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March 8, 2017

Manitoba Mineral Resources
Petroleum Branch
Suite 360, 1395 Ellice Avenue
Winnipeg, Manitoba
R3G 3P2
Attention: Mr. [REDACTED] Leonen, Technical Engineering Officer

Re: Sinclair Unit No. 16: 2016 Annual EOR Report

Dear Mr. Leonen:

Please accept the attached annual EOR report for the Sinclair Unit No. 16. This was the second year of operation for the Sinclair Unit No. 16 Waterflood project.

Should you require any further information or clarification; please contact Ben [REDACTED] at 403-930-2842 or via email at bmacisaac@redriveroil.ca at your earliest convenience.

Regards,

[REDACTED]

Ben [REDACTED]
Production Engineer
Red River Oil Inc.
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Sinclair Unit No. 16: 2016 EOR Report

Overview

The Sinclair Unit No. 16 is a two section, two pattern waterflood in the three forks formation operated by Red River Oil Inc. ("Red River" or the "Company"). Pattern #1, located in Section 19-7-29 W1M and the west half of Section 20-007-29W1, consists of two active injectors at 00/13-19 and 00/03-19, nine horizontal producers at 00/04-19, 02/03-19, 00/15-19, 02/15-19, 00/01-19, 02/01-19, 00/13-20, 00/14-20 and 02/14-20. 00/15-19, 00/01-19 and 02/14-20 are planned future injection wells. There is also one abandoned vertical well at 02-19. Pattern #2 is located in Section 18-7-29 W1M and consists of three horizontal producers at 00/12-18, 00/13-18 and 02/13-18. 02/13-18 is a planned future injection well. There is also one abandoned vertical well at 10-18 and a Manville water source well at 15-18. Figure 1 below is a map of the Unit and surrounding area showing the wellbore layouts.

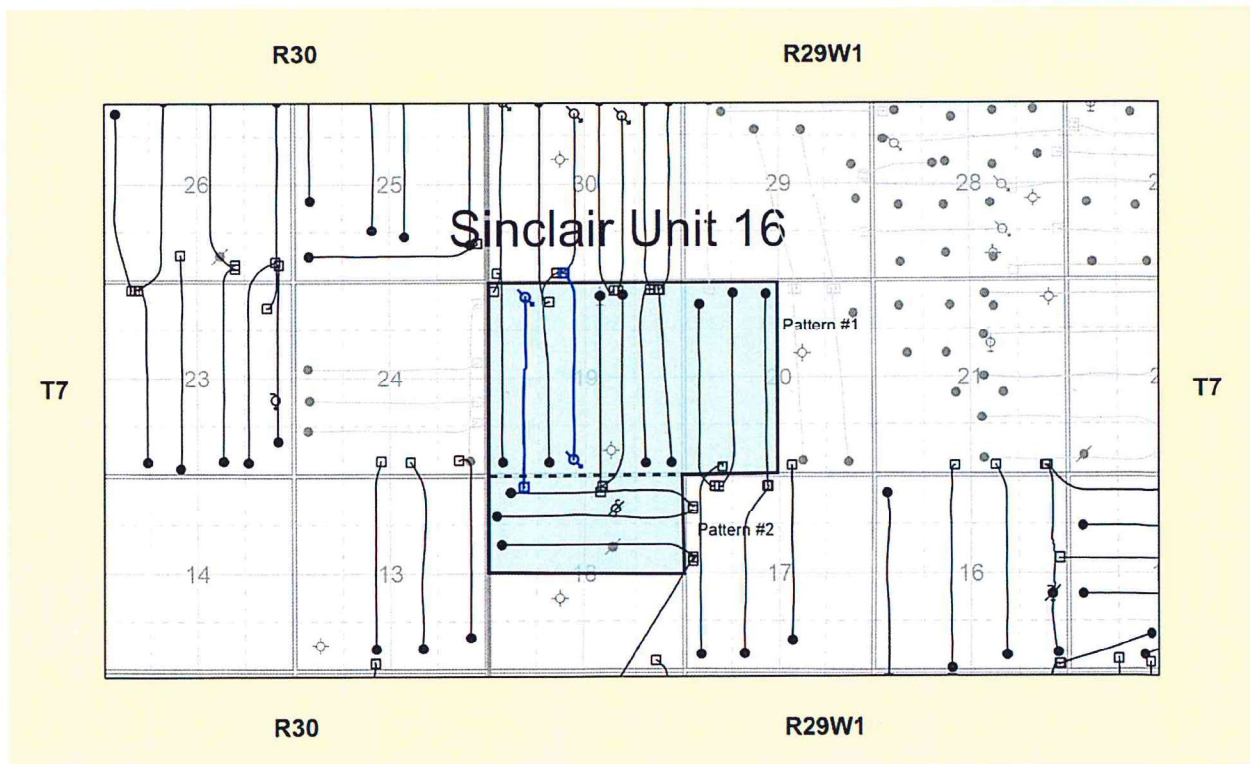


Figure 1: Sinclair Unit No. 16 Map

Producing zones of interest in the Unit are the Upper Devonian Lyleton A Member of the Three Forks Formation and the immediately overlying Mississippian Middle Bakken Siltstones. Horizontal wells have undulated through both the Three Forks Lyleton A Member and the Bakken Siltstones over the length of the laterals.

