



February 18, 2011

Jennifer Abel, P.Eng.
Chief Petroleum Engineer
Petroleum Branch
Manitoba Innovation, Energy, and Mines
227 King Street, Virden MB

Dear Ms. Abel:

Please accept the annual EOR report for Sinclair Unit No. 4 for 2010. This was the first full year of operation for Sinclair Unit No.4 Waterflood EOR project.

Should you have any additional questions or concerns, please contact Kirk Propp, Area engineer, 403-998-3182 or email KPropp@fairborne-energy.com.

FAIRBORNE ENERGY LTD.

A handwritten signature in blue ink, appearing to read "K Propp", is positioned above the printed name.

Kirk Propp P.Eng
Area Engineer

Sinclair Unit #4 overview

Two horizontal producers in section 14-007-29w1 were converted to water injectors, and water injection into Sinclair Unit #4 commenced in December 2009. Two more injectors were planned for conversion in section 11-007-29w1, after the initial data was collected and analyzed from section 14. At the present time, ten horizontal wells have remained as producers on sections 11 & 14-007-29w1 as per the map shown in attachment #1. As of the time of writing they are collectively producing oil at a rate of 12 m³/d.

The current producers at 3-11-007-29w1 and 02/02-11-007-29w1 are scheduled to be converted to injection in late February 2011, bringing the total number of injectors to four(4) and the total number of producers to eight(8). Fairborne anticipates the effects of the added injection and corresponding increased pressure support to become observable within six months of commencing injection.

Overall performance

The performance of the waterflood to date and a comparison of current recovery vs. EOR recovery is charted in attachment #2. Fairborne's original estimate of 20% waterflood recovery was based on both simulation study results and analogy to Tundra's existing waterflood project. We anticipate that a 20% recovery factor could still be achieved with the existing wells and proposed injector conversions. The developed section 11-007-29w1 would appear to have improved well spacing and well geometry, and as such should yield stronger results than section 14-007-2w1 has so far produced. Additional drilling to 8 horizontal wells per section (approximately 200 m spacing pattern) would also achieve at least a 20% recovery factor but in a shorter time frame. Simulation modeling suggests that recoveries above 20% could be possible with additional drilling to approximately 200 m spacing.

Fairborne will evaluate the economic merit of drilling additional wells in the proposed unit area once waterflood responses in both sections with the existing wells is established. Specific factors that will be considered include water injection capacity, oil and watercut response at producers.

Conformance Data

The requested data referred to in clauses 1(a) to (c) of subsection 73(1) of the Oil and Gas Act (C.C.S.M c. 034) are attached in tabular and graphical form in attachments #3 - #5

73(1)(d) Reservoir Pressure Surveys

An observation well located at 11-14-007-29w1 is being monitored through a weekly wellhead pressure and fluid level reading. A summary of the results of these measurements can be found in attachment #6. It illustrates that voidage replacement is in progress and that overall reservoir pressure is building even as we continue to produce oil at current rates.

73(1)(e) Well Servicing

No further well servicing occurred in 2010.

