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March 8, 2017

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. 9: 2016 Annual EOR Report

Dear Mr. Leonen:

Please accept the attached annual EOR report for the Sinclair Unit No. 9. This was the fourth year of operation for the Sinclair Unit No. 9 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.
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Sinclair Unit No. 9: EOR Report 2016

Overview

The Sinclair Unit No. 9 waterflood is a one section (30-007-29W1), one pattern flood within the Bakken Three Forks formation operated by Red River Oil Inc. (“Red River” or the “Company”). The pattern consists of seven horizontal wellbores oriented north-south and spaced at 185-300m. Three injectors are located at 00/13-30, 00/14-30 and 00/15-30 while four producers are located at 02/14-30, 02/15-30, 00/16-30 and 02/16-30. There is one abandoned vertical well at 11-30. Figure 1 below is a Unit map showing the wellbore layout.

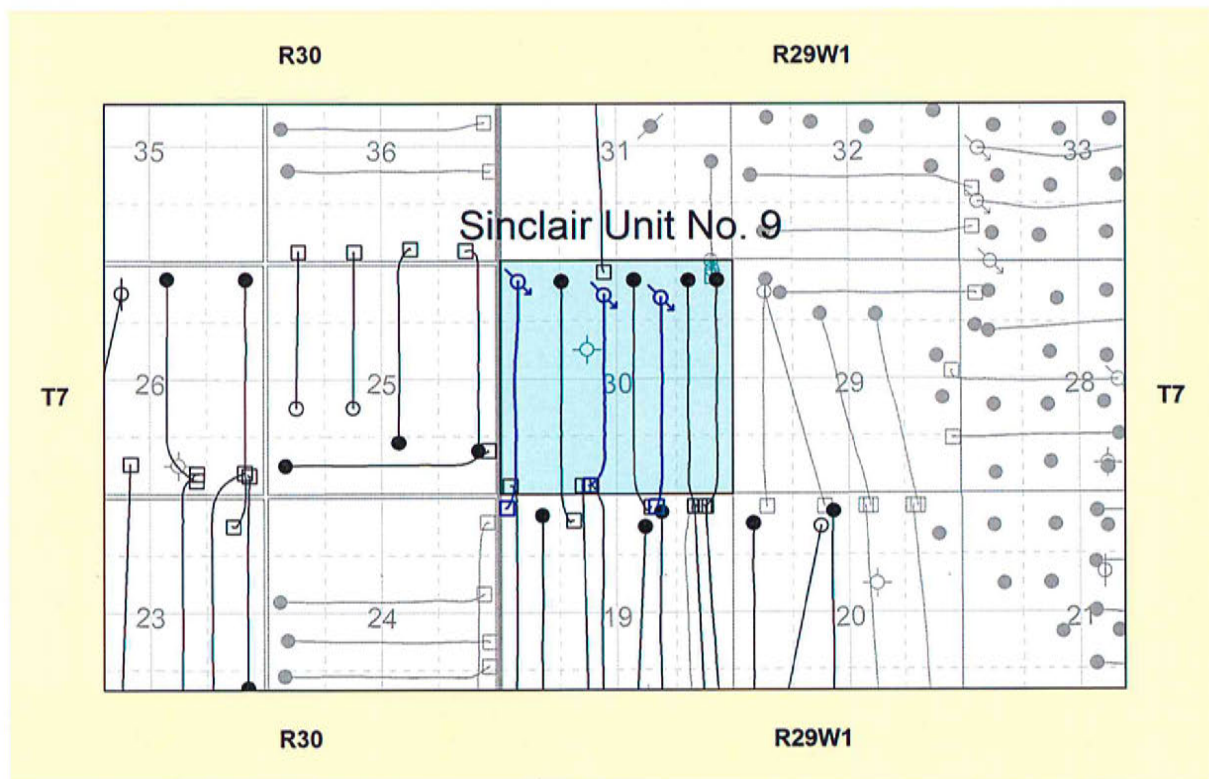


Figure 1: Sinclair Unit No.9 Map

The main productive zones within the Three Forks in section 30-007-29W2 are the Upper Devonian Lyleton A Dolomitic Siltstone member and the overlying Mississippian Middle Bakken Siltstone member. Horizontal wells in section 30 have undulated through both the Three Forks Lyleton A Member and the Bakken Siltstones over the length of the laterals.

