



**ECHELON**  
PETROLEUM

**ECHELON PETROLEUM CORP.**

**FORM 51-101F1**

**STATEMENT OF OIL AND GAS INFORMATION DATED  
MARCH 31, 2014**

STATEMENT DATE: JUNE 29, 2014

EFFECTIVE DATE: MARCH 31, 2014

PREPARATION DATE: JUNE 29, 2014

**PART 2                                    DISCLOSURE OF RESERVES DATA**

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

Echelon Petroleum Corp. does not have any reserves.

**Item 2.2                    **Supplemental Disclosure (Constant Prices and Costs)****

Not applicable

**Item 2.3                    *Reserves Disclosure Varies with Accounting***

Not applicable

**Item 2.4                    *Future Net Revenue Disclosure Varies with Accounting***

Not applicable

**PART 3                                    PRICING ASSUMPTIONS**

**Item 3.1                    **Constant Prices Used in Supplemental Estimates****

Not applicable

**Item 3.2                    **Forecast Prices Used in Estimates****

Not applicable

**PART 4                                    RECONCILIATION OF CHANGES IN RESERVES**

**Item 4.1                    *Reserves Reconciliation***

Not applicable

**PART 5                                    ADDITIONAL INFORMATION RELATING TO  
RESERVES DATA**

**Item 5.1                    *Undeveloped Reserves***

Not applicable

**Item 5.2                    **Significant Factors or Uncertainties Affecting *Reserves Data*****

Not applicable

**Item 5.3                    *Future Development Costs***

Not applicable

## PART 6

## OTHER OIL AND GAS INFORMATION

### Item 6.1.1

### Oil and Gas Properties and Wells

References in this Form 51-101F1 to “our”, “our company”, “we”, “us” or the “Company” refer to Echelon Petroleum Corp. and its subsidiaries unless the context clearly requires otherwise.

We are in the business of exploring for oil and gas, primarily in United States. If we discover sufficient reserves of oil or gas, we intend to exploit them. Although we are currently focused primarily on projects located in certain geographic regions, we remain open to attractive opportunities in other areas. As of March 31, 2014, we have not yet discovered any reserve on any of our properties.

On November 15, 2012 the Company entered into an Oil & Gas Turnkey Participation and Operating Agreement (“OGA”) with Circlestar Energy Corp. (“Circlestar”), wherein for consideration of US\$393,750 to be paid by the Company to Circlestar, Circlestar would sell to the Company a 75% working interest before payout (60% net revenue interest) and a 56.25% working interest after payout (45% net revenue interest) in an oil and gas exploration and development prospect located on approximately 160 acres in Trego County, Kansas (the “Project”). Circlestar is engaged in the oil and gas exploration and production industry, and identified the oil and gas exploration and development prospect located onshore in Trego County, Kansas, as being a favorable prospect for development. In December 2012, the Company made payments totaling \$395,026 (US\$393,750) to Circlestar with respect to the drilling and completion of the first Trego County property well prospect triggering the acquisition of the working interest and net revenue interest referred to above.

In January, 2013, the Company paid \$205,249 (US\$206,387) and in February 2013 paid an additional \$145,115 (US\$143,614) to Circlestar to fund the Company’s proportionate share of the drilling and completion costs of a second well on the Trego County, Kansas property. In March 2013 the Company paid \$130,274 (US\$125,853) to fund the Company’s proportionate share of the hydraulic fracturing of the first and second wells on the Trego County, Kansas property and a further \$183,932 (US\$179,072) to fund its proportionate share of the costs of a lateral drilling program off of each of the first and second Trego wells.

As of March 31, 2013 the Project consisted of two oil well prospects. The OGA also grants the Company a right of first refusal to participate and acquire interests in new well projects on the Trego County property. If the Company does not participate in those future project well opportunities or fund its share of the associated costs, the Company will lose its right of first refusal to participate and acquire interests in any future project well opportunities.

During the year ended March 31, 2014 we wrote down the value of interests in the Project to nil.

### Item 6.1.2 Gross and Net Oil and Gas Wells

The Project is located in Kansas, United States.

| Non-Producing Oil Wells |                    |
|-------------------------|--------------------|
| Gross                   | Net <sup>(1)</sup> |
| 2.0                     | 1.5                |

<sup>(1)</sup> The net wells reported above are based on a before payout interest.

## **Item 6.2 Properties With No Attributed Reserves**

The following table summarizes the Company's interests at March 31, 2014, in its unproved properties located in Kansas, United States:

| <b>Location</b>        | <b>Working Interests<sup>(1)</sup></b> | <b>Gross Acres</b> | <b>Net Acres</b> |
|------------------------|--|--------------------|------------------|
| Trego County (onshore) | 75%                                    | 160                | 120              |

<sup>(1)</sup> The working interest reported above is based on a before payout interest.

As of March 31, 2014 the Project consisted of two oil well prospects. The OGA also grants the Company a right of first refusal to participate and acquire interests in new well projects on the Trego County property. If the Company does not participate in those future project well opportunities or fund its share of the associated costs, the Company will lose its right of first refusal to participate and acquire interests in any future project well opportunities.

### **Item 6.2.1 Significant Factors or Uncertainties Relevant to Properties with No Attributable Reserves**

The Company's operations are subject to various risks and uncertainties, including, but not limited to, those listed below.

#### *Early Stage of Development*

The Company has conducted oil and gas exploration and development activities for a relatively short period (on the Project). There is limited financial, operational and other information available with which to evaluate the prospects of the Company. There can be no assurance that the Company's operations will be profitable in the future or will generate sufficient cash flow to satisfy its working capital requirements.