73(1)(f) Voidage replacement

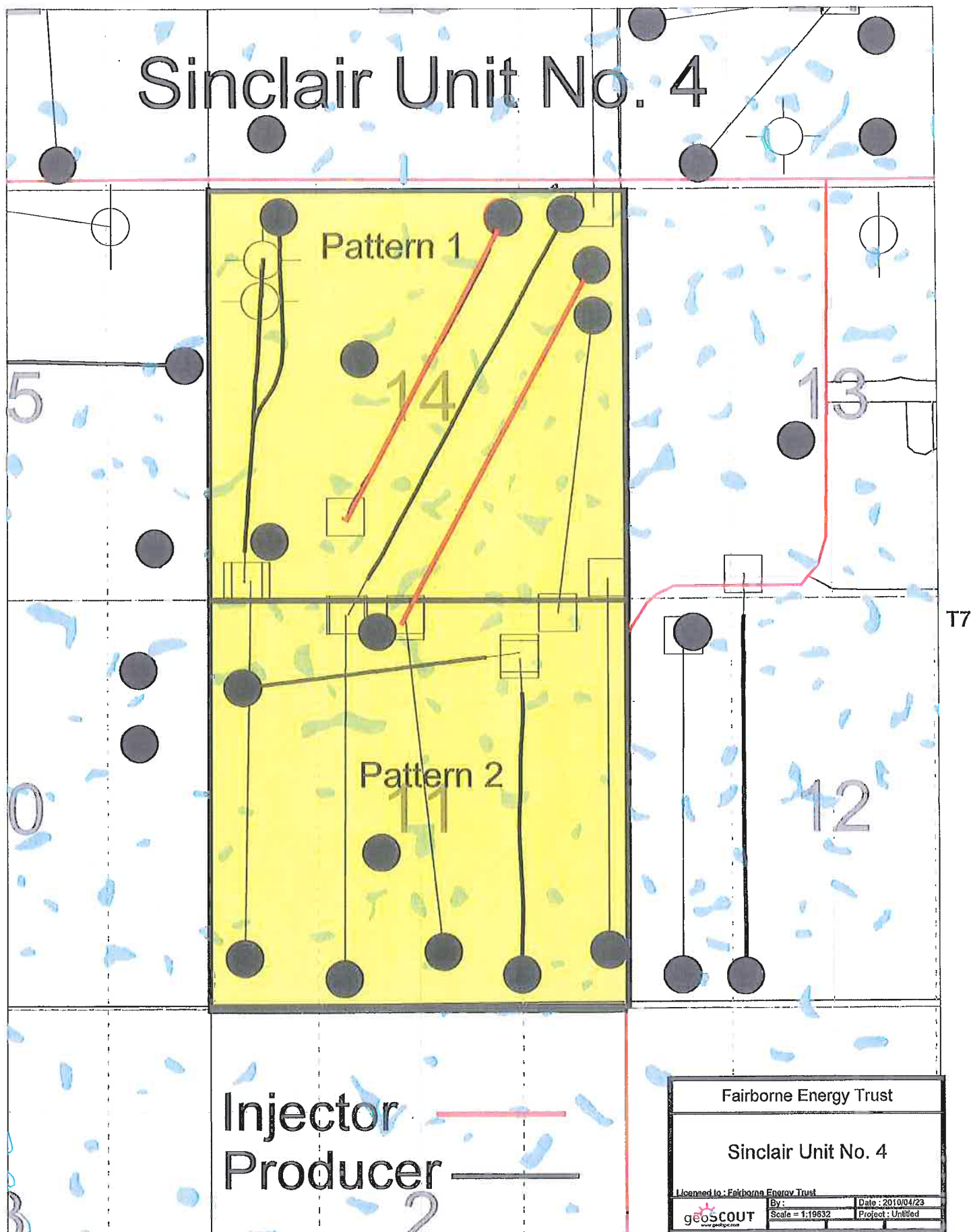
Calculations of the voidage replacement ratio on a monthly and cumulative basis are shown in tabular and graphical format on attachment #7

73(1)(g) Injected Fluid, Quality Control and Treatment.

Produced Water from the Three Forks is both trucked and flowlined into our 8-16-7-29w1 Battery. Water is separated by a free water knock out tank and then cascaded through two more water tanks to capture and remove any residual oil that may remain. Once separated to a <50 ppm state it is filtered and injected down the two injectors. Water is filtered with 25 micron bags. All water is treated with a scale inhibitor upstream and down of the battery. We try to maintain a 50 ppm level of scale inhibitor through out system and what is injected to maintain the formation and equipment from forming any scale build up.

Sinclair Unit #4 does not currently use any other make-up water.