The Lyleton A Member of the Three Forks Formation was deposited in an evaporitic, shallow marine tidal flat / sabkha setting. Three distinct cleaning upward cycles make up the Lyleton A section in this area. These cycles grade upward from green shale/dolomitic siltstone breccias (poorer grade reservoir core Phi 0.12-0.19, Kmax 0.3-1.5mD) into cleaner, more massive ripple bedded dolomitic siltstones (best reservoir core Phi 0.12-0.19, Kmax 1.0-15.0mD). These cycles can also be correlated across the entire Sinclair area and represent excellent continuous reservoir units in which to efficiently sweep oil via waterflood. The Lyleton A member is the primary oil producing horizon in this area and is approximately 8m thick with net pay in the order of 3-4m. The Middle Bakken Siltstones unconformably overlie the Three Forks in this area. Bakken silts were deposited in a shallow marine setting and in this area are made up finely laminated quartzose siltstones, very fine sands and shales. Core porosities of 0.09-0.18 and permeabilities of 0.3-5mD are characteristic of this zone. The silts vary in thickness from less than 1m to 4m across the Unit.

The current recovery of the OOIP (14,038 mstb) for Unit No. 16 is approximately 3.7% (524.5 mstb). Primary recovery was originally estimated at 5% (702 mstb). This is consistent with estimated recovery factors in the pool whereby the primary recovery factor is generally estimated between 5% and 8% at approximately 200m wellbore spacing. Derived from both analogous project performance and third party reservoir simulation work completed on Red River's land, Red River estimates that incremental secondary recovery of 10 to 15% is a reasonable projection. This brings the total estimated recovery factor to 15-20%.

Performance Discussion

Injection into the Unit commenced in September 2015 in the two active injection wells. Response to date in the producing wells directly offset injection (the "active area") has been very encouraging. The active area includes the two existing injection wells along with the 00/04-19, 02/03-19 and 02/15-19 producing wells. Figure 2 below is a composite plot of production and injection within the active area.