Red River estimates that original-oil-in-place for Unit No. 9 is $1,212 \times 10^3 \text{ m}^3$ (7,629 mstb). Current recovery to date is $28.4 \times 10^3 \text{ m}^3$ (179 mstb) or 2.3% of the OOIP. Primary recovery was originally estimated to recover 3.1% based on 4 wells per section and 5.5% with infill drilling. An incremental 10-15% secondary recovery is expected, bringing the total estimated recovery factor to 15-20%.

Performance Discussion

Performance results to date in the Sinclair Unit No. 9 flood have been positive. The pattern as a whole has observed relatively stable total fluid production while maintaining stable oil-cuts throughout the year. Figures 2 (composite plot) and 3 (oi cut versus cumulative oil) below help display the Unit performance trends. Note that production from the 191/01-25-007-30W1 well is included in figures 2 and 3 for information purposes only as it is offset by the 13-30 injection well.

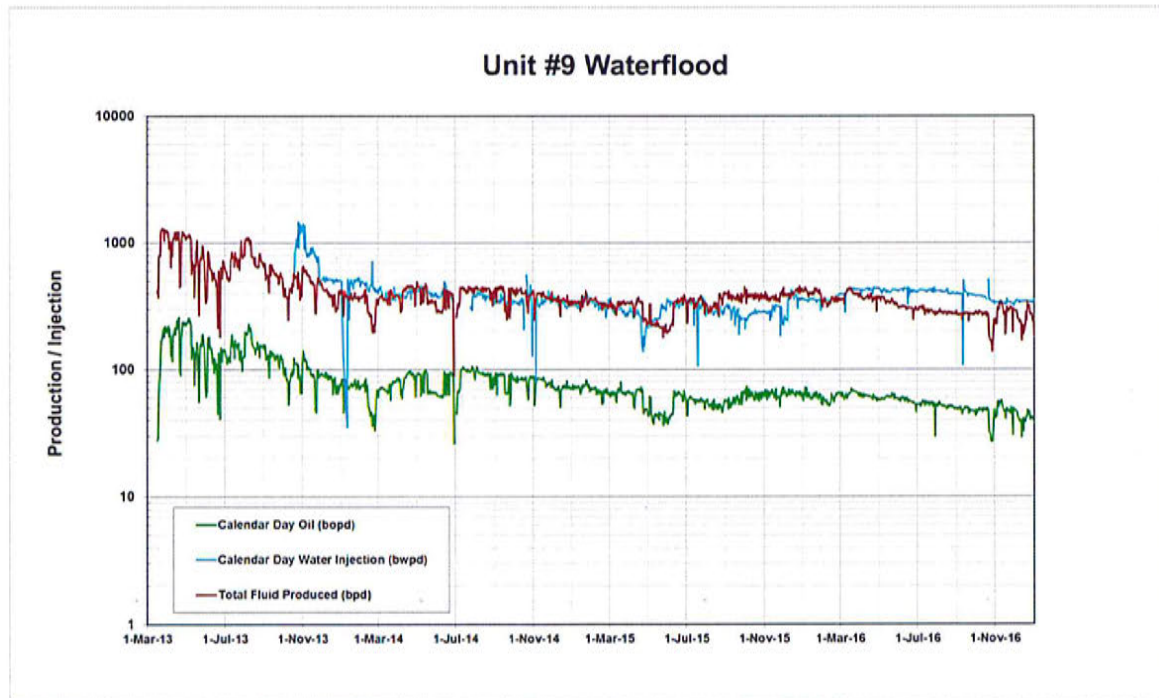


Figure 2: Sinclair Unit No. 9 Production Composite Plot

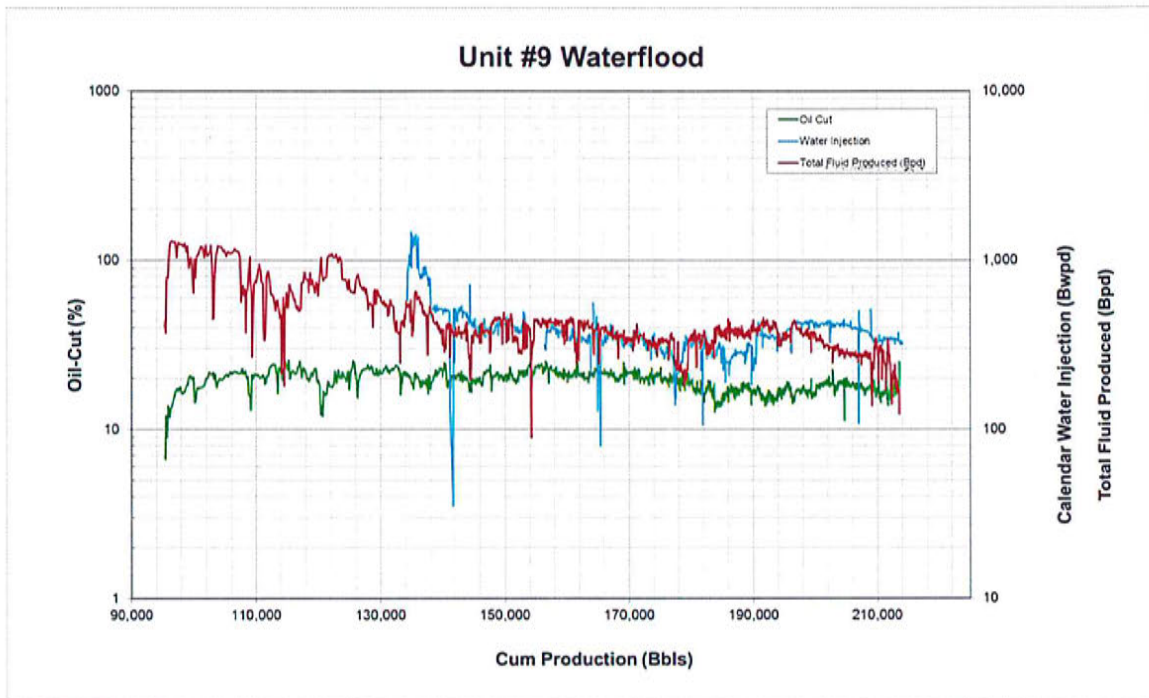


Figure 3: Sinclair Unit No. 9 Oil Cut Versus Cumulative Oil Plot

As can be seen in figure 2 and 3, oil production has been on a slight decline since mid-2016 while producing oil cuts have remained relatively flat over this time period. Red River attributes this decline in productivity to downhole skin buildup in both production and injection wells. Consistent with encouraging optimization work ongoing in other waterflood projects, Red River has identified candidates for optimization work within Unit No. 9 and is actively executing a program. In late 2015 Red River