Sinclair Unit No. 4



Injector
Producer

Fairborne Energy Trust

Sinclair Unit No. 4

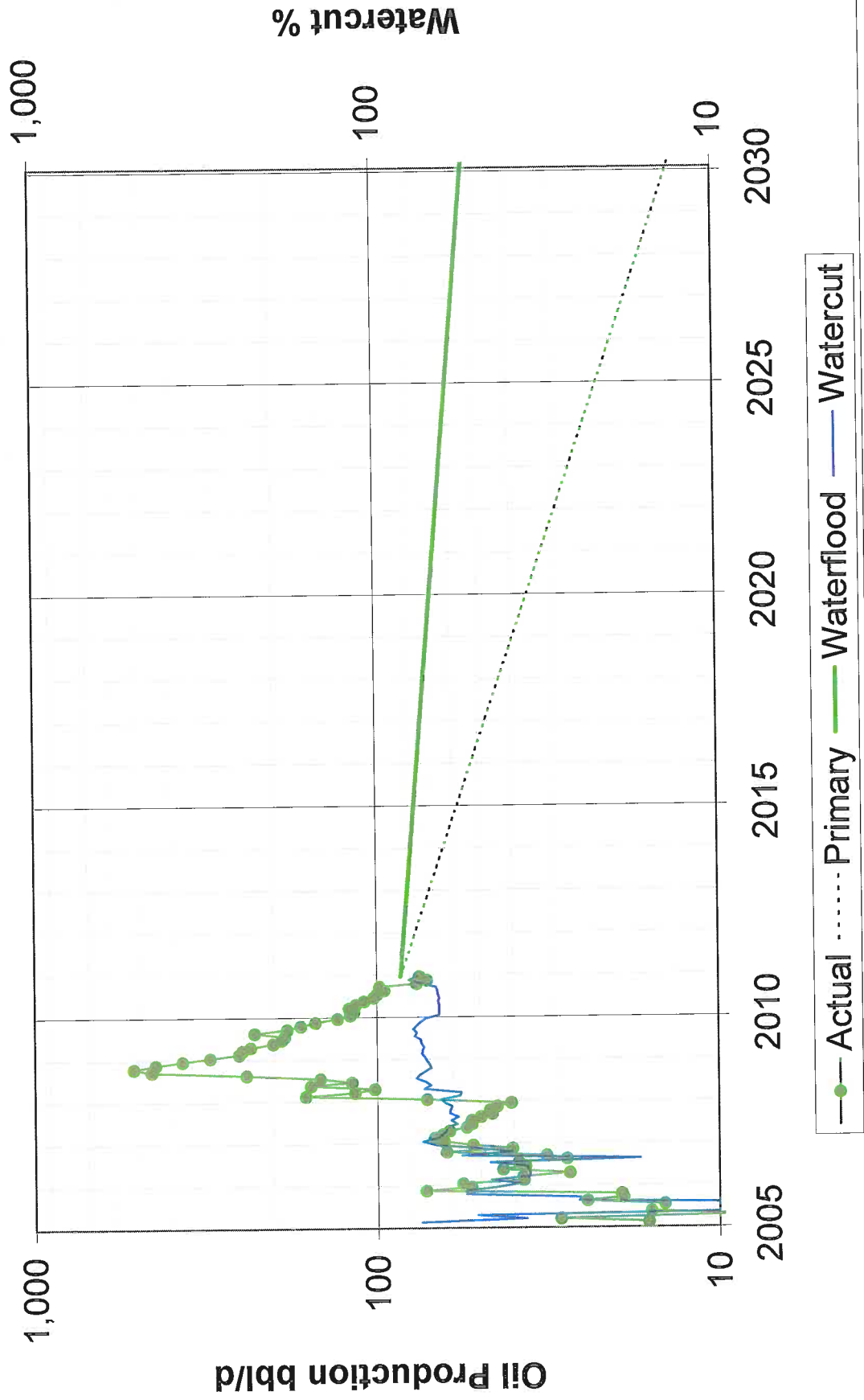
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By: geoscout
www.geoscout.com