#### *Capital Requirements*

To finance its future acquisition, exploration, development and operating costs, the Company may require financing from external sources, including from the issuance of new shares, issuance of debt or execution of working interest farm-out agreements. There can be no assurance that such financing will be available to the Company or, if available, that it will be offered on terms acceptable to the Company. If unable to secure financing on acceptable terms, the Company may have to cancel or postpone certain of its planned exploration and development activities.

#### *Risks Inherent in Oil and Gas Exploration and Development*

Oil and gas operations involve many risks which, even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of the Company depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. No assurance can be given that the Company will be able to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, the Company may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that expenditures made (such as on the Project) on future exploration by the Company will result in discoveries of oil or natural gas in commercial quantities or that commercial quantities of oil and natural gas will be discovered or acquired by the Company. It is difficult to project the costs of implementing an exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

Future oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While close well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

The Company's business is subject to all of the risks and hazards inherent in businesses involved in the exploration for, and the acquisition, development, production and marketing of, oil and natural gas, many of which cannot be overcome even with a combination of experience and knowledge and careful evaluation. The risks and hazards typically associated with oil and gas operations include fire, explosion, blowouts, sour gas releases, pipeline ruptures and oil spills, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property, the environment or personal injury.

#### *Availability of Equipment and Staff*

The Company's oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment and qualified staff in the particular areas where such activities are or will be conducted. The Company depends on its operating partners to provide drilling rigs and equipment for its exploration and development activities. Shortages of such equipment or staff may affect the availability of such equipment to the Company and may delay the Company's exploration and development activities and result in lower production.

#### *Prices, Markets and Marketing of Crude Oil and Natural Gas*

Oil and natural gas are commodities whose prices are determined based on world demand, supply and other factors, all of which are beyond the control of the Company. World prices for oil and natural gas have fluctuated widely in recent years. Any material decline in prices could have an adverse effect on the Company's business and prospect.

#### *Shared Ownership and Dependency on Partners*

The Company's operations are, to a significant degree, conducted together with one or more partners through contractual arrangements. In such instances, the Company may be dependent on, or affected by, the due performance of its partners. If a partner fails to perform, the Company may, among other things, risk losing rights or revenues or incur additional obligations or costs in order to itself perform in place of its partners. If a dispute were to arise with one or more partners relating to a project, such dispute may have significant negative effects on the Company's operations relating to such project.

#### *Uncertainty of Title*

Although the Company conducts title reviews prior to acquiring an interest in a concession, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise that may call into question the Company's interest in the concession. Any uncertainty with respect to one or more of the Company's concession interests could have a material adverse effect on the Company's business, prospects and results of operations.

*Risks Relating to Concessions, Licenses and Contracts*

The Company's operations are based on a relatively limited number of concession agreements, licenses and contracts. The rights and obligations under such concessions, licenses and contracts may be subject to interpretation and could also be affected by, among other things, matters outside the control of the Company. In case of a dispute, it cannot be certain that the view of the Company would prevail or that the Company otherwise could effectively enforce its rights which, in turn, could have significantly negative effects on the Company. Also, if the Company or any of its partners were deemed not to have complied with their duties or obligations under a concession, license or contract, the Company's rights under such concessions, licenses or contracts may be relinquished in whole or in part.

**Item 6.3 Forward Contracts**

Not applicable

**Item 6.4 Additional Information Concerning Abandonment and Reclamation Costs**

Abandonment and reclamation costs for each well were estimated by the operator in the initial AFEs, which provided for the funding of reclamation bonds. Management anticipates that these funds offset anticipated abandonment and reclamation costs.

**Item 6.5 Tax Horizon**

As of March 31, 2014, our assets were in the exploration phase and did not generate any profits. Therefore we do not anticipate being subject to income tax being payable in the 2014 fiscal year nor in the foreseeable future fiscal years.

**Item 6.6 Costs Incurred**

**Kansas, United States**

The following table summarizes the capital expenditures made by our company on the Project in Trego County, Kansas for the year ending March 31, 2014:

| <u>Property Acquisition Costs (CND)</u> |                   | <u>Exploration Costs</u> | <u>Development Costs</u> |
|---|-------------------|--------------------------|--------------------------|
| Unproved                                |                   | (CND)                    | (CND)                    |
| <u>Proved Properties</u>                | <u>Properties</u> |                          |                          |
| -                                       | 30,489            | 707,551                  | -                        |

**Item 6.7 Exploration and Development Activities**

Exploration and development activities during the fiscal year ended March 31, 2014 with respect to the Project summarized are in Item 6.1.1, above.

**Item 6.8 Production Estimates**

Not applicable

**Item 6.9      Production History**

|                                   | Quarter ending June<br>30 2013 | Quarter ending<br>September 30 2013 | Quarter ending<br>December 31 2013 | Quarter<br>ending March<br>31 2014 |
|-----------------------------------|--------------------------------|-------------------------------------|------------------------------------|------------------------------------|
| Average gross daily<br>production | 2.89                           | 1.35                                |                                    |                                    |
| Average price/ unit               | 87.25                          | 99.92                               | 99.92                              |                                    |
| Prices received                   | 16,572                         | 9,648                               | 8,973                              |                                    |
| Royalties                         | 743                            | 373                                 | 402                                |                                    |
| Production costs                  | 5,565                          | 14,267                              | 9,776                              | 2,681                              |
| Net                               | 10,264                         | (4,992)                             | (1,205)                            | (2,681)                            |