



RED RIVER OIL INC.

Suite 600, 521 – 3rd Avenue S.W.
Calgary, Alberta T2P 3T3
Main: 403-930-2828
Fax: 403-474-0302

February 25, 2015

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

Re: Sinclair Unit No. 4: 2014 Annual EOR Report

Dear Mr. Leonen:

Please accept the attached annual EOR report for the Sinclair Unit No. 4. This was the fifth year of operation for the Sinclair Unit No. 4 Waterflood project.

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

Regards,



Ben MacIsaac
Production Engineer
Red River Oil Inc.
403-930-2842 (dir)
587-582-4168 (cell)

Sinclair Unit No. 4: EOR Report 2014

Overview

The Sinclair Unit No. 4 is a two section, two pattern water flood in the three forks formation. Pattern #1, located in Section 14-7-29 W1M, consists of three injectors at 13-14, 15-14 and 16-14, three horizontal producers at 9-14, 02/16-14 and 14-14 (drilled January 2013) and two vertical producers at 4-14 and 11-14. Pattern #2 is located in Section 11-7-29 W1M and consists of two injectors at 02/2-11 and 3-11, four horizontal producers at 1-11, 2-11, 4-11 and 02/13-11 (drilled September 2013) and two vertical producers at 6-11 and 14-11. A shut-in horizontal wellbore exists at 13-11. Figure 1 below is a map of the Unit showing the patterns and wellbore layout.

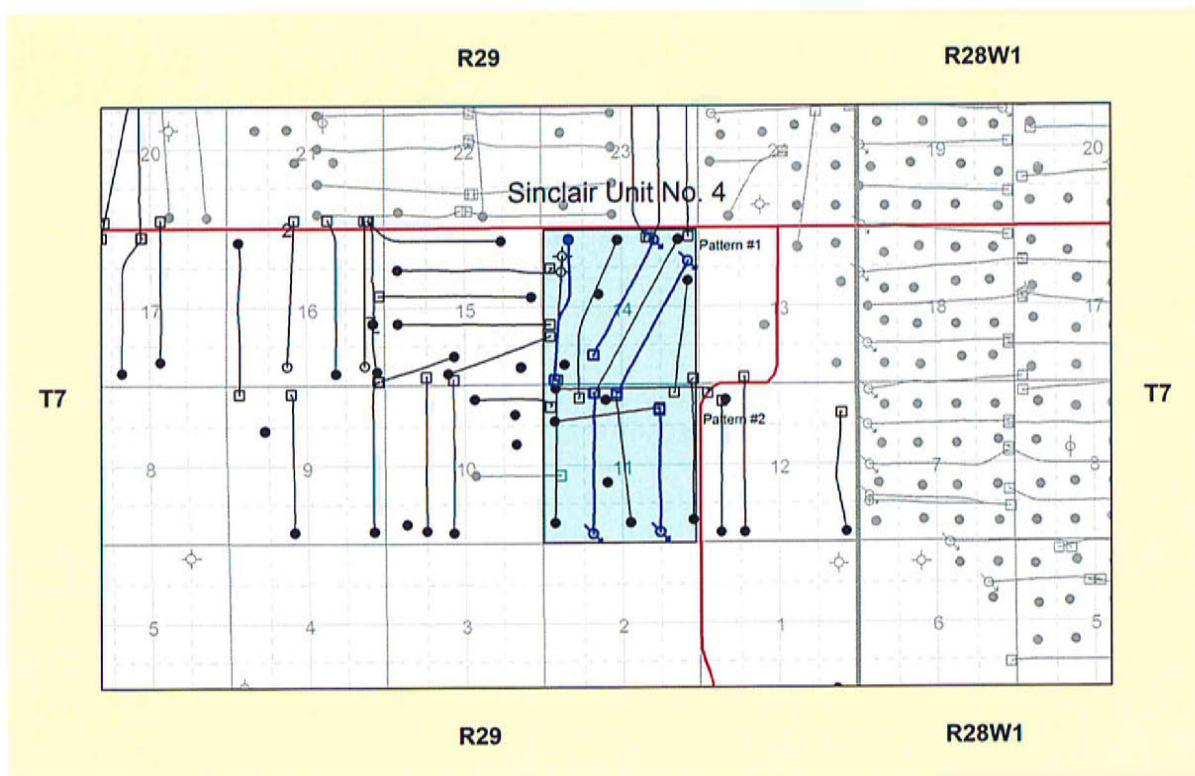


Figure 1: Sinclair Unit No. 4 Map

Since the formation of the unit, production has generally fallen short of the original waterflood predictions. Red River Oil Inc. ("Red River" or the "Company") believes the reasons for the underperformance of the waterflood is due to the following factors:

- Non-optimal pattern design
- Poor placements of some of the horizontal wellbores in the Three Forks member of the reservoir
- Reduced injectivity due to improper water filtering

Despite these issues, the waterflood has still shown a positive response to water injection as the production decline of most of the producers has flattened over the past few years. The current recovery of the OOIP (8,551 mstb) for Unit No. 4 is approximately 4.2% (360.6 mstb). Primary recovery was originally estimated at 8% (684 mstb). This is consistent with reservoir work Red River has completed on its lands whereby the primary recovery factor is generally estimated at 5% (4 wells per section) and 8% with infill drilling. Furthermore, Red River estimates that secondary recovery of an additional 10% is still a reasonable projection as Red River continues to optimize the Unit.