Date: 2010/04/23
Scale: 1:19632

Project: Untitled

Sinclair Unit No. 4 - Historical and Forecast Production



Pattern 1 - Sec 14-7-29W1

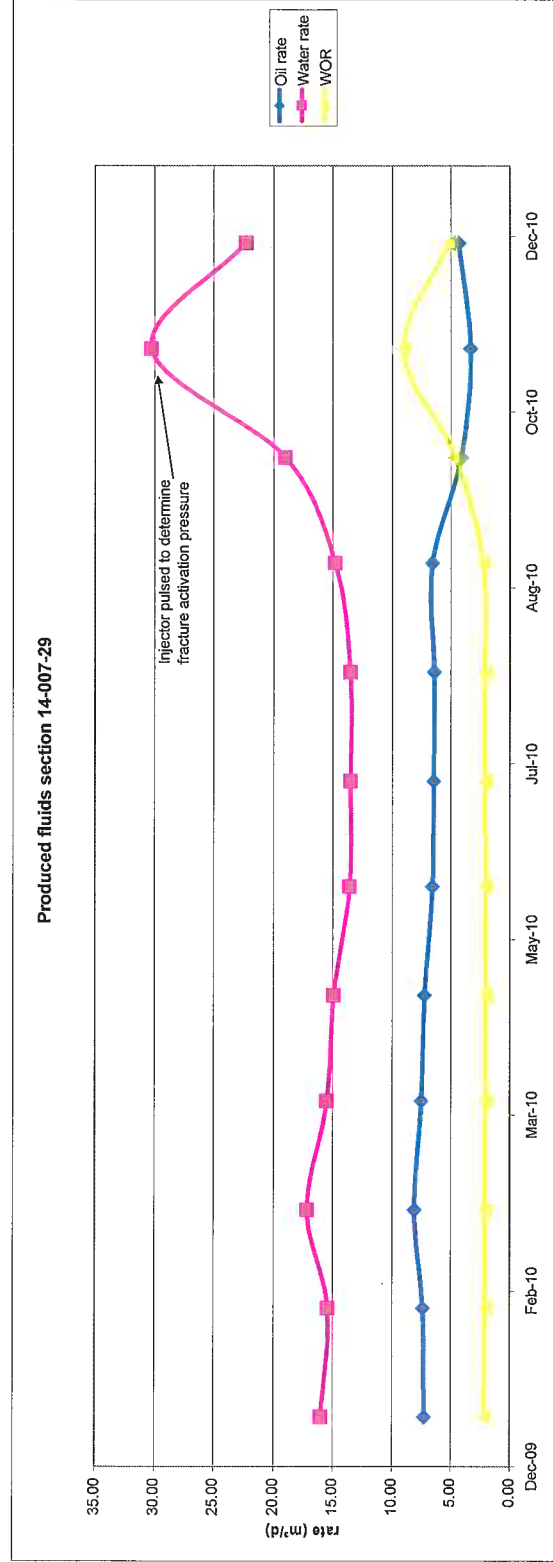
2010 Oil Production, Average daily rate (m³/d)

Well	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Cumulative 2010 Oil Production (m³)	Total cumulative oil (m³)
00/04-14-007-29w1	0.57	0.34	0.53	0.56	0.62	0.52	0.58	0.52	0.51	0.52	0.44	0.42	186.7	1,763.7
00/09-14-007-29w1	1.52	1.50	1.48	1.49	1.47	1.29	1.34	1.32	1.30	1.16	1.10	1.09	487.8	1,804.8
00/11-14-007-29w1	0.32	0.30	0.23	0.41	0.34	0.10	0.00	0.00	0.00	0.00	0.00	0.00	51.3	1,066.3
00/13-14-007-29w1	2.18	2.08	2.01	1.78	1.74	1.71	1.66	1.65	1.52	1.49	1.44	1.35	626.4	3,033.4
02/16-14-007-29w1	2.71	3.19	3.65	3.29	3.09	2.96	2.90	2.92	3.26	0.96	0.36	1.44	939.1	4,318.1
Total oil	7.30	7.40	8.10	7.53	7.25	6.58	6.48	6.41	6.59	4.13	3.34	4.30	2,291.3	11,986.3