completed a successful surface bullhead acid stimulation on the 00/15-30 injector resulting in a significant increase in injection rates over the year. Red River also completed a surface bullhead acid stimulation workover on the 00/13-30 injection well in March 2016. Results from the 00/13-30 workover were positive but not to the same magnitude as the 00/15-30 stimulation. This is possibly due to a larger amount of insoluble downhole debris in the 13-30 wellbore. It has been observed in other project areas that there is material benefit in performing downhole interventions to remove debris and then stimulate the wellbore compared to performing relatively simple stimulation workovers from surface. Red River is continually applying new knowledge to optimization programs go forward and has identified several additional workover candidates in Unit No. 9.

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: Monthly produced fluids and ratios in graphical and tabular format

2. Table 1: Monthly and cumulative produced fluids and ratios in tabular format
3. Individual injection well rate and pressure profiles:
 - a. 100/13-30
 - b. 100/14-30
 - c. 100/14-30
4. Table 2: Monthly average injection rate and pressure data

73(1) (d) Reservoir Pressure Surveys

There were no pressure surveys executed in Unit No. 9 in 2016.

73(1) (e) Well Servicing

Other than routine pump changes and the 00/13-30 stimulation, there were no well servicing operations completed within Unit No. 9 in 2016.

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

Injection fluid for Sinclair Unit No. 9 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. 9.