In the 2013 EOR report the following optimization projects were outlined for 2014:

- Run cemented liner in 13-11 open hole wellbore in attempt to eliminate 3-11 injector to 2-11 producer crossflow
- 8-16 water filtration system upgrade
- 13-14 injection well conversion

Red River is pleased to report that these projects were completed successfully in 2014 with exception of the planned remedial work for the 13-11 open hole wellbore. In the 2013 report Red River discussed the positive water cut results observed in the 2-11 producer after the March 2013 water injection shut in period. Upon re-initiation of water injection in February 2014, it was expected that the watercut would increase at 2-11 due to crossflow through the 13-11 wellbore. To-date, approximately one year after injection recommencement, the improved watercut at the 2-11 producer has held. Red River attributes this improvement to the pattern being given a chance to re-balance and that injection is now limited to sub-frac gradient pressures. It is likely that the initial water breakthrough occurred via hydraulically induced fractures stemming from the previous operator's over-pressured injection. With the crossflow issue remediated, the project 13-11 has since been deferred to such time that it is required.

In February 2014, the water filtration system at the 8-16 battery was upgraded in order to allow a tighter filtration specification. Prior to the upgrade project, filtration consisted of two single bag filter pots, which limited the particulate filtration ability to approximately 50 microns. During the upgrade project, these two single bag pots were replaced with two larger filter

canisters, each housing six bag filters. The upgraded canisters have improved the water filtration spec to 1 micron nominal particulate filtration. In addition to filtration upgrades, Red River has also implemented an injection water scale and biocide inhibition program, consistent with other project areas, as a precautionary measure to reduce wellbore skin build up.

In order to maximize recovery in Unit No. 4, Red River is working to improve the sweep efficiency and VRR of the project area. With the Unit's history of facility issues leading to extended shut in periods and water cycling problems stemming from poorly managed injection, the overall VRR has been reduced over the past several years. With the proactive re-balancing efforts and filtration system upgrades complete, Red River is confident that positive change has been inflicted in the project area but more reactive work is required to fully optimize the pattern. Red River is currently evaluating wellbore simulation techniques, such as frac ball seat drill outs and coil cleanouts, as to how they may be applied in Unit No. 4. The aim of this evaluation is to increase the ultimate recovery of the Unit through improved sweep efficiency and voidage replacement.

Performance Discussion

An overall decrease in Unit oil production over the year is primarily due to production from the two 2013 horizontal producers (14-14-7-29W1M and 02/13-11-7-29W1M) having been still on primary decline the majority of the year. Overall Unit WOR for the year averaged 3.61, bringing the cumulative Unit WOR to 3.09 at year end. Injection, although still below target, improved from the previous year. A yearly VRR of 0.56 held the Unit cumulative VRR at 0.55 at year end. Figure 2 in appendix A illustrates the overall pool performance in graphical and tabular format. Appendix A, Table 1 illustrates the overall pool performance, both monthly and cumulatively, in tabular format. Appendix A also includes individual injection well profiles and monthly average injection pressures.

Pattern #1: Section 14-7-29W1M

Pattern #1 saw a decrease in oil production in 2014 primarily due to the 14-14 producer brought online in March 2013 was still on a primary decline for the majority of the year. The pattern WOR remained relatively flat throughout the year with an average of 2.24 overall bringing the cumulative WOR to date for the pattern to 2.10. In February, the 100/13-14-007-29W1 well was converted to an injection well to improve flood efficiency in the west half of the pattern. The new 13-14 injector helped increase the yearly VRR to 1.24, which in turn improved the pattern cumulative VRR from 0.44 at the beginning of the year to 0.5 year end. Appendix A, Figure 3 illustrates the Pattern #1 performance in graphical and tabular format.

Pattern #2: Section 11-7-29W1M

Pattern #2 saw a decrease in oil production in 2014 primarily due to the 02/13-11 producer, brought online in October 2013, still being on a primary decline for the majority of the year. As previously discussed, it was initially reported in 2013 that the 2-11 producer had responded positively to its offset injectors having been shut-in, Red River is pleased to report that this trend has continued. Even since the re-initiation of injection into Unit No.4 in February 2014, the 2-11 well has maintained an approximate 10% oil cut. This information leads Red River to believe that water had reached the 2-11 producer via induced fractures from over-pressured water injection, and not via the shut-in 13-11 wellbore. At this time, Red River does not plan on cementing a liner into the 13-11 wellbore as long as the positive trend continues.

The pattern WOR primarily reflects the dynamics of the new 02/13-11 and 4-11 production as the other producers WORs remained relatively constant. Section 11's WOR averaged 4.39 for 2014, bringing the cumulative to date WOR to 4.21 from 4.18 the year previous. A yearly VRR of 0.33 decreased the pattern overall VRR from 0.54 at the beginning of the year to 0.51 by December. Figure 4 illustrates the Pattern #2 performance in graphical and tabular format.

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 2: Unit No. 4 Monthly produced fluids and ratios in graphical and tabular format
2. Figure 3: Pattern #1 data in graphical and tabular format
3. Figure 4: Pattern #2 data in graphical and tabular format
4. Table 1: Sinclair Unit No. 4 monthly and cumulative production fluid and ratio data in tabular form
5. Individual injection well rate and pressure profiles:
 - a. 00/15-14
 - b. 00/16-14
 - c. 00/13-14
 - d. 02/02-11
 - e. 00/03-11
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. 4 in 2014.