2010 Water Production, Average daily rate (m³/d)

Well	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Cumulative 2010 Water Production (m³)	Total cumulative water (m³)
00/04-14-007-29w1	0.92	0.16	1.04	1.13	1.00	0.85	0.86	0.83	0.81	0.87	0.80	0.82	309.1	2,023.1
00/09-14-007-29w1	6.48	6.40	6.28	6.35	6.13	5.48	5.67	5.65	5.98	5.58	5.44	5.38	2,152.9	7,114.9
00/11-14-007-29w1	0.55	0.54	0.56	0.43	0.50	0.15	0.00	0.00	0.00	0.00	0.00	0.00	82.6	1,536.6
00/13-14-007-29w1	5.57	5.38	5.15	4.54	4.49	4.38	4.28	4.31	4.07	4.05	3.89	3.56	1,631.0	7,246.0
02/16-14-007-29w1	2.48	2.95	4.12	3.04	2.81	2.70	2.66	2.70	3.93	8.48	20.09	12.52	2,084.2	5,171.2
Total water	16.00	15.43	17.15	15.49	14.94	13.56	13.48	13.49	14.79	18.99	30.22	22.27	6,259.8	23,091.8
WOR	2.19	2.08	2.12	2.06	2.06	2.06	2.08	2.10	2.24	4.60	9.04	5.18	2.73	