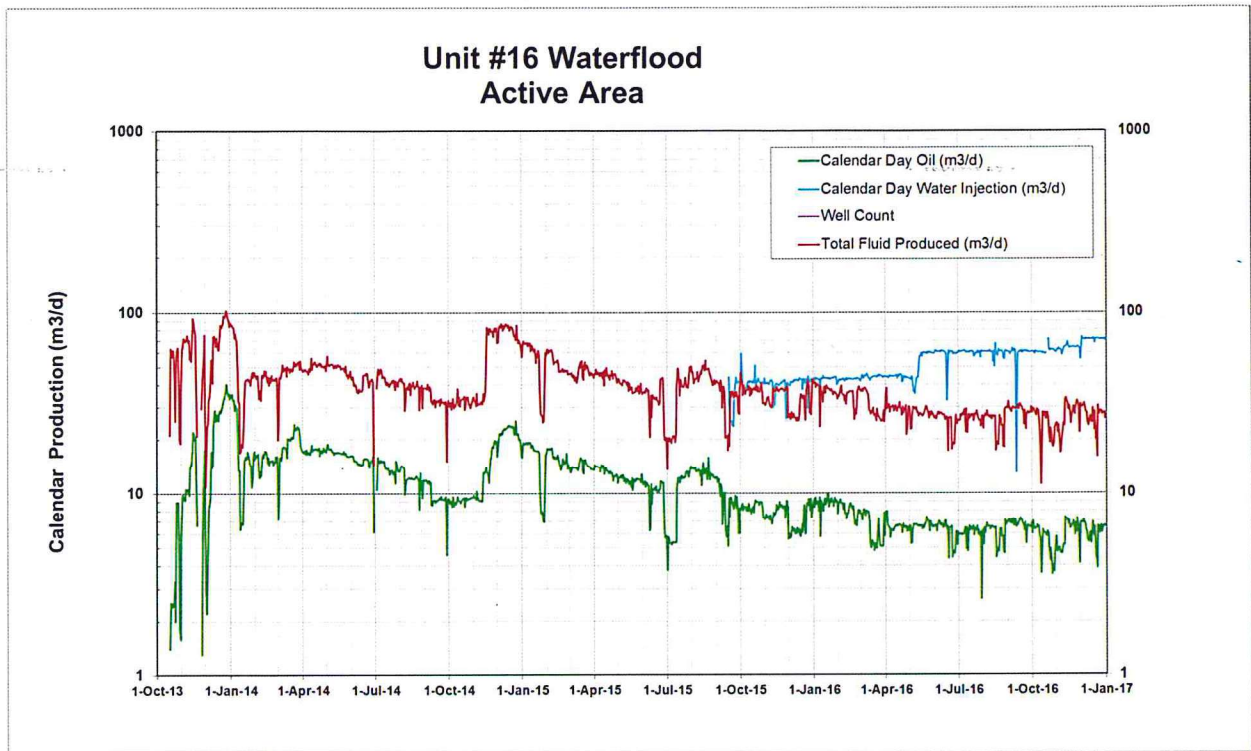


Figure 2: Sinclair Unit No. 16 Active Area Composite Plot

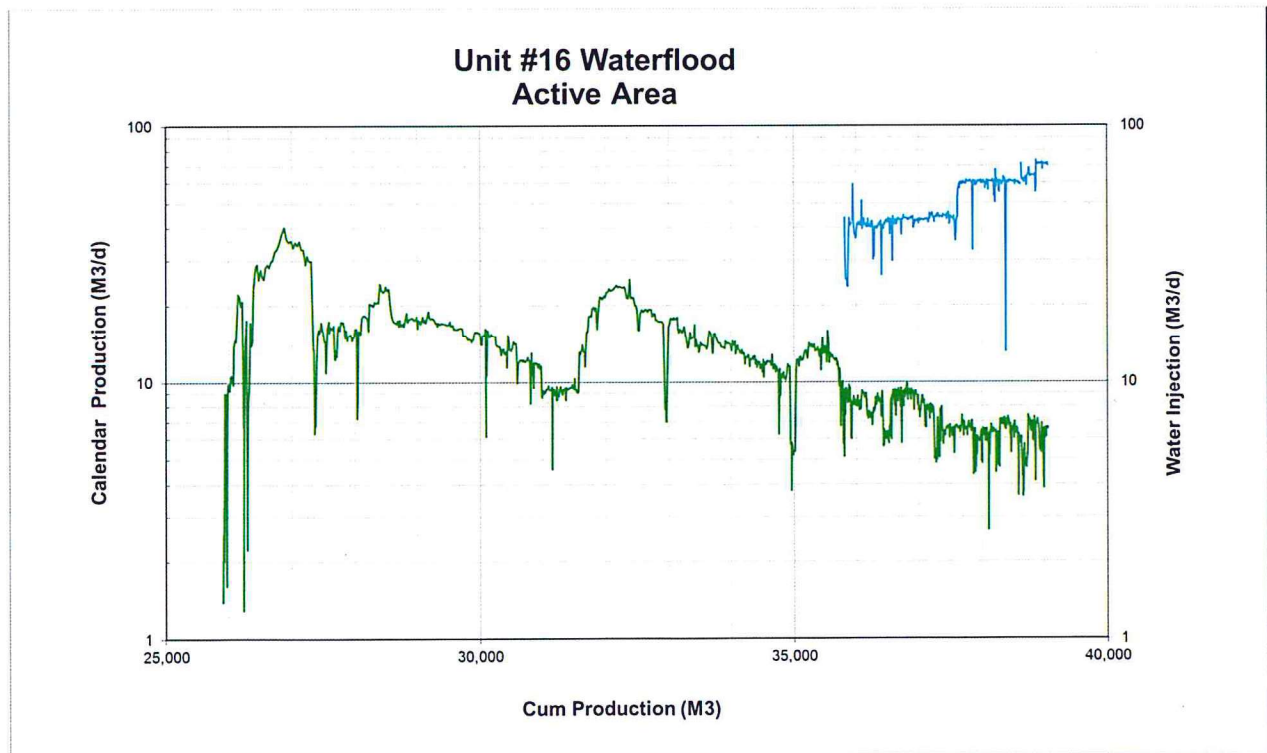


Figure 3: Sinclair Unit No. 16 Active Area Oil Rate Versus Cumulative Plot

It can be observed in figure 2 and 3 that oil and fluid rates have been flat to slightly inclining since March/April 2016, while oil cuts have remained flat. This performance trend is consistent with analogous projects in that quantifiable response typically occurs in a period of six to 12 months after commencement of injection. This positive waterflood response within Sinclair Unit No. 16's active area strongly supports Red River in its plans for future waterflood expansion.

73(1) (a-c)(f) Production and Injection Data

The requested data referred to in clauses 1(a) to (c) and (f) of subsection 73(1) of the Oil and Gas Act (C.C.S.M. c. 034) is attached in appendix A as follows:

1. Figure 4: Unit No. 16 Monthly produced fluids and ratios in graphical and tabular format
2. Figure 5: Pattern #1 data in graphical and tabular format
3. Figure 6: Pattern #2 data in graphical and tabular format
4. Table 1: Sinclair Unit No. 16 monthly and cumulative production fluid and ratio data in tabular form
5. Individual injection well rate and pressure profiles:
 - a. 00/03-19
 - b. 00/13-19
6. Table 2: Monthly average injection rate and pressure data

73(1)(d) Reservoir Pressure Surveys

There were no pressure surveys executed in Unit No. 16 in 2016.