Appendix A: Sinclair Unit No. 9 Production and Injection Data

Figure 4: Sinclair Unit #9 Produced Fluids

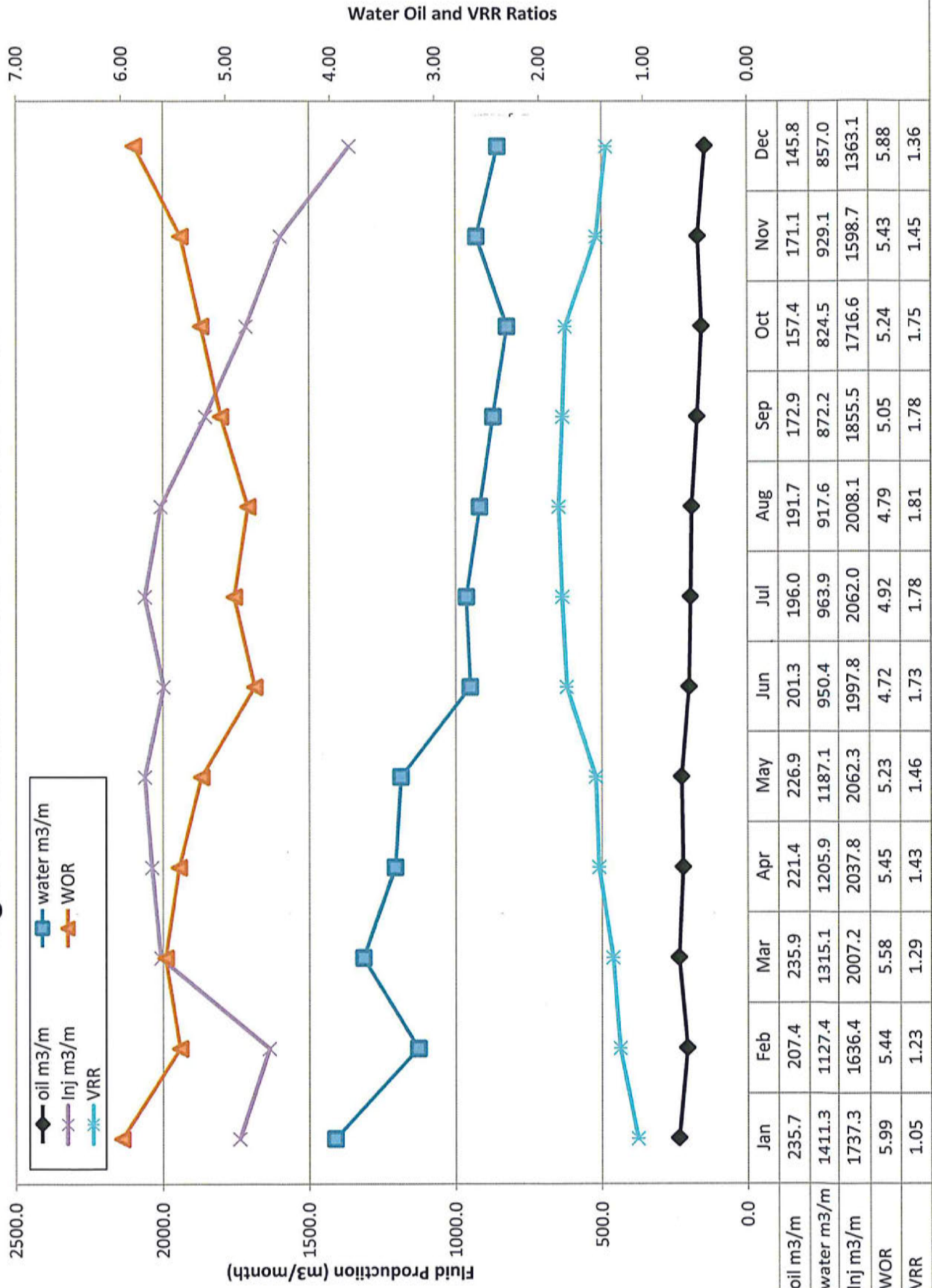


Table 1: Sinclair Unit #9 Produced Fluids

2016 Oil Production m3/month	Prior CTD	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2016	CTD
Unit #9 Total Production	26071.3	235.7	207.4	235.9	221.4	226.9	201.3	196.0	191.7	172.9	157.4	171.1	145.8	2363.5	28434.8