73(1)(e) Well Servicing

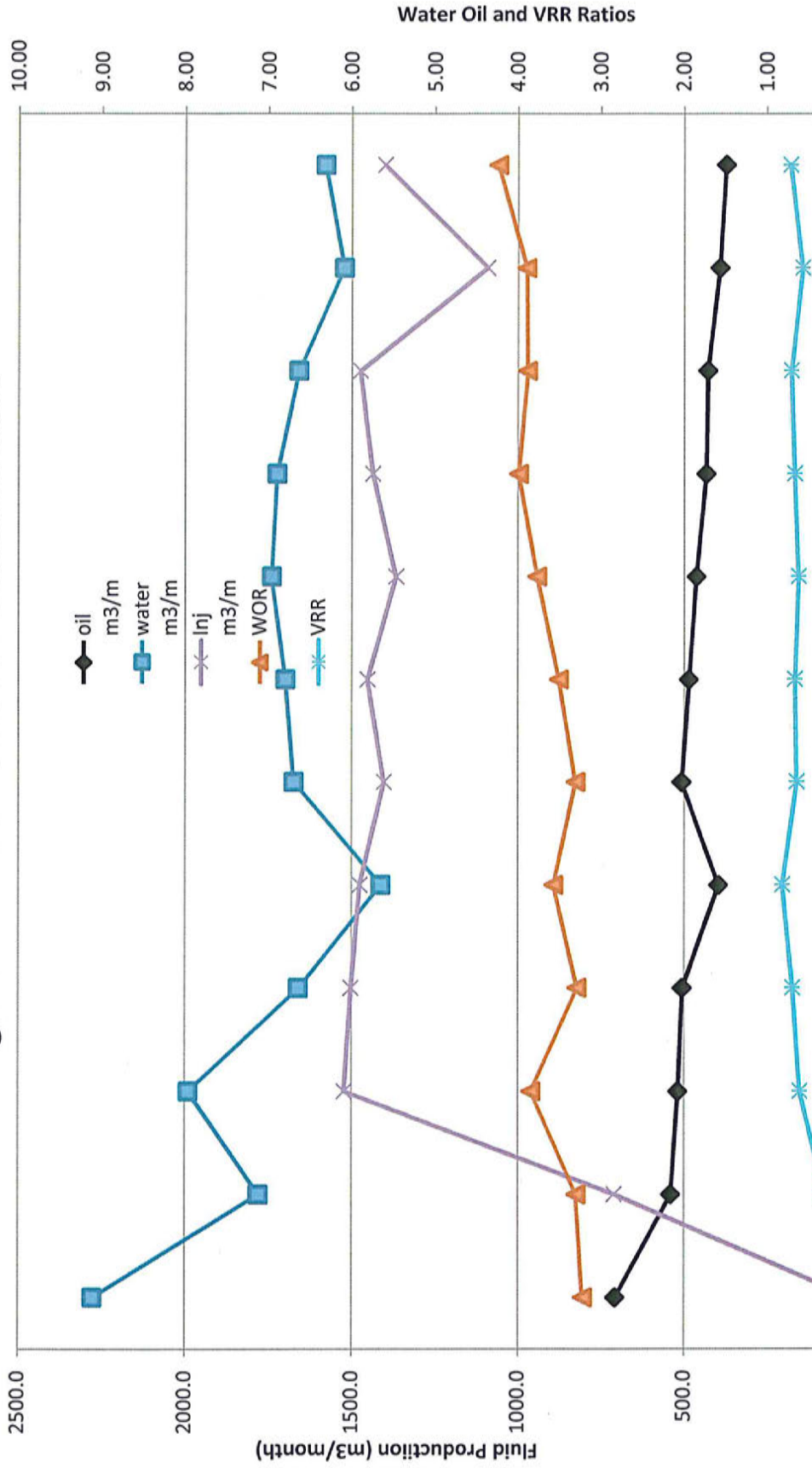
The 100/13-14-007-29W1M was converted to an injection well in February 2014. Other than this conversion and routine maintenance pump changes, there were no other well servicing operations completed within Unit No. 4 in 2014.

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

Injection fluid for Sinclair Unit No. 4 continues to be comprised solely of produced Three Forks water taken from the Unit and surrounding non-Unit production. The water is separated from produced oil at the 8-16 battery through a free water knock out and cascading tank system to increase separation time. After separation, the injection water is filtered to 1 micron nominal remaining particulate through two six-bag canister filters and injected down the 5 injectors. All water is treated with scale inhibitor and biocide. Injection pressures at the wellhead are limited to a maximum of 5000 kPa.