73(1)(e) Well Servicing

Other than routine maintenance such as downhole pump changes, there were no well servicing operations completed within Unit No. 16 in 2016.

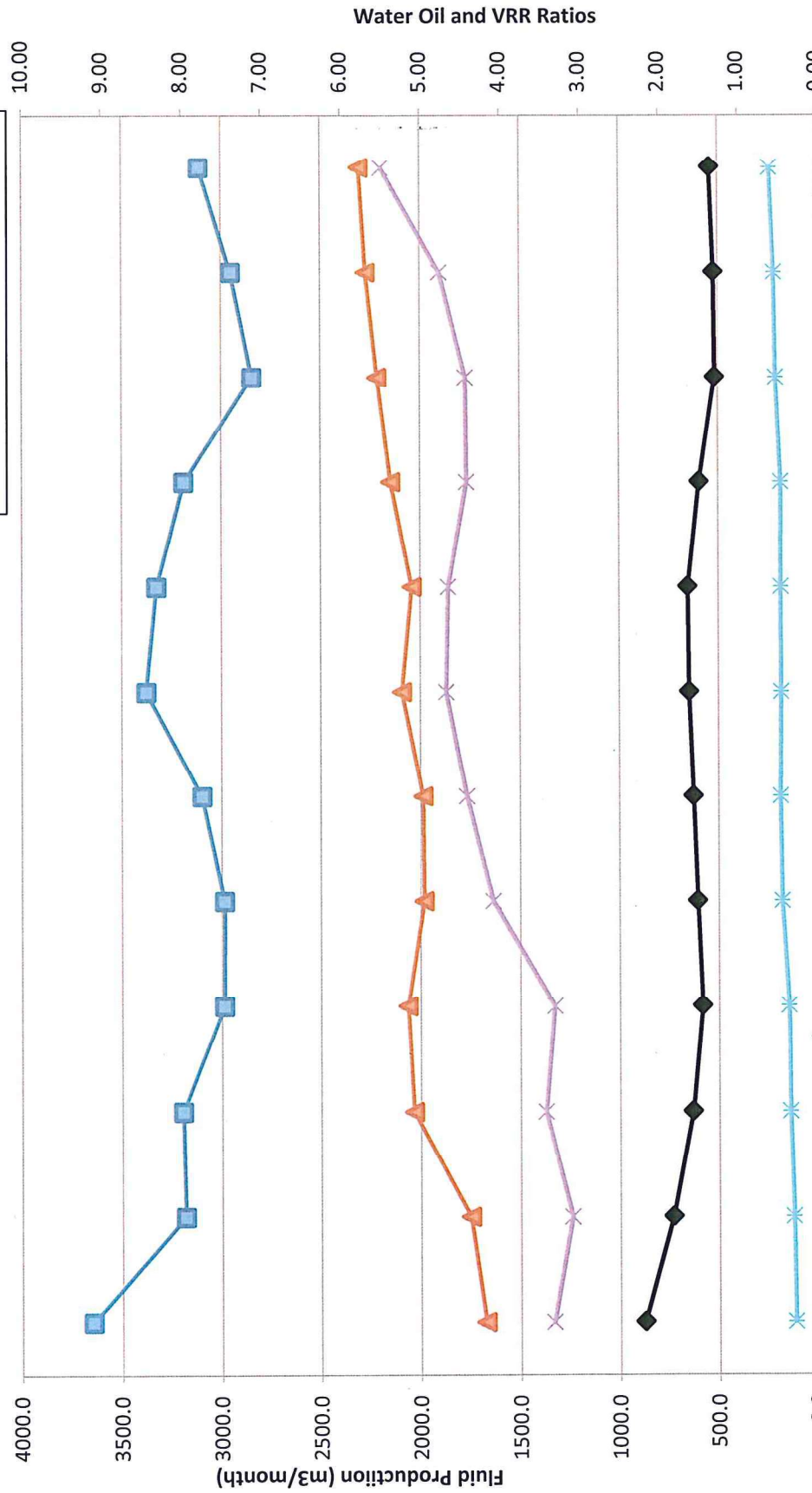
73(1)(g) Injection Fluid Quality Control and Treatment

Injection fluid for Sinclair Unit No. 16 is sourced from the Manville formation in the 100/15-18-007-29W1 water source well. The 15-18 well is on the same lease as the 15-18 injection facility and is pipeline connected. At the 15-18 facility the water is pumped through a filtration skid where it completes three stages of filtration. The primary filter stage is a 1-micron nominal bag filter, secondary is a 1-micron absolute bag filter and a tertiary 0.5-micron polisher cartridge filter. After the water is filtered it enters the injection pipeline system via a positive

displacement pump. The surface injection pressure is limited to 6,300 kpa. All water is treated with scale and biocide inhibitors prior to being injected into Unit No. 16.

