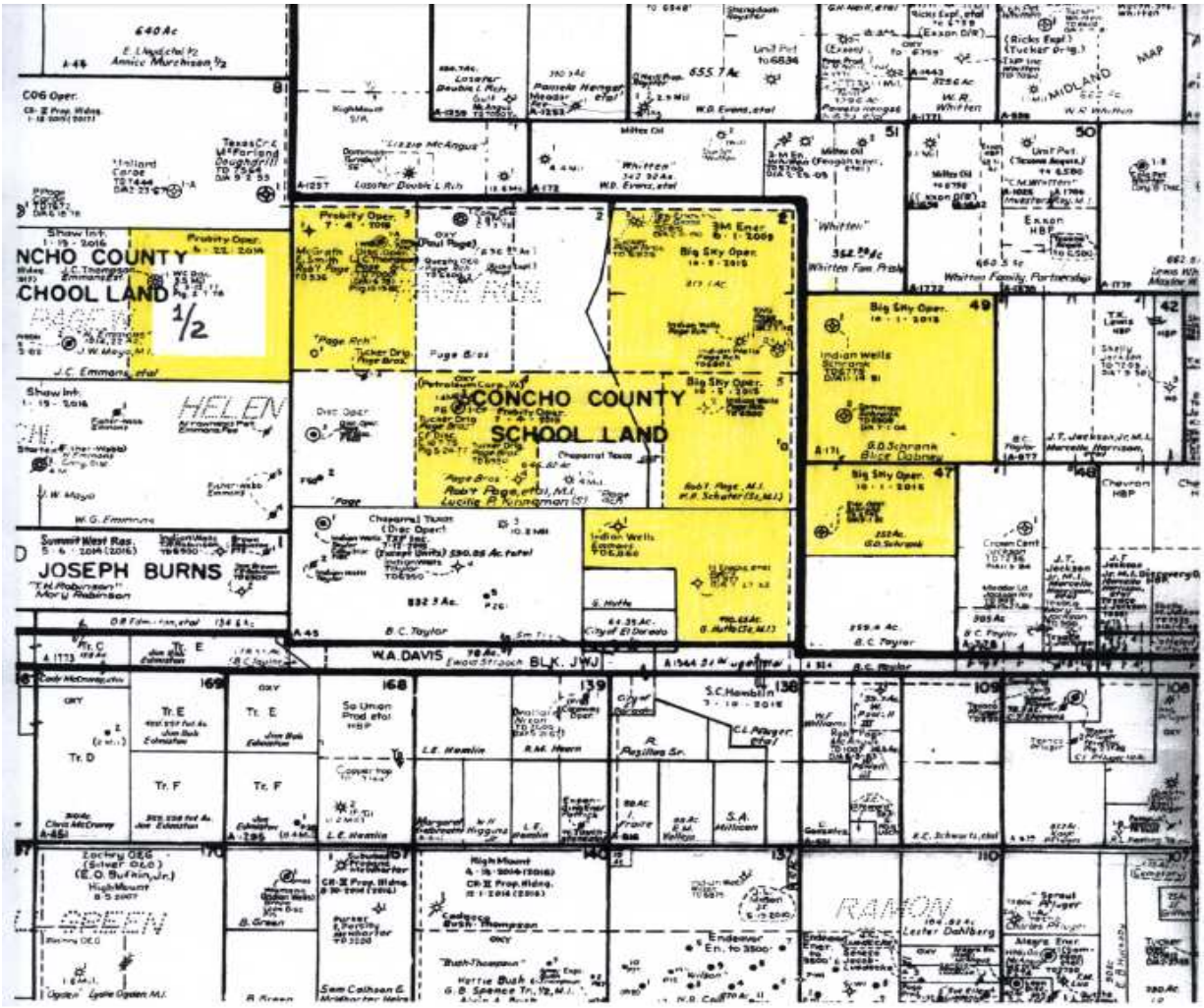
Gas gathering system from the well is to be installed to collect the gas to a central processing facility where the produced gas is sold as high BTU gas. The oil is likely sold at the wellhead.

13. Identity and relevant experience of the operator

BSP Operating, LLC (Org. No. 105005) is the registered operator with an address in Olive Branch, Mississippi. BSP Operating, LLC is a wholly-owned subsidiary of Big Sky Petroleum Corporation If the Schafer #1 well is commercial, it will require either setting up an operation or hire contract operator in the local area to commence operation and production of the Wolfcamp wells.