Appendix A: Sinclair Unit No.4 Production and Injection Data

Figure 2: Sinclair Unit #4 Produced Fluids



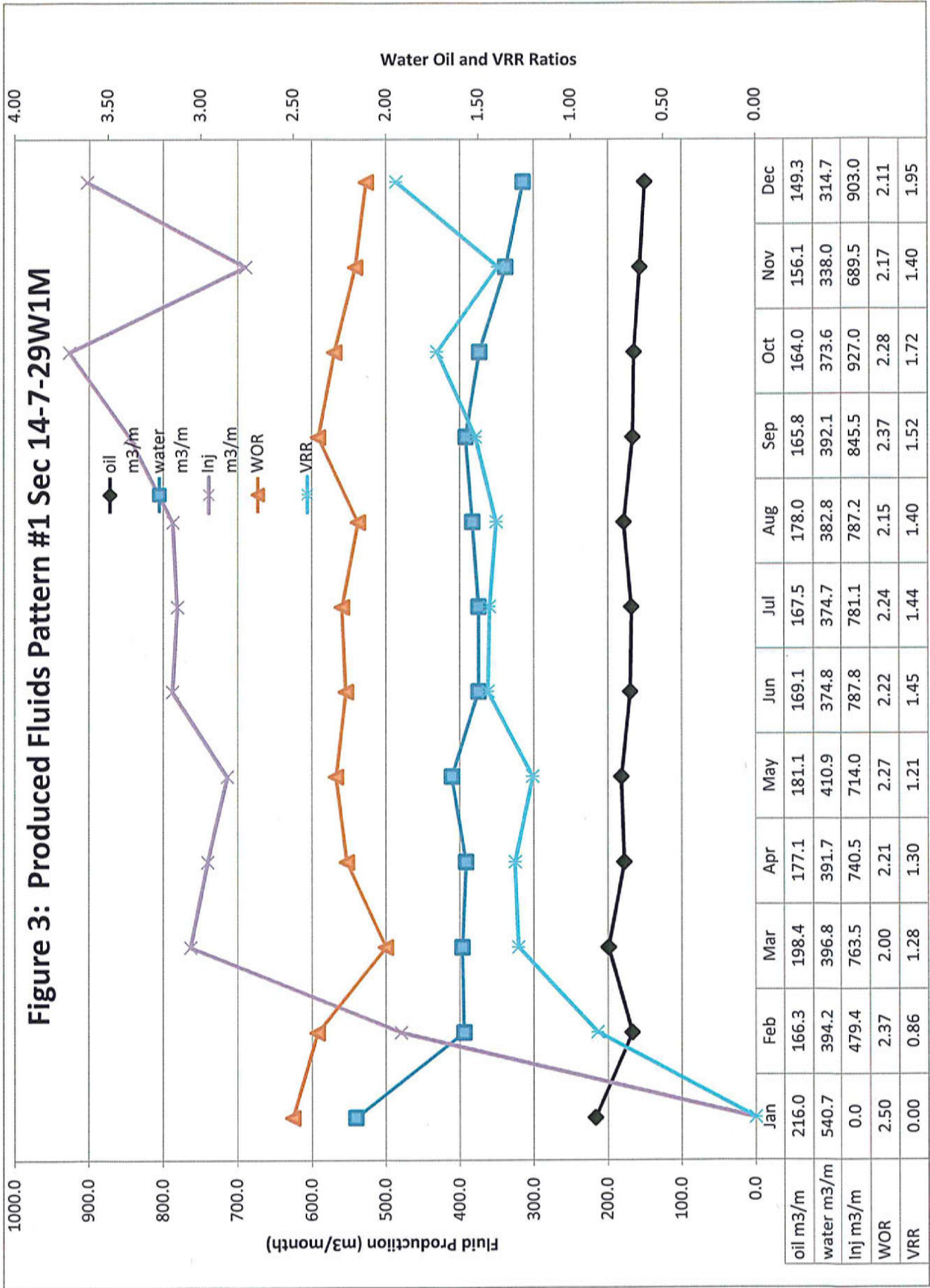


Figure 4: Produced Fluids Pattern #2 Sec 11-7-29W1M

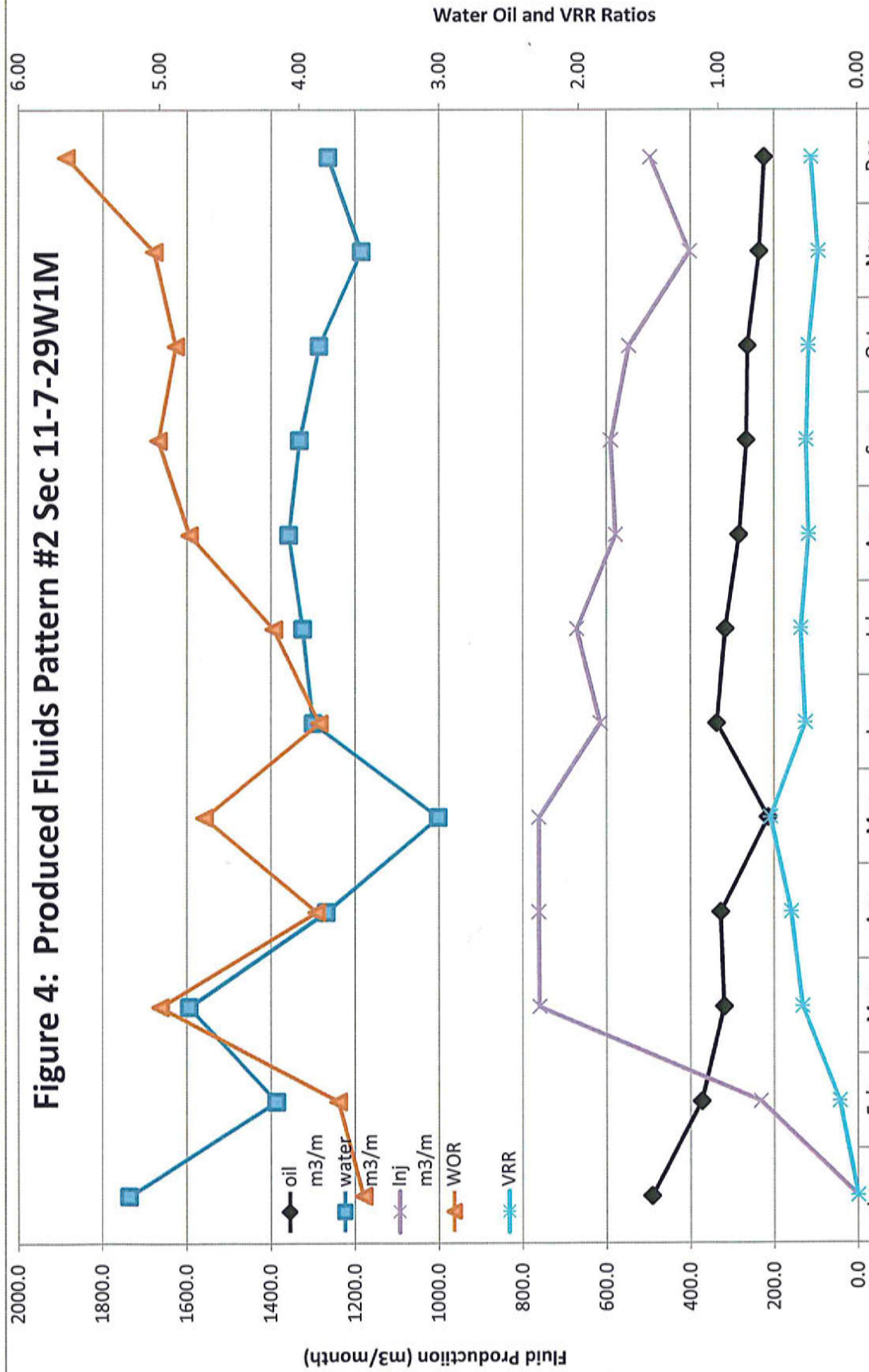


Table 1: Sinclair Unit #4 Produced Fluids

2014 Oil Production m3/month	Prior CTD	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2014	CTD
Pattern #1 Sec 14	26507.5	216.0	166.3	198.4	177.1	181.1	169.1	167.5	178.0	165.8	164.0	156.1	149.3	2088.7	28596.1
Pattern #2 Sec 11	25088.6	491.0	373.0	319.5	327.5	214.2	337.2	317.0	284.1	266.2	263.5	235.3	223.4	3651.9	28740.5
Unit #4 Total Production	51596.0	707.0	539.3	517.9	504.7	395.3	506.3	484.5	462.1	432.0	427.5	391.4	372.7	5740.6	57336.6