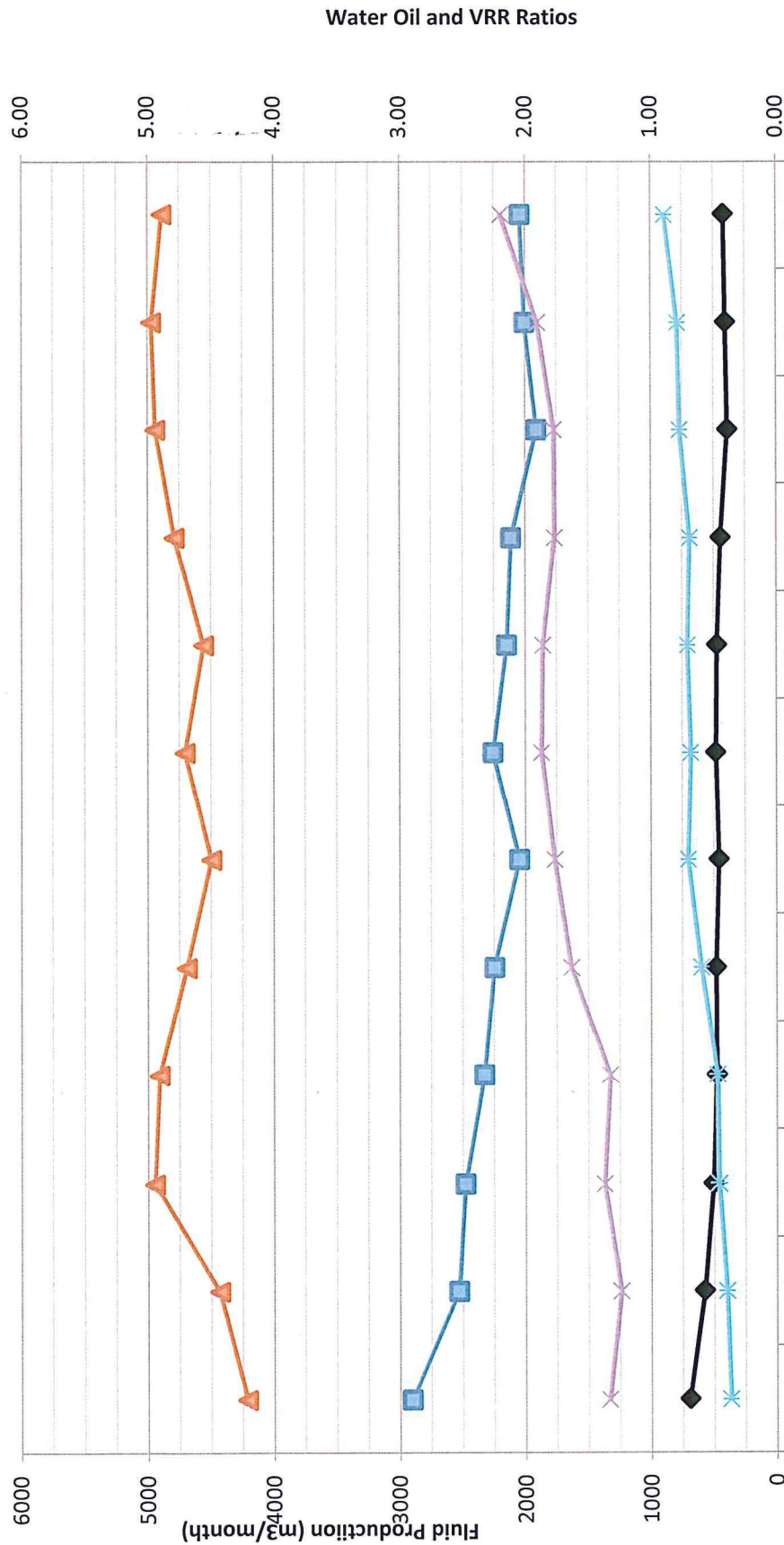
Appendix A: Sinclair unit No. 16 Production and Injection Data