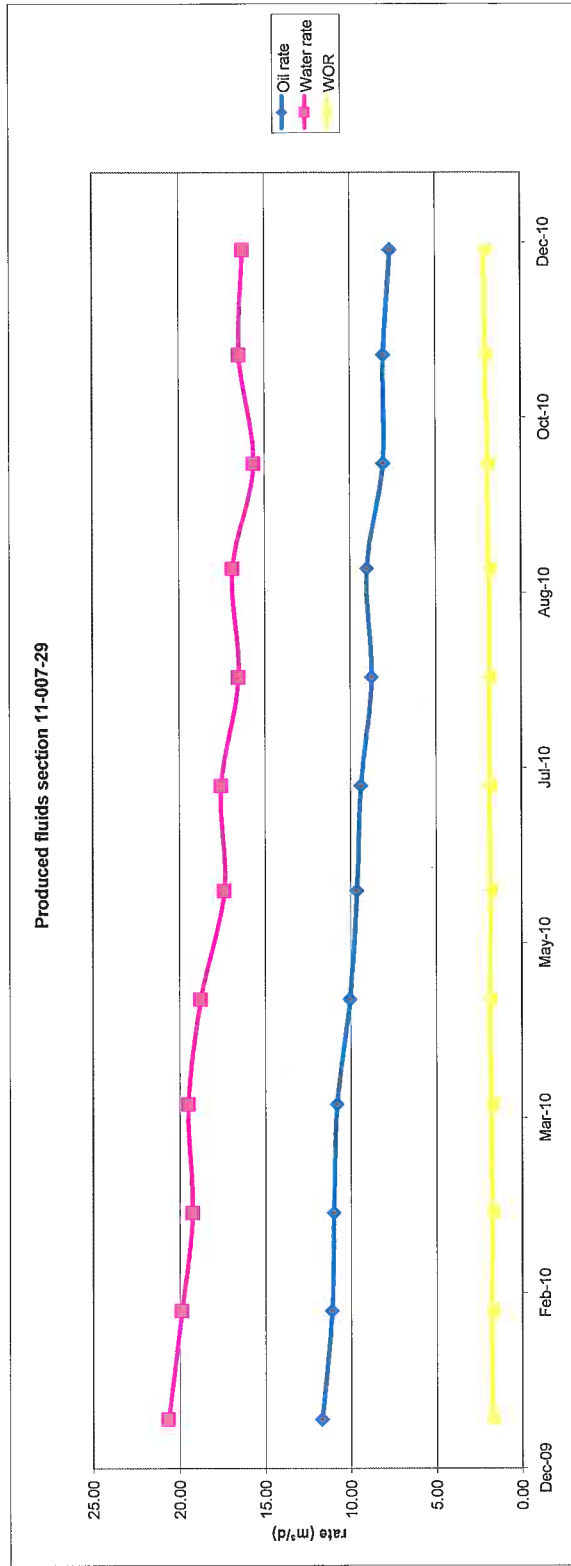
Produced fluids section 14-007-29



Pattern 2 - Sec 11-7-29W1

2010 Oil Production, Average daily rate (m³/d)												
Well	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10
00/01-11-007-29w1	1.40	1.39	1.30	1.38	1.40	1.24	1.33	1.25	1.25	1.13	1.20	1.19
00/02-11-007-29w1	1.08	1.01	1.00	0.91	0.78	0.82	0.80	0.80	0.76	0.72	0.75	0.69
00/03-11-007-29w1	2.40	2.34	2.23	2.38	2.25	2.13	2.06	1.81	1.85	1.59	1.44	1.11
00/04-11-007-29w1	2.05	1.78	1.64	1.36	1.09	1.03	1.16	1.25	1.03	0.92	0.84	0.75
00/05-11-007-29w1	2.16	2.08	2.02	1.93	1.78	1.61	1.51	1.19	1.75	1.47	1.38	1.33
00/06-11-007-29w1	0.20	0.16	0.16	0.05	0.15	0.12	0.09	0.08	0.07	0.07	0.06	0.09
00/13-11-007-29w1	1.70	1.55	1.78	2.06	1.93	1.90	1.73	1.62	1.85	1.42	1.39	1.36
00/14-11-007-29w1	0.73	0.79	0.89	0.72	0.85	0.77	0.68	0.71	0.82	0.70	0.94	1.09
Total oil	11.72	11.12	11.01	10.79	10.03	9.63	9.35	8.71	8.98	8.01	7.99	7.61
Cumulative 2010 Oil Production (m³)												Total cumulative oil (m³)
												19,459.7

2010 Water Production, Average daily rate (m³/d)												
Well	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
00/01-11-007-29w1	10.34	10.14	9.55	10.07	10.15	8.97	9.52	9.05	9.12	8.75	9.69	9.83
00/02-11-007-29w1	1.08	1.01	1.00	0.91	0.78	0.82	0.80	0.80	0.76	0.72	0.75	0.69
00/03-11-007-29w1	2.40	2.34	2.23	2.38	2.25	2.13	2.06	1.81	1.85	1.59	1.44	1.11
00/04-11-007-29w1	2.05	1.78	1.64	1.36	1.09	1.03	1.16	1.25	1.03	0.92	0.84	0.75
00/05-11-007-29w1	2.16	2.08	2.02	1.93	1.78	1.61	1.51	1.19	1.75	1.47	1.38	1.33
00/06-11-007-29w1	0.20	0.16	0.16	0.05	0.15	0.12	0.09	0.08	0.07	0.07	0.06	0.09
00/13-11-007-29w1	1.70	1.56	1.78	2.06	1.93	1.90	1.73	1.62	1.85	1.42	1.39	1.36
00/14-11-007-29w1	0.73	0.79	0.89	0.72	0.85	0.77	0.68	0.71	0.82	0.70	0.94	1.09
Total water	20.66	19.87	19.26	19.49	18.77	17.36	17.55	16.52	16.85	15.63	16.47	16.28
Cumulative 2010 Water Production (m³)												Total cumulative water (m³)
												14,057.4
												7,413.5
												10,915.1
												5,742.1
												10,007.2
												2,051.6
												12,433.1
												1,312.6
												63,932.6