The risks and probability of success as described in item 7.

Appendix C Big Sky Petroleum's Leases in Schleicher County, Texas



The yellow colored are the Company's leases.

The total lease areas in the solid yellow and ½ yellow are 3,704 acres
The areas in the solid yellow (100%) and ½ yellow (50%) are 3,405 acres.
The Company's 90% share of the areas in the solid yellow (100%) and ½ yellow (50%) are 3,105 acres.

Appendix D Permit to Drill the Schafer #1 Well in Schleicher County, Texas

REV. 8/89

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION

PERMIT TO DRILL, DEEPEN, PLUG BACK, OR RE-ENTER
ON REGULAR OR ADMINISTRATIVE EXCEPTION LOCATION

PERMIT NUMBER 753835	DATE PERMIT ISSUED OR AMENDED 1/03/2013	DISTRICT 7C
API NUMBER 42 413 32873	FORM W-1 RECEIVED 12/27/2012	COUNTY SCHLEICHER
TYPE OF OPERATION DRILL		ACRES 964.06
OPERATOR 105005 BSP OPERATING, LLC PO BOX 1336 OLIVE BRANCH MS 38654		NOTICE This permit and any allowable assigned may be revoked if payment for fee(s) submitted to the Commission is not honored. District Office Telephone No.: 325 657-7450
LEASE NAME SCHAFER		WELL NUMBER 1
LOCATION 4.90 MILES NW FROM ELDORADO		TOTAL DEPTH 7,300
SECTION, BLOCK and/or SURVEY SECTION => 2 BLOCK => ABSTRACT => 45 SURVEY ==> CONCHO CSL		
DISTANCE--LEASE LINES 467.00 F E - 1,980.00 F S		DISTANCE--NEAREST WELL ON LEASE 0.0
DISTANCE--SURVEY LINES 467.00 F E - 7,484.00 F N		