Figure 4: Sinclair Unit #16 Produced Fluids



| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| oil m3/m | 871.6 | 727.8 | 628.5 | 579.2 | 602.9 | 623.9 | 645.8 | 651.7 | 594.1 | 513.8 | 519.5 | 539.7 |
| water m3/m | 3645.8 | 3183.1 | 3195.3 | 2987.5 | 2986.0 | 3097.6 | 3378.1 | 3326.4 | 3189.1 | 2845.4 | 2951.9 | 3111.3 |
| Inj m3/m | 1332.0 | 1239.7 | 1372.6 | 1327.3 | 1635.8 | 1766.5 | 1870.3 | 1860.0 | 1766.6 | 1772.0 | 1902.8 | 2196.1 |
| WOR | 4.18 | 4.37 | 5.08 | 5.16 | 4.95 | 4.96 | 5.23 | 5.10 | 5.37 | 5.54 | 5.68 | 5.76 |
| VRR | 0.29 | 0.32 | 0.36 | 0.37 | 0.46 | 0.47 | 0.46 | 0.47 | 0.47 | 0.53 | 0.55 | 0.60 |

Figure 5: Produced Fluids Pattern #1
Sec 19 and 20-7-29W1M



Oil m3/m
Inj m3/m
VRR
Water m3/m
WOR

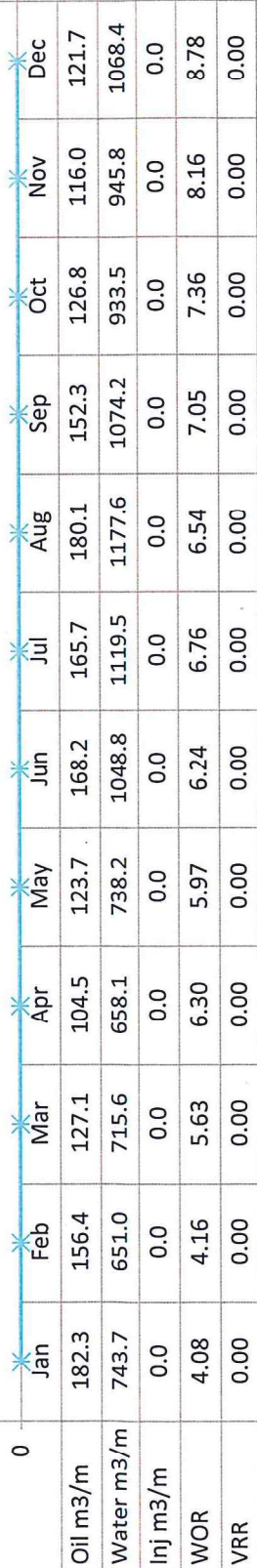


Table 1: Sinclair Unit #16 Produced Fluids

| 2016 Oil Production m3/month | Prior CTD | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | 2016 | CTD |
|-------------------------------|-----------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|---------|
| Pattern #1 Sec 19&20-007-29W1 | 65483.0 | 689.4 | 571.4 | 501.4 | 474.7 | 479.2 | 455.8 | 480.1 | 471.6 | 441.7 | 387.0 | 403.6 | 418.1 | 5774.0 | 71257.0 |
| Pattern #2 Sec 18-007-29W1 | 10420.8 | 182.3 | 156.4 | 127.1 | 104.5 | 123.7 | 168.2 | 165.7 | 180.1 | 152.3 | 126.8 | 116.0 | 121.7 | 1724.7 | 12145.5 |
| Unit #16 Total Production | 75903.8 | 871.6 | 727.8 | 628.5 | 579.2 | 602.9 | 623.9 | 645.8 | 651.7 | 594.1 | 513.8 | 519.5 | 539.7 | 7498.6 | 83402.4 |