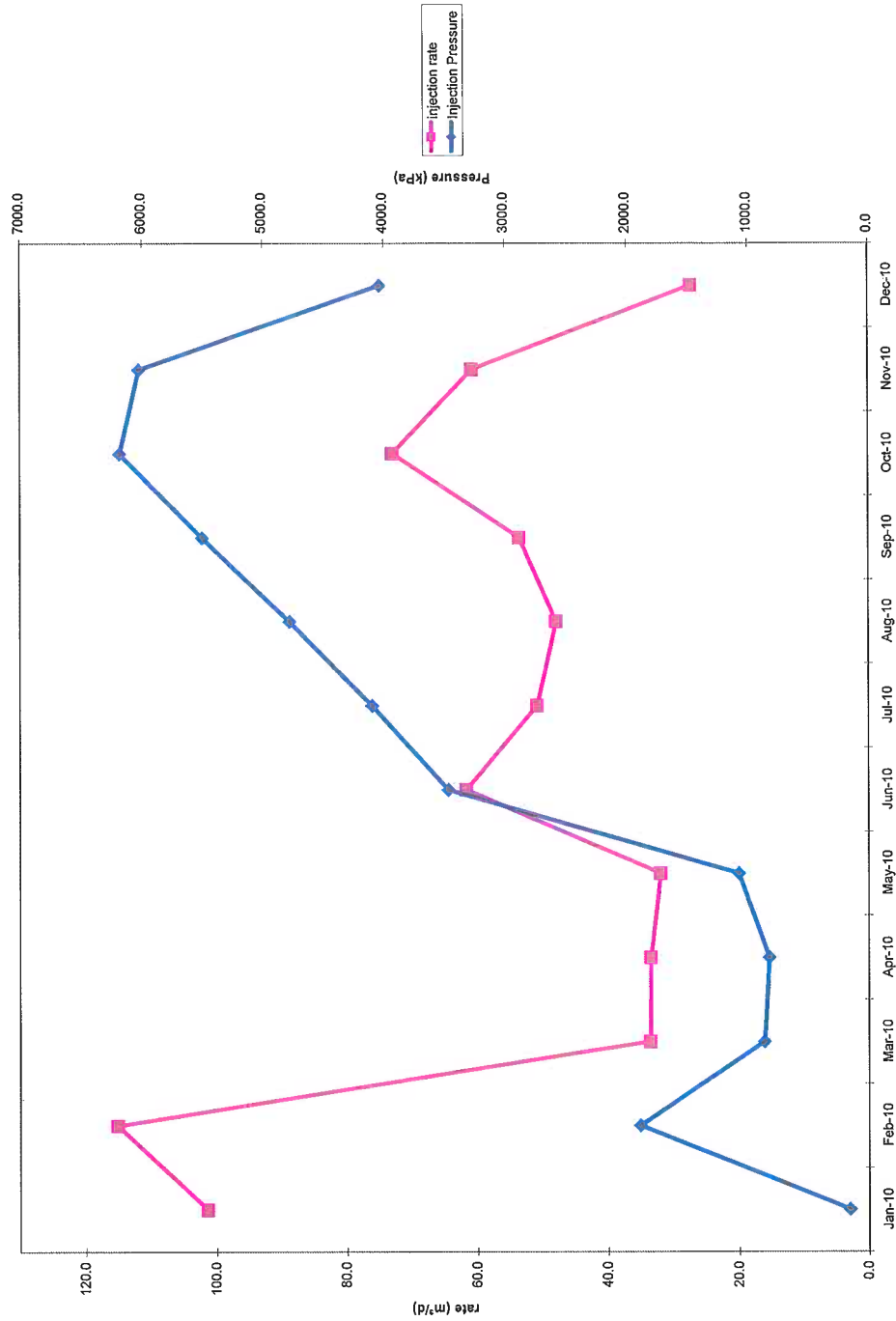
Injection Rates and Pressures

Well	Ave Daily Inj Rate (m ³ /d)	Ave Inj Press. (kPag)	Cum water injected (m ³)
00/15-14-7-29W1/0			
Dec-09			548
Jan-10	49.7	305.8	2088.0
Feb	57.9	2707.4	3708.0
Mar	17.3	1258.3	4244.0
Apr	13.5	826.2	4648.0
May	15.5	1526.9	5127.0
Jun	21.3	3402.1	5765.0
Jul	22.7	4149.8	6469.0
Aug	21.3	4689.5	7129.0
Sep	24.8	5604.3	7874.0
Oct	35.7	6208.6	8981.0
Nov	30.4	6026.0	9892.0
Dec-10	9.8	4070.1	10197.0

Well	Ave Daily Inj Rate (m ³ /d)	Ave Inj Press. (kPag)	Cum water injected (m ³)
00/16-14-7-29W1/0			
Dec-09			623
Jan-10	51.7	0.0	2226.0
Feb	57.3	1074.8	3831.0
Mar	16.3	472.8	4337.0
Apr	20.0	826.2	4838.0
May	16.5	625.2	5451.0
Jun	40.4	3529.7	6663.0
Jul	28.1	4044.6	7533.0
Aug	26.6	4965.3	8357.0
Sep	28.7	5404.3	9217.0
Oct	37.2	6164.1	10371.0
Nov	30.4	6026.0	11286.0
Dec-10	17.4	3993.4	11825.0

TOTAL INJECTION			
Total section 14			
Dec-09			
Jan-10	101.4	152.9	4,314.00
Feb	115.2	1891.1	7,539.00
Mar	33.6	865.6	8,581.00
Apr	33.5	826.2	9,586.00
May	32.0	1076.0	10,578.00
Jun	61.7	3465.9	12,428.00
Jul	50.8	4097.2	14,002.00
Aug	47.9	4777.4	15,486.00