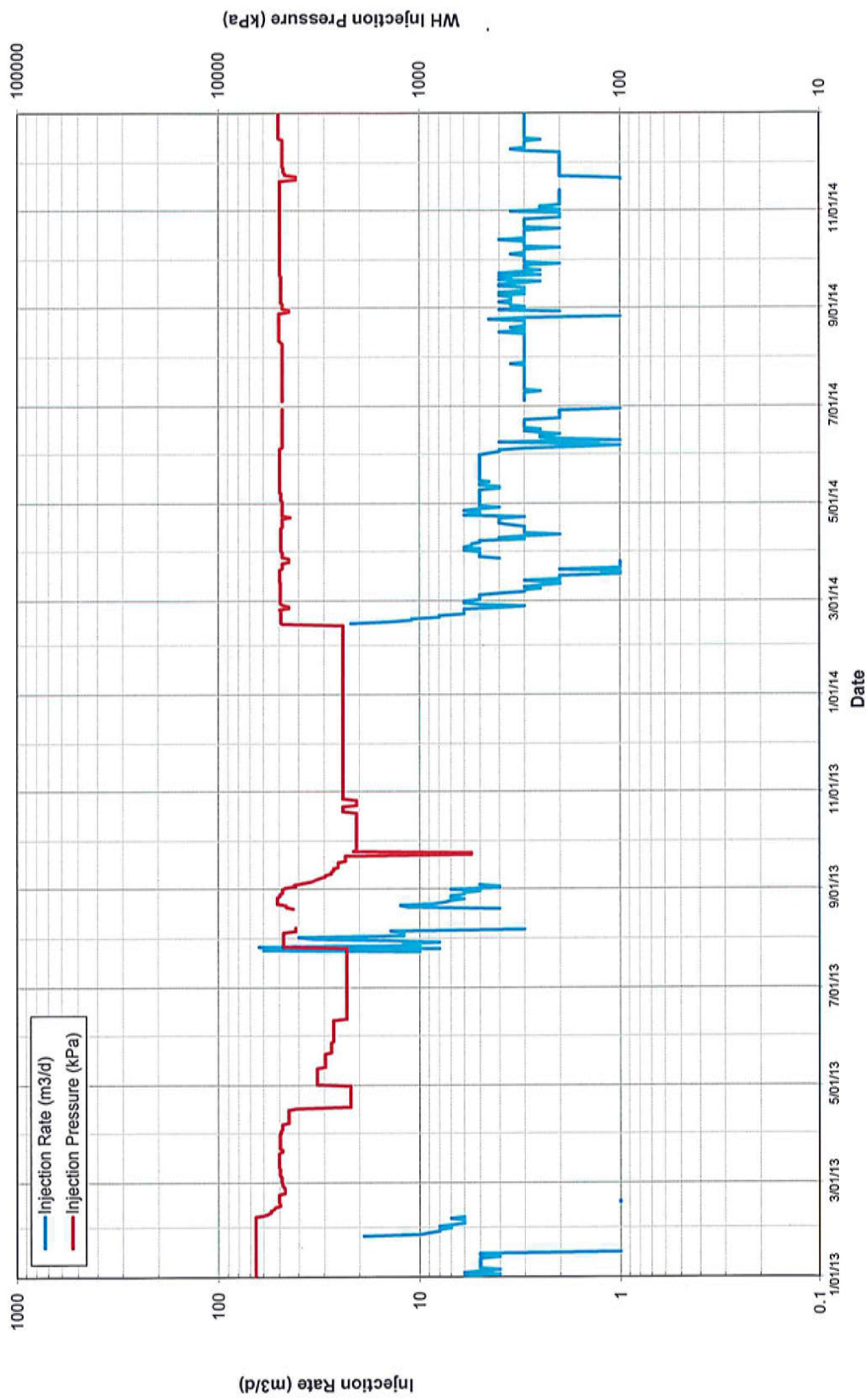
2014 Water Production m3/month	Prior CTD	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2014	CTD
Pattern #1 Sec 14	55285.3	540.7	394.2	396.8	391.7	410.9	374.8	374.7	382.8	392.1	373.6	338.0	314.7	4685.2	59970.5
Pattern #2 Sec 11	104868.1	1737.1	1386.5	1594.0	1268.8	1001.1	1300.0	1324.7	1358.0	1332.4	1285.9	1184.9	1264.7	16038.1	120906.2
Unit #4 Total Production	160153.4	2277.8	1780.7	1990.8	1660.6	1412.0	1674.8	1699.3	1740.9	1724.6	1659.6	1522.9	1579.4	20723.3	180876.7