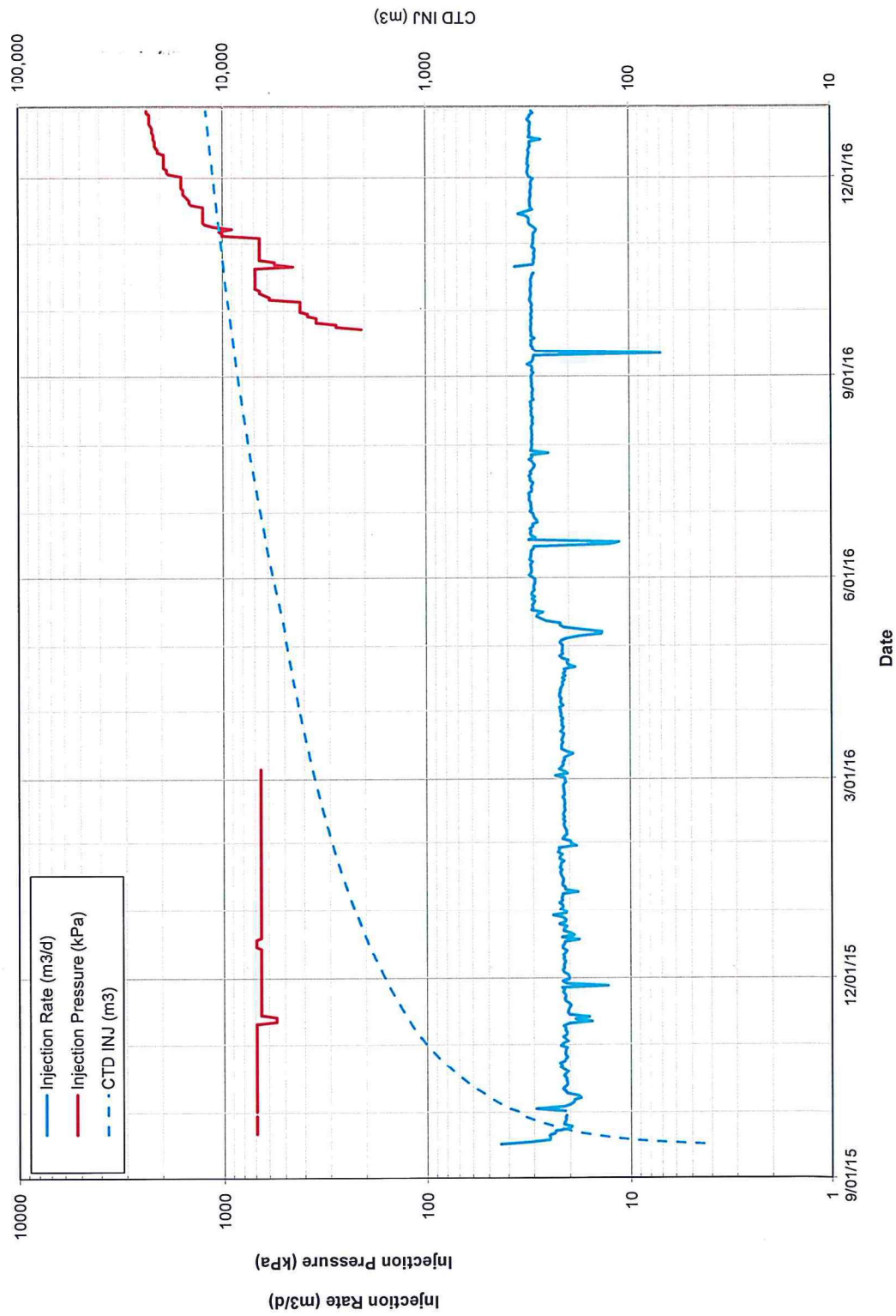
| 2016 Water Production m3/month | Prior CTD | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | 2016 | CTD |
|--------------------------------|-----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|----------|
| Pattern #1 Sec 19&20-007-29W1 | 154156.8 | 2902.1 | 2532.1 | 2479.7 | 2329.4 | 2247.8 | 2048.8 | 2258.6 | 2148.9 | 2114.9 | 1911.9 | 2006.2 | 2042.9 | 27023.3 | 181180.1 |
| Pattern #2 Sec 18-007-29W1 | 40144.7 | 743.7 | 651.0 | 715.6 | 658.1 | 738.2 | 1048.8 | 1119.5 | 1177.6 | 1074.2 | 933.5 | 945.8 | 1068.4 | 10874.3 | 51019.0 |
| Unit #4 Total Production | 194301.6 | 3645.8 | 3183.1 | 3195.3 | 2987.5 | 2986.0 | 3097.6 | 3378.1 | 3326.4 | 3189.1 | 2845.4 | 2951.9 | 3111.3 | 37897.5 | 232199.1 |

| | | | | | | | | | | | | | | | |
|--------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Unit #16 WOR | 2.56 | 4.18 | 4.37 | 5.08 | 5.16 | 4.95 | 4.96 | 5.23 | 5.10 | 5.37 | 5.54 | 5.68 | 5.76 | 5.05 | 2.78 |
|--------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|

| 2016 Water Injection m3/month | Prior CTD | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | 2016 | CTD |
|-------------------------------|-----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|---------|
| Pattern #1 Sec 19&20-007-29W1 | 4246.2 | 1332.0 | 1239.7 | 1372.6 | 1327.3 | 1635.8 | 1766.5 | 1870.3 | 1860.0 | 1766.6 | 1772.0 | 1902.8 | 2196.1 | 20041.6 | 24287.8 |
| Pattern #2 Sec 18-007-29W1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Unit #16 Injection | 4246.2 | 1332.0 | 1239.7 | 1372.6 | 1327.3 | 1635.8 | 1766.5 | 1870.3 | 1860.0 | 1766.6 | 1772.0 | 1902.8 | 2196.1 | 20041.6 | 24287.8 |

| | | | | | | | | | | | | | | | |
|--------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Unit #16 VRR | 0.02 | 0.29 | 0.32 | 0.36 | 0.37 | 0.46 | 0.47 | 0.46 | 0.47 | 0.47 | 0.53 | 0.55 | 0.60 | 0.44 | 0.08 |
|--------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|