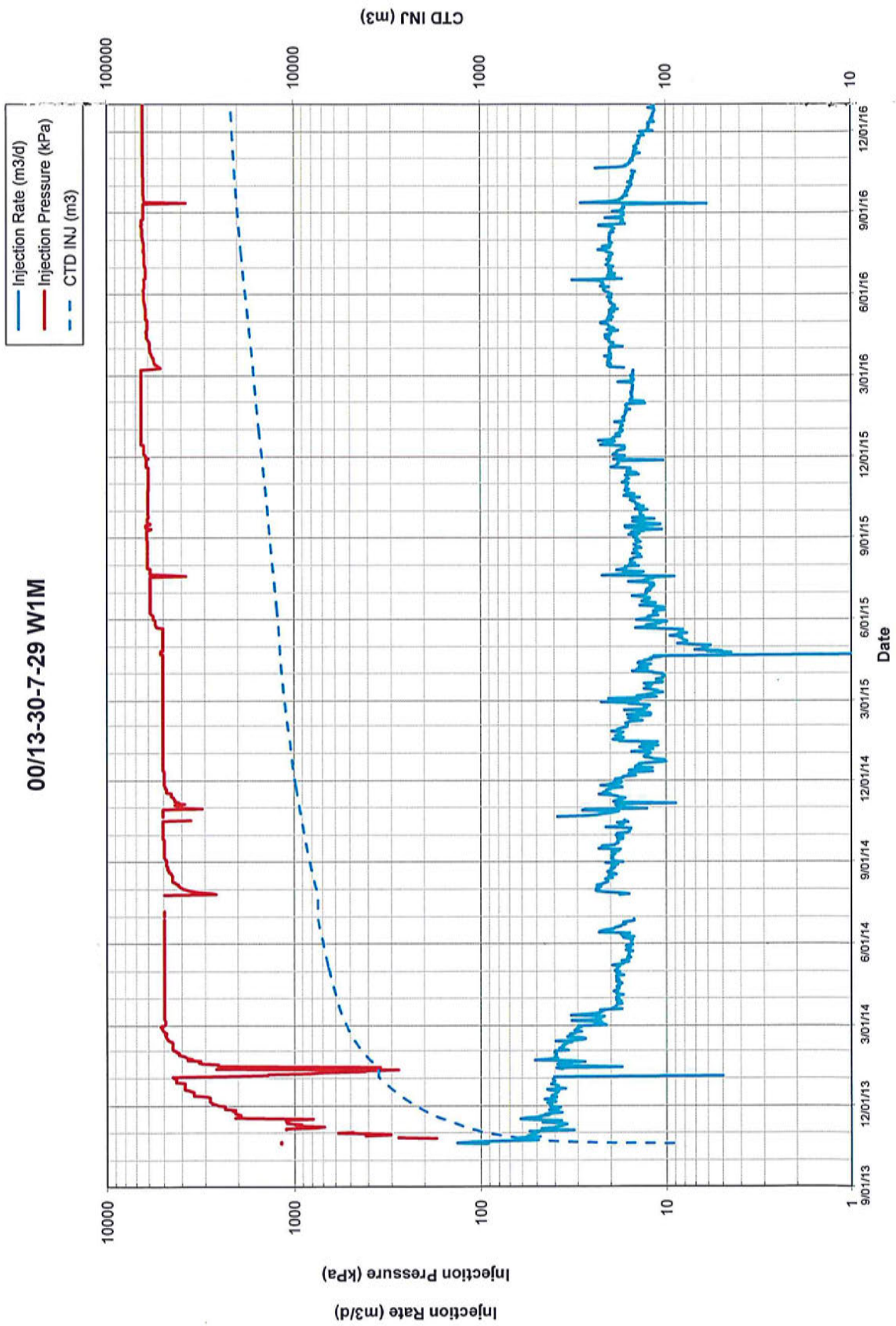
2016 Water Production m3/month	Prior CTD	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2016	CTD
Unit #9 Total Production	91110.2	1411.3	1127.4	1315.1	1205.9	1187.1	950.4	963.9	917.6	872.2	824.5	929.1	857.0	12561.3	103671.5