Unit #4 WOR	3.10	3.22	3.30	3.84	3.29	3.57	3.31	3.51	3.77	3.99	3.88	3.89	4.24	3.61	3.15
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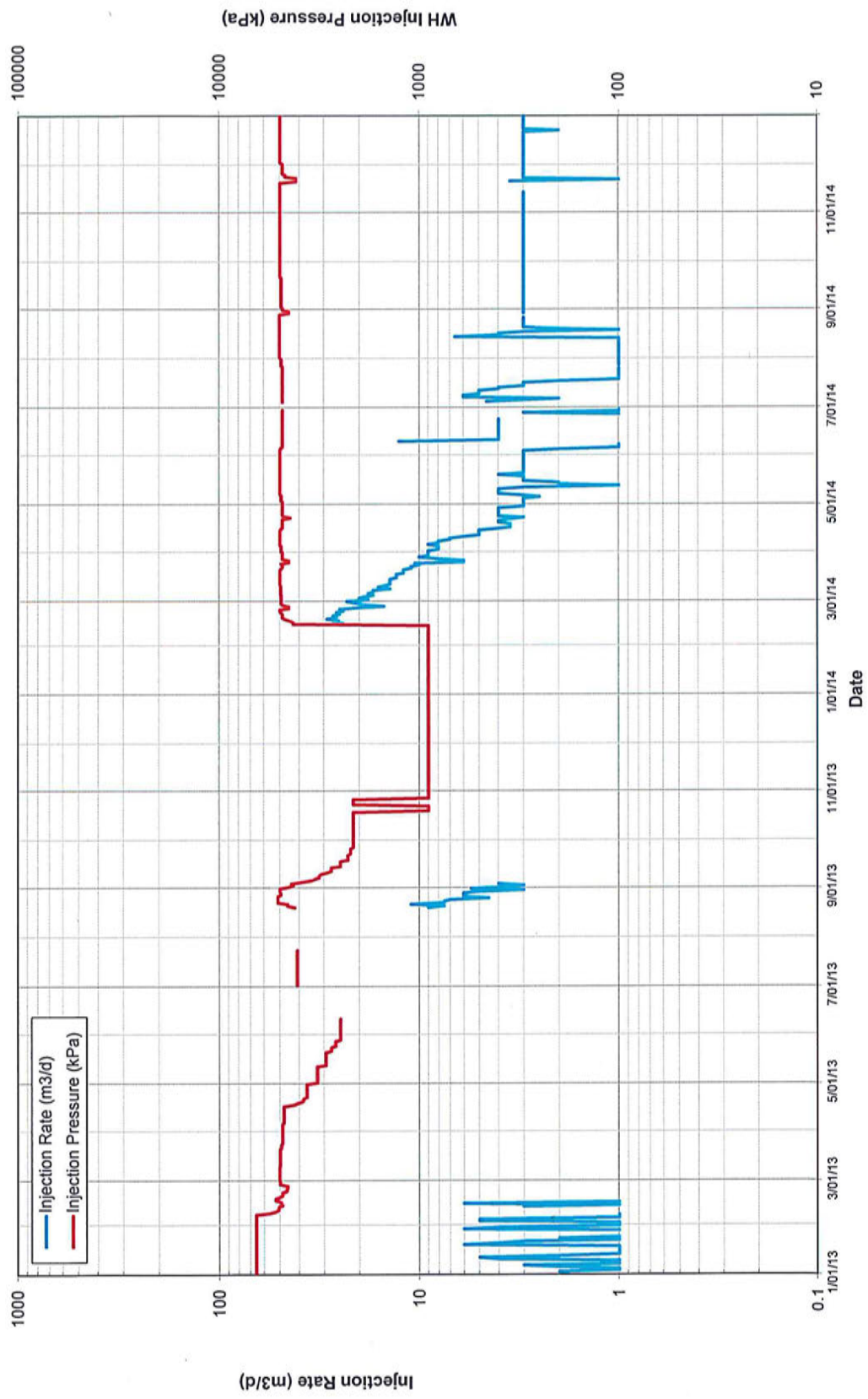
2014 Water Injection m3/month	Prior CTD	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2014	CTD
Pattern #1 Sec 14	35699.0	0.0	479.4	763.5	740.5	714.0	787.8	781.1	787.2	845.5	927.0	689.5	903.0	8418.6	44117.6
Pattern #2 Sec 11	70576.0	0.0	232.0	760.0	762.0	762.0	615.4	671.1	578.9	590.5	547.0	402.5	496.5	6417.9	76993.9
Unit #4 Injection	106275.0	0.0	711.4	1523.5	1502.5	1476.0	1403.2	1452.2	1366.1	1436.0	1474.0	1092.0	1399.5	14836.5	121111.5