00/03-19-7-29 W1M Daily Injection



00/13-19-7-29 W1M Daily Injection

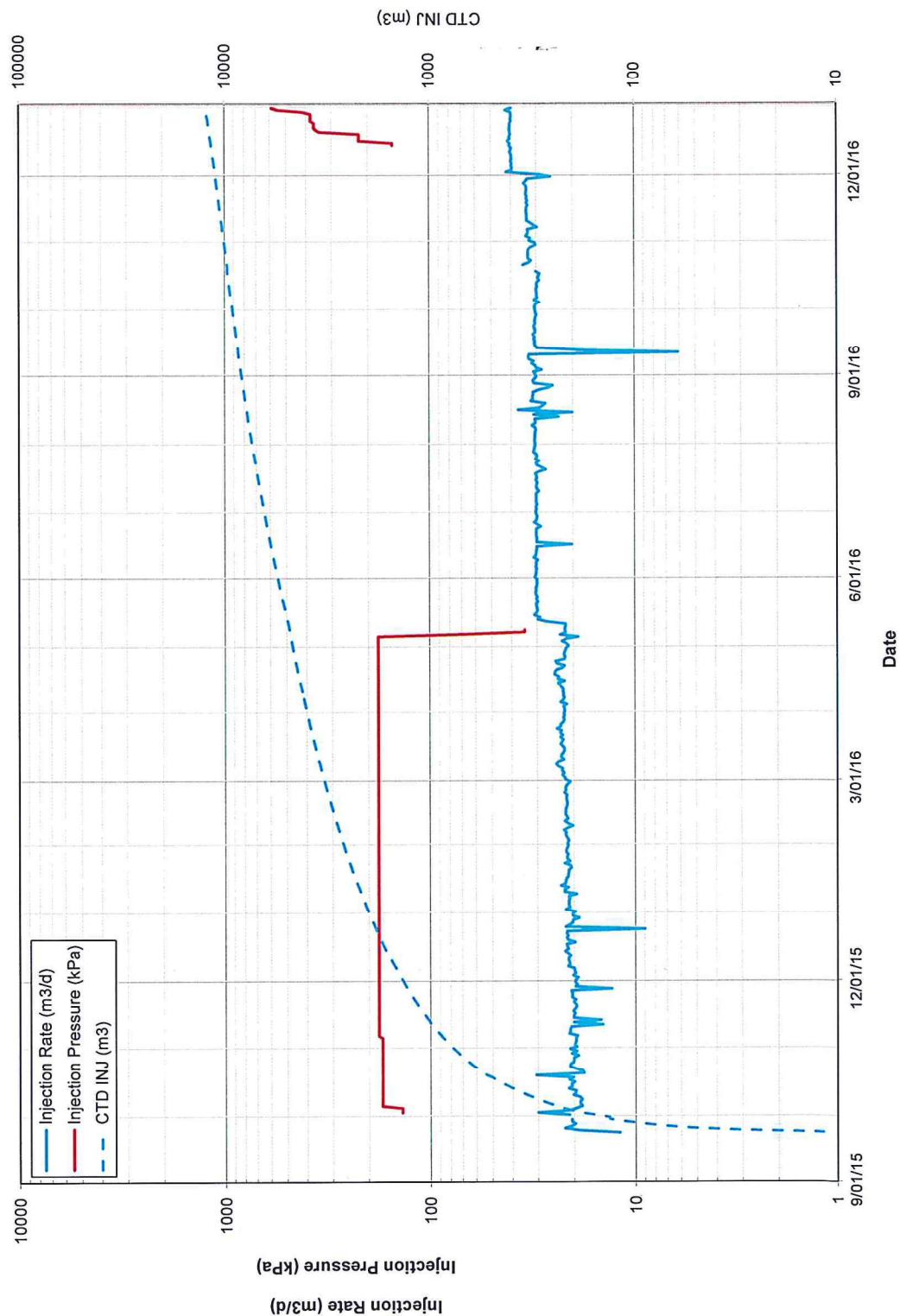


Table 2: Sinclair Unit #16 Monthly Average Injection Data

| Pattern #1 Monthly Averages | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-----------------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|------|------|
| 00/03-19 Injection Rate (m3/d) | 22 | 21 | 22 | 21 | 26 | 29 | 30 | 30 | 29 | 28 | 30 | 31 |
| 00/03-19 Injection Pressure (kPa) | 655 | 655 | 106 | 0 | 0 | 0 | 0 | 0 | 99 | 608 | 1267 | 2088 |
| 00/13-19 Injection Rate (m3/d) | 21 | 22 | 23 | 23 | 27 | 30 | 30 | 30 | 30 | 29 | 33 | 40 |
| 00/13-19 Injection Pressure (kPa) | 179 | 179 | 179 | 179 | 33 | 0 | 0 | 4 | 0 | 0 | 0 | 195 |