



Science, Technology, Energy and Mines

Petroleum Branch

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January 5, 2010

Brad Thiessen

Tundra Oil & Gas Partnership

1700- One Lombard Place

Winnipeg, MB R3B 0X3

Dear Brad,

RE: Sinclair Unit No. 2 Project Approval and Determination of Third Tier EOR Factor

The Petroleum Branch is pleased to grant approval of Sinclair Unit No. 2. The Unit now covers an area of approximately 9 sections located mostly within Township 7, Range 28 and the remainder in Township 7, Range 29 W1. The effective date for Sinclair Unit No. 2 is January 1, 2010.

The execution pages of the Unit Agreement are signed and attached.

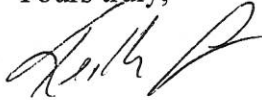
Attached is Waterflood Order No.17 which applies to the unit. There are no wells currently listed within Schedule A for this Order as there are no current injectors within the Unit at this time. Tundra is reminded that separate conversion applications are required for any existing horizontals to be converted to waterflood within this new Unit.

The waterflood order requires Tundra to conduct annual pressure surveys and submit annual progress reports. The progress report shall include a detailed plan, including timeframe, for how Tundra plans to expand the waterflood within the unit for the coming year and all subsequent years. Tundra is reminded that the 2010 report is to be submitted to the Director within 60 days after the end of the calendar year.

Sinclair Unit No. 2 will qualify for a Third Tier EOR Factor (TTEF). The Branch has calculated a proposed TTEF of 0.6758 to apply to all tracts in the unit. Table 1 shows the TTEF calculation. The TTEF is based on summed estimates of remaining primary recoverable reserves and incremental waterflood recoverable reserves for both the original unit and the expanded portion. Please provide the Branch with any comments on the proposed TTEF by January 29, 2010.

If you have any questions in respect of the approvals or the TTEF calculations please contact Jennifer Abel at (204) 748-4265.

Yours truly,



Keith Lowdon
Director

Cc: Administration, Winnipeg
Engineering, Virden

Table 1. Third Tier EOR Factor Calculation

Tundra Sinclair #2	
Unit	Sinclair Unit No.2
Operator	Tundra Oil & Gas
Sections	portions of 9
Effective Date of Third EOR Production	01-Jan-10
Cumulative Unit Production to Sept 2009 (m ³)	309,022.0
Primary Recoverable Reserves (m ³)	651,240.4
Incremental EOR Rec. Reserves (IERR) (m ³)	713,263.3
Total Remaining Rec. Reserves (TRES) (m ³)	1,055,481.7
Third Tier EOR Factor (TTEF)	0.6758

MINISTERIAL ORDER

Subsection 116(2) THE OIL AND GAS ACT

WATERFLOOD ORDER NO. 17

Pertaining to Waterflood Operations in Sinclair Unit No. 2

- 1.0 The Unit Operator shall conduct waterflood operations by injecting water into the Sinclair Bakken - Three Forks B Pool underlying Sinclair Unit No. 2 ("the Unit") through the wells listed in Schedule A. The Director may approve the conversion of additional wells in the Unit to water injection.
- 1.1 Every injection well shall be completed as approved under Section 47 of the Drilling and Production Regulation ("the Regulation").
- 1.2 The maximum wellhead pressure at which water may be injected is 9000 kPa.
- 1.3 The Director may, from time to time, establish a maximum or minimum rate at which water may be injected into a well.
- 1.4 The annulus of each injection well shall be pressure tested in accordance with Section 50 of the Regulation.
- 2.0 The Unit Operator shall conduct an annual survey to determine the level and distribution of reservoir pressure in the Unit. A summary of the results of any pressure surveys conducted during the year are to be included in the annual waterflood progress report required under Section 73 of the Regulation.
- 2.1 The frequency of pressure surveys may be reduced where the Director is satisfied that more frequent surveys will not assist the Unit Operator in monitoring the effectiveness of the waterflood.
- 2.2 The Unit Operator is responsible for monitoring the effectiveness of the waterflood and for collecting such reservoir data and other information as is necessary to evaluate and optimize waterflood performance.
- 2.3 The Unit Operator shall advise the Petroleum Branch of the suspension of water injection at any well, any indication of channelling or breakthrough of injected water to a producing well or out of zone and any other detrimental effects that may be attributable to the waterflood operations.
- 3.0 The Unit Operator shall file a report of production or injection for each well in the Unit in accordance with Section 120 of the Regulation.

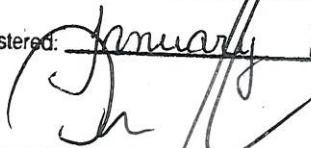
- 4.0 The Unit Operator shall file an annual waterflood progress report in accordance with Section 73 of the Regulation.

December 31, 2009

Date



Director of Petroleum for
Minister Innovation, Energy and Mines

PETROLEUM DOCUMENT REGISTRY	
Document No.	<u>10-1698</u>
Registered:	<u>January 1, 2010</u>
	
Petroleum Registrar	

SCHEDULE A

WATERFLOOD ORDER NO. 17

SINCLAIR UNIT NO. 2

WATER INJECTION WELLS

WELL NAME

LSD SEC TWP RGE