Sep	53.5	5504.3	17,091.00
Oct	72.9	6186.4	19,352.00
Nov	60.7	6026.0	21,178.00
Dec-10	27.2	4031.8	22,022.00

Section 14-007-29w1 Injection



11-14-007-29w1 Observation well



VOIDAGE

CUMULATIVE VOIDAGE (m³)													
	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10
Well													
00/4-14-7-29W1/0	3,291	3,337	3,351	3,400	3,450	3,499	3,541	3,587	3,629	3,669	3,712	3,749	3,788
00/9-14-7-29W1/0	6,279	6,527	6,750	6,991	7,226	7,460	7,663	7,882	8,099	8,318	8,528	8,725	8,924
00/11-14-7-29W1/0	2,469	2,496	2,520	2,544	2,569	2,595	2,603	2,603	2,603	2,603	2,603	2,603	2,603
00/13-14-7-29W1/2	8,022	8,262	8,471	8,691	8,880	9,073	9,256	9,441	9,626	9,793	9,965	10,126	10,278
00/15-14-7-29W1/0 inj	9,228	9,228	9,228	9,228	9,228	9,228	9,228	9,228	9,228	9,228	9,228	9,228	9,228
00/16-14-7-29W1/0 inj	12,541	12,541	12,541	12,541	12,541	12,541	12,541	12,541	12,541	12,541	12,541	12,541	12,541
02/16-14-7-29W1/0	6,466	6,627	6,799	7,047	7,238	7,421	7,592	7,765	7,938	8,154	8,447	9,060	9,493
Total	48,296	49,018	49,658	50,442	51,131	51,817	52,424	53,046	53,663	54,305	55,023	56,031	56,854

Voidage Replacement (%) Section 14-007-29w1