READ IMPORTANT CONDITIONS AND INSTRUCTIONS ON THE BACK OF THIS FORM

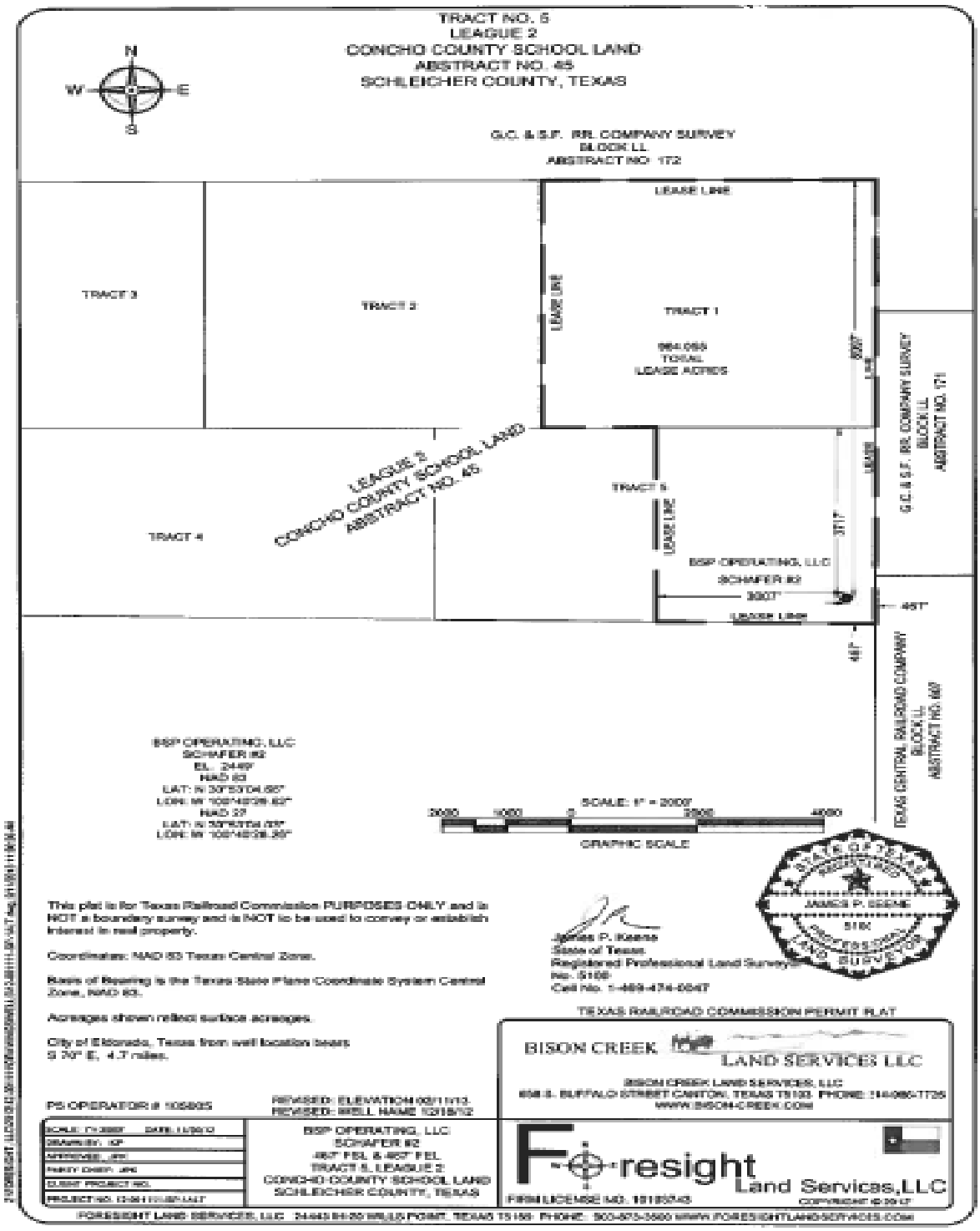
FIELD(S) AND LIMITATIONS

WILDCAT

** LIMITATIONS **

THIS WELL SHALL BE COMPLETED AND PRODUCED IN COMPLIANCE WITH APPLICABLE SPECIAL FIELD OR STATEWIDE SPACING AND DENSITY RULES. IF THIS WELL IS TO BE USED FOR BRINE MINING, UNDERGROUND STORAGE OF LIQUID HYDROCARBONS IN SALT FORMATIONS, OR UNDERGROUND STORAGE OF GAS IN SALT FORMATIONS, A PERMIT FOR THAT SPECIFIC PURPOSE MUST BE OBTAINED FROM ENVIRONMENTAL SERVICES PRIOR TO CONSTRUCTION, INCLUDING DRILLING, OF A WELL IN ACCORDANCE WITH STATEWIDE RULES 81, 95, AND 97.

Appendix E Legal Survey of the Schafer #1 Well in Schleicher County, Texas



Appendix F Wolfcamp Production Data in the Surrounding Area

(Taken from the Texas Railroad Commission)

Andrew A (Wolfcamp), Field No: 02718600 in District 7C

Date	Oil (BBL)	Casinghead (MCF)	GW Gas (MCF)	Condensate (BBL)
1993	2,292	14,259	0	0
1994	2,933	18,912	0	0
1995	23,699	19,225	0	0
1996	25,471	30,935	0	0
1997	17,339	34,879	0	0
1998	20,750	43,687	0	0
1999	11,614	34,349	0	0
2000	36,869	62,957	0	0
2001	32,057	94,646	0	0
2002	19,833	93,063	0	0
2003	12,373	50,832	0	0
2004	17,232	60,829	0	0
2005	38,099	54,828	0	0
2006	44,171	120,865	0	0
2007	62,689	92,256	0	0
2008	66,281	87,784	0	0
2009	30,447	71,005	0	0
2010	14,693	60,382	0	0
2011	18,237	52,864	0	0
2012	83,532	122,628	0	0
Total	580,611	1,221,185	0	0

Cody Bell, SW (Wolfcamp), Field No: 19310888

Date	Oil (BBL)	Casinghead (MCF)	GW Gas (MCF)	Condensate (BBL)
1993	3,770	14,754	182,757	150
1994	2,811	12,649	157,931	26
1995	3,613	13,721	125,572	63
1996	5,236	22,875	113,921	82
1997	5,324	31,490	97,649	0
1998	4,285	33,336	88,289	0
1999	4,830	27,535	84,090	6
2000	7,953	41,241	71,099	27
2001	5,698	37,702	63,592	31
2002	5,085	31,847	60,631	40
2003	4,842	29,328	47,593	30
2004	4,439	29,169	64,746	12
2005	4,121	28,362	62,654	33
2006	3,434	26,999	53,251	0