Unit #4 VRR	0.50	0.00	0.31	0.61	0.69	0.82	0.54	0.66	0.62	0.67	0.71	0.57	0.72	0.56	0.51
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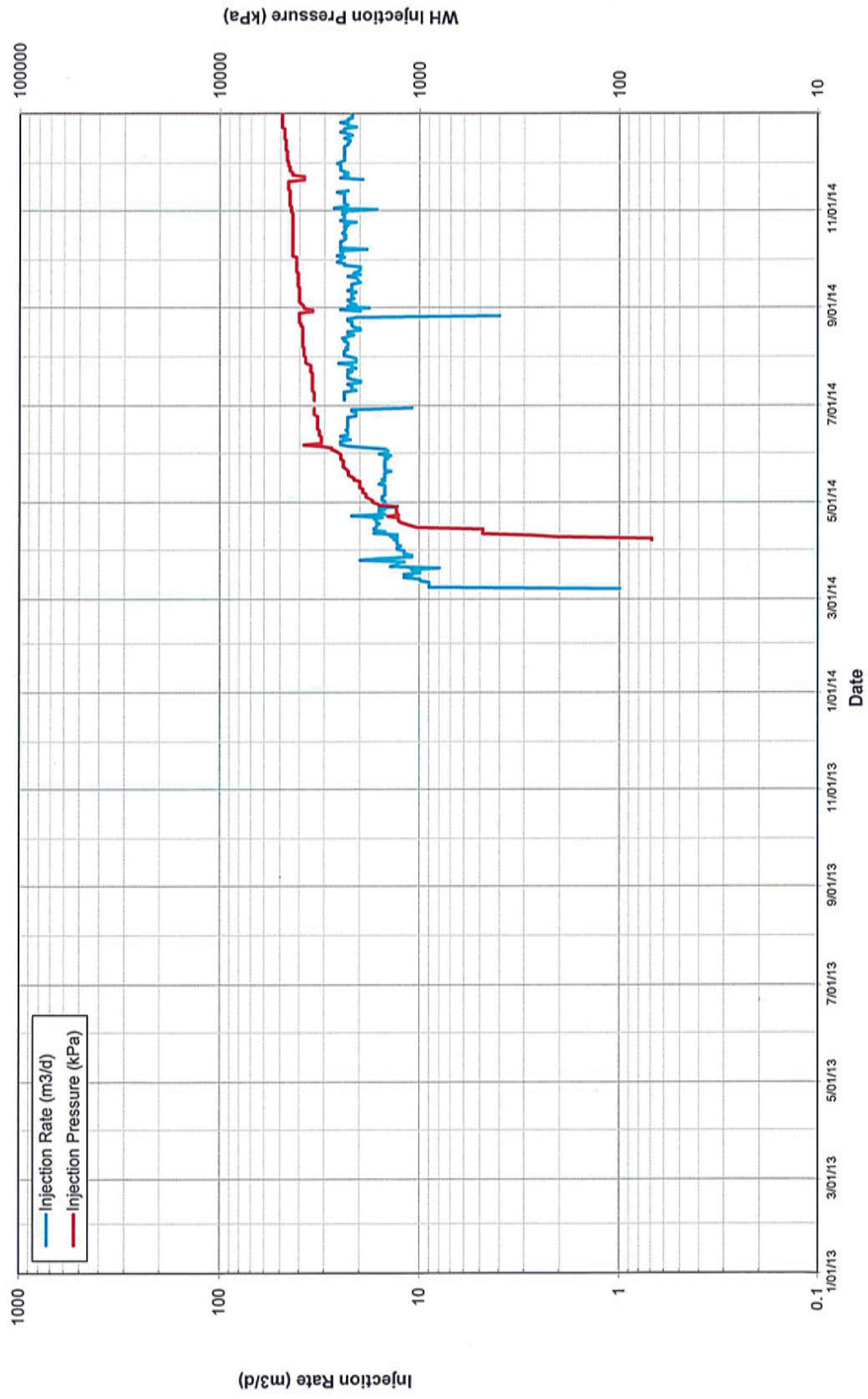
00/15-14-7-29 W1M