2007	4,677	25,329	55,369	3
2008	4,509	24,173	73,376	123
2009	4,213	26,133	63,353	1
2010	11,363	63,171	58,046	0
2011	11,391	71,561	54,556	0
2012	35,982	163,102	33,569	1
Total	137,576	754,477	1,612,044	628

Lin (Wolfcamp), Field No: 53613750

Date	Oil (BBL)	Casinghead (MCF)	GW Gas (MCF)	Condensate (BBL)
1993	7,334	249,552	96,597	592
1994	6,026	193,560	134,428	653
1995	4,765	152,103	135,112	811
1996	2,651	148,370	127,041	785
1997	894	126,929	121,380	609
1998	555	37,947	110,707	609
1999	565	6,589	118,567	656
2000	413	4,595	101,035	490
2001	503	3,148	85,098	533
2002	348	3,865	77,417	284
2003	396	2,738	62,583	200
2004	915	3,287	61,590	71
2005	672	1,740	57,166	118
2006	765	1,102	51,462	121
2007	832	3,565	54,118	108
2008	739	2,660	50,058	104
2009	784	1,833	37,784	124
2010	54,991	155,343	36,344	56
2011	843,419	2,307,175	32,914	32
2012	1,494,411	6,749,229	21,896	143
Total	2,421,978	10,155,330	1,573,297	7,099

Lonesome Reef (Wolfcamp), Field No: 54648475

Date	Oil (BBL)	Casinghead (MCF)	GW Gas (MCF)	Condensate (BBL)
1994	22,496	140	0	0
1995	69,555	165,155	0	0
1996	42,340	339,091	0	0
1997	38,609	274,081	0	0
1998	11,516	161,744	0	0
1999	7,806	64,532	7,912	0
2000	6,092	20,824	28,381	0
2001	4,757	18,564	21,754	0

2002	7,389	54,034	19,684	0
2003	16,140	73,391	15,910	0
2004	7,366	25,115	32,435	59
2005	6,939	15,543	28,980	68
2006	29,722	59,622	18,567	40
2007	89,116	193,454	9,178	38
2008	215,142	553,022	6,356	20
2009	251,323	869,967	6,775	1
2010	371,033	1,182,126	4,961	0
2011	338,228	1,199,113	4,742	0
2012	243,470	796,154	1,748	6
Total	1,779,039	6,065,672	207,383	232