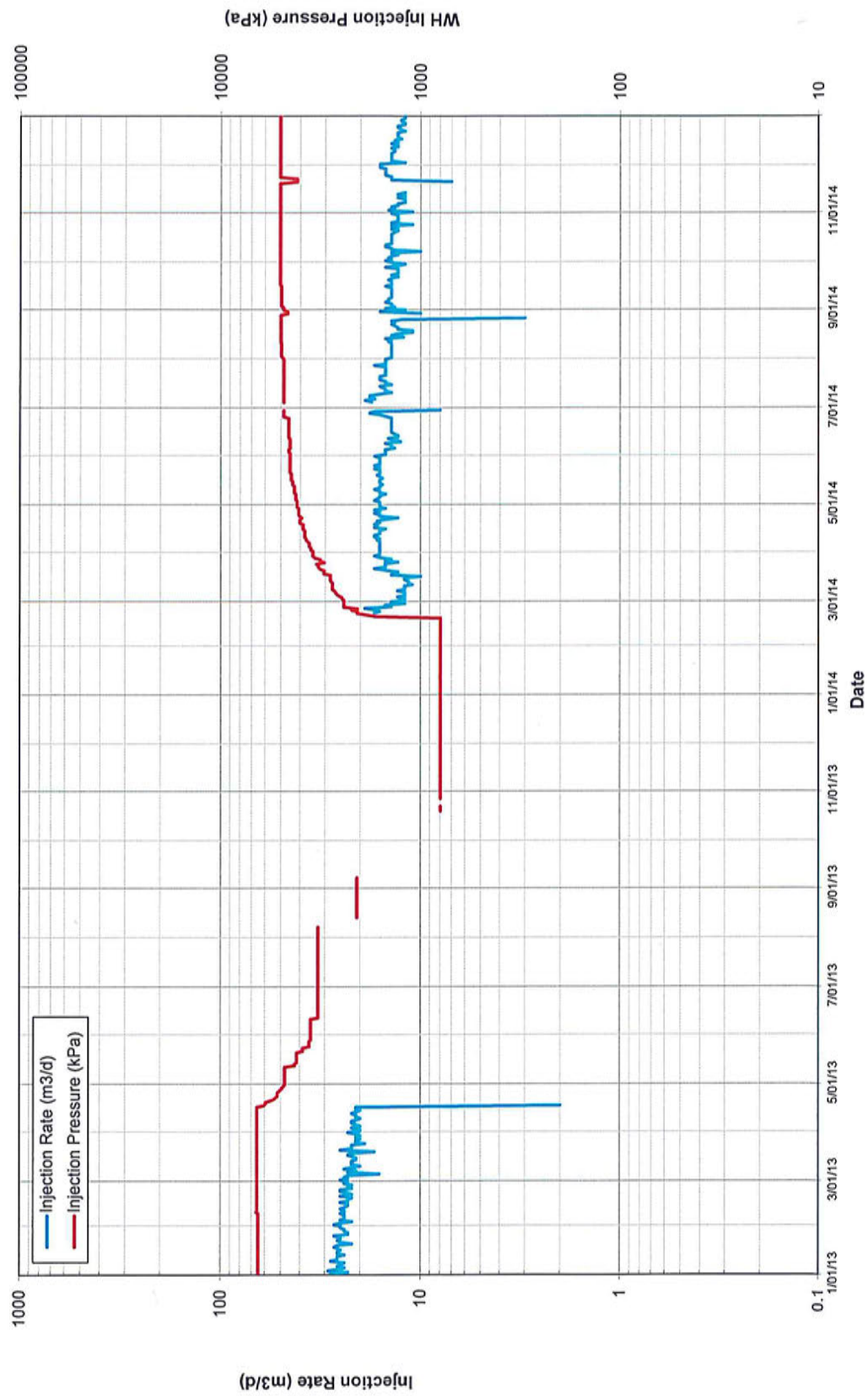
00/16-14-7-29 W1M



00/13-14-7-29 W1M



02/02-11-7-29 W1M



00/03-11-7-29 W1M

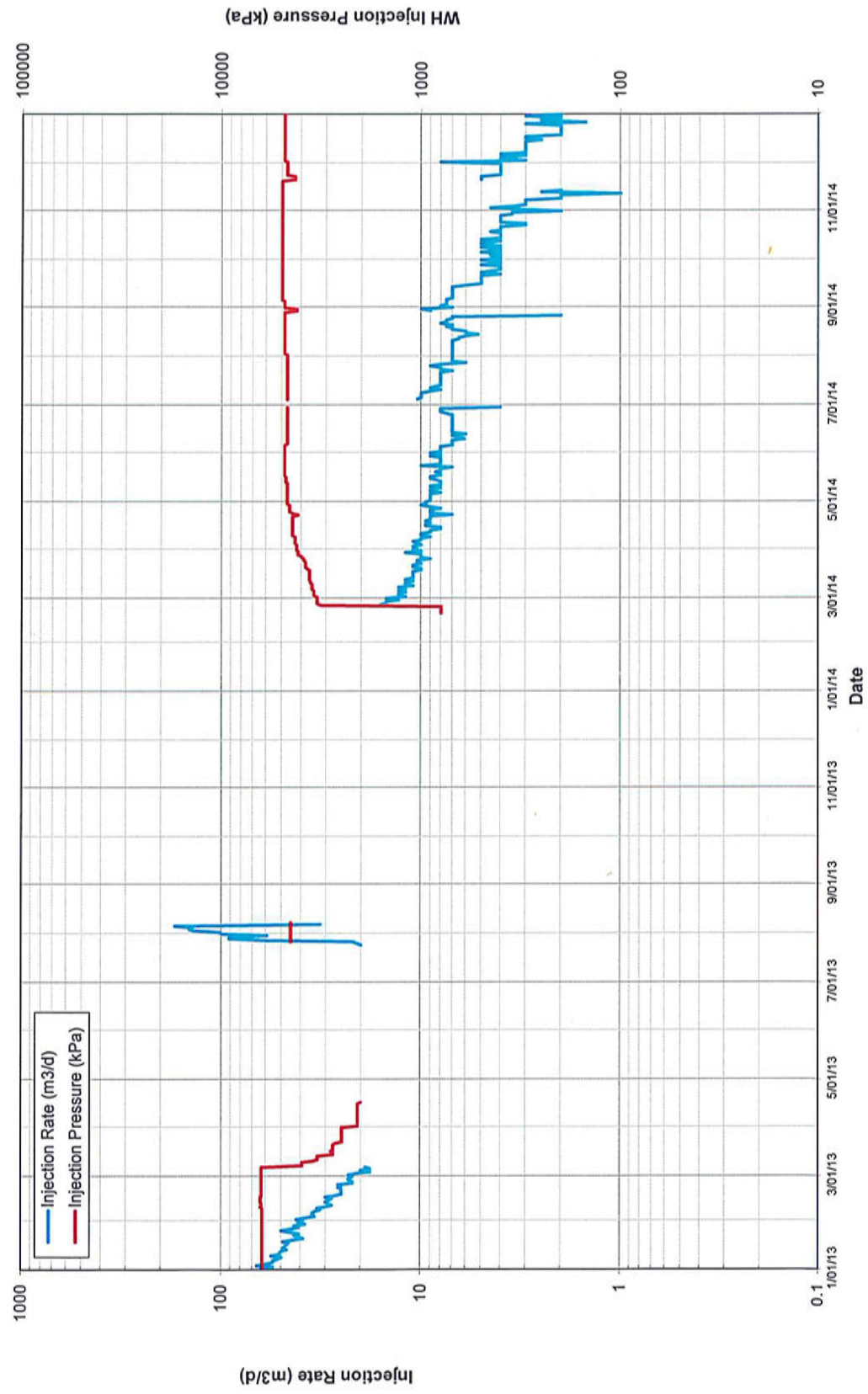


Table 2: Sinclair Unit #4 Monthly Injection Data

Pattern #1 2014 Monthly Averages	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
00/15-14 Injection Rate (m3/d)	0	8	3	4	5	3	3	3	3	3	2	3
00/15-14 Injection Pressure (kPa)	2414	3714	4870	4848	4945	4847	4828	4909	4913	4966	4830	4934
00/16-14 Injection Rate (m3/d)	0	24	13	5	3	3	3	2	3	3	2	3
00/16-14 Injection Pressure (kPa)	897	2936	4883	4869	4948	4849	4840	4961	4917	4966	4837	4961
00/13-14 Injection Rate (m3/d)	0	0	11	15	15	22	22	21	22	24	19	23
00/13-14 Injection Pressure (kPa)	0	0	0	977	2148	3165	3493	3855	4044	4334	4414	4745

Pattern #2 2014 Monthly Averages	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
02/2-11 Injection Rate (m3/d)	0	16	13	16	16	14	16	12	14	14	11	13
02/2-11 Injection Pressure (kPa)	793	1281	2933	3844	4356	4578	4828	4957	4993	5034	4945	5034
00/3-11 Injection Rate (m3/d)	0	15	11	9	8	7	8	6	6	4	3	3
00/3-11 Injection Pressure (kPa)	0	2038	3705	4402	4765	4713	4690	4783	4947	4966	4823	4823