Noelke (Wolfcamp, Lower), Field No: 65674400

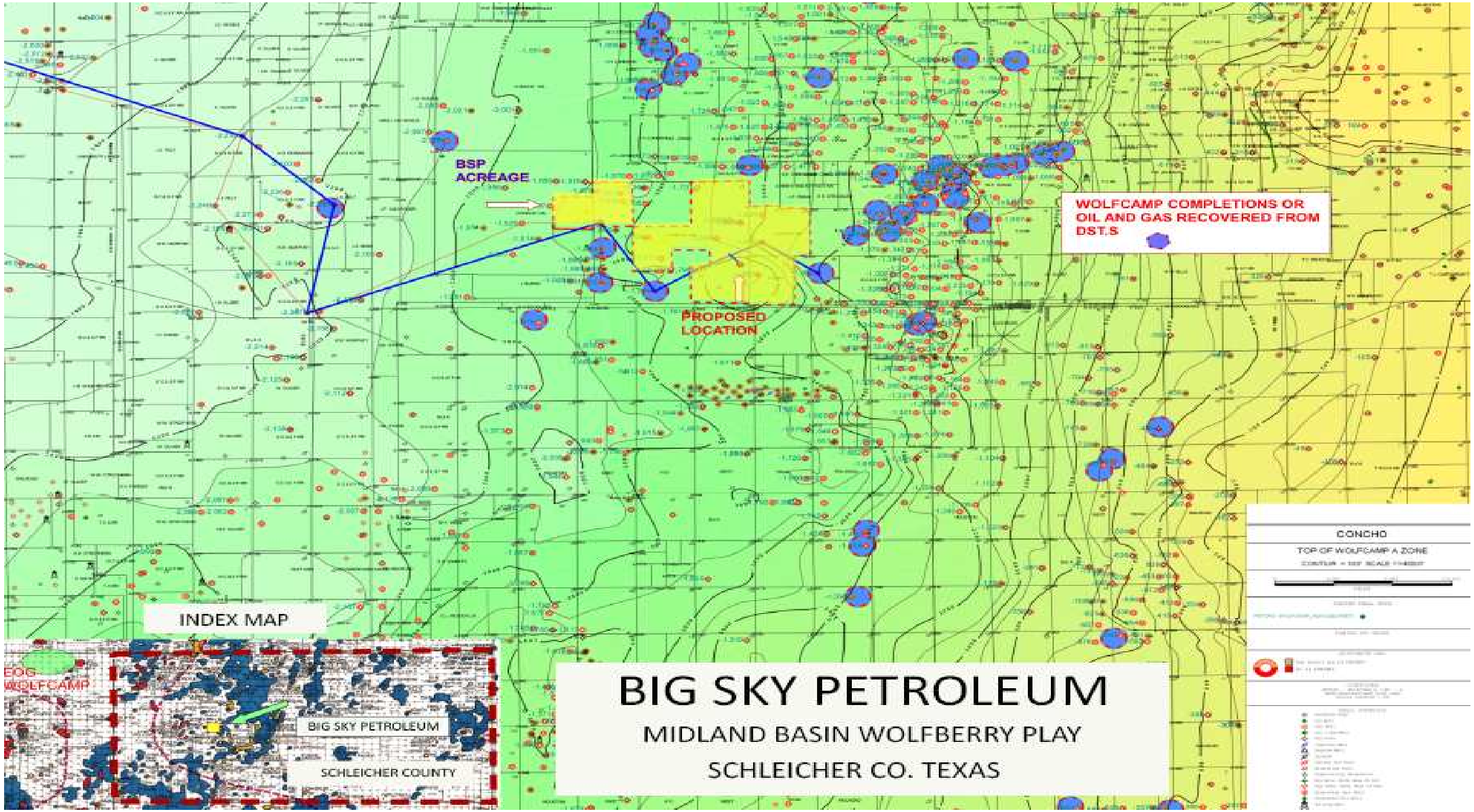
Date	Oil (BBL)	Casinghead (MCF)	GW Gas (MCF)	Condensate (BBL)
2001	58,059	29,294	0	0
2002	135,700	109,959	0	0
2003	120,615	70,396	0	0
2004	229,063	175,372	0	0
2005	671,562	918,616	0	0
2006	1,072,866	1,523,373	0	0
2007	1,079,953	711,140	0	0
2008	1,017,934	1,816,690	0	0
2009	771,072	834,810	0	0
2010	721,523	611,330	0	0
2011	729,217	578,912	0	0
2012	585,612	363,656	0	0
Total	7,193,176	7,743,548	0	0

Southwest Mesa (Wolfcamp), Field No: 84819850

Date	Oil (BBL)	Casinghead (MCF)	GW Gas (MCF)	Condensate (BBL)
1993	204,689	327,045	13,652	0
1994	146,264	298,318	120,882	442
1995	73,885	229,083	0	0
1996	50,538	201,237	42,845	1,440
1997	45,967	125,696	24,743	0
1998	27,552	75,826	18,112	0
1999	24,019	92,818	11,063	0
2000	24,833	97,342	4,449	0
2001	21,928	95,926	3,284	0
2002	41,580	69,114	5,010	0
2003	28,603	74,352	11,999	0

2004	40,924	67,826	2,162	0
2005	34,929	48,317	0	0
2006	34,523	58,386	0	0
2007	36,653	76,720	0	0
2008	30,040	75,992	0	0
2009	28,877	63,350	0	0
2010	25,117	52,091	0	0
2011	23,586	50,568	0	0
2012	36,124	60,635	0	0
Total	980,631	2,240,642	258,201	1,882

Appendix G Wolfberry Play Map in the Big Sky Petroleum's Leases in Schleicher County, Texas



Note: The Blue Circles are Wolfcamp Production.

Appendix H Wolfberry Play Cross Section