Unit #9 WOR	3.49	5.99	5.44	5.58	5.45	5.23	4.72	4.92	4.79	5.05	5.24	5.43	5.88	5.31	3.65
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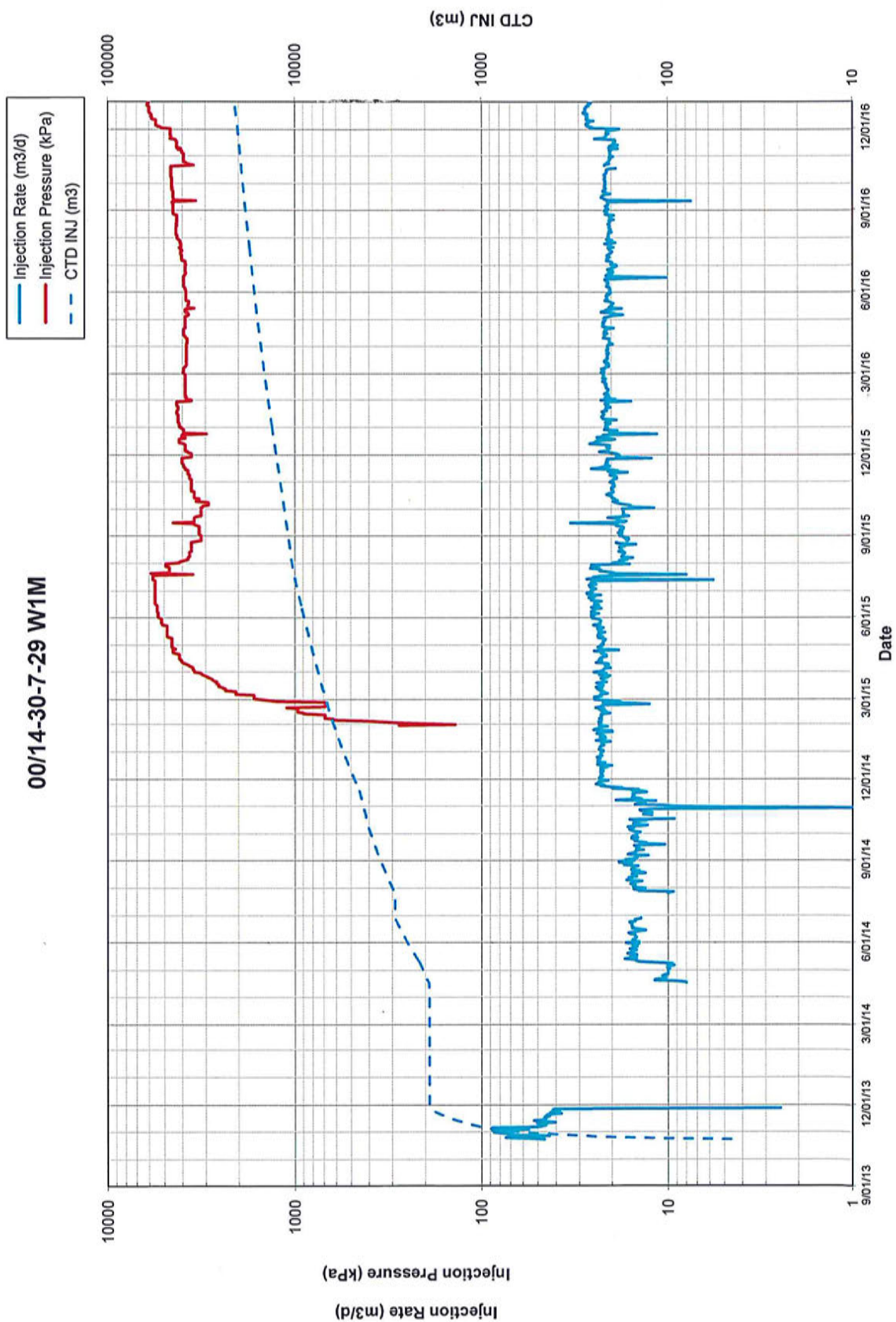
2016 Water Injection m3/month	Prior CTD	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2016	CTD
Unit #9 Injection	45638.0	1737.3	1636.4	2007.2	2037.8	2062.3	1997.8	2062.0	2008.1	1855.5	1716.6	1598.7	1363.1	22082.6	67720.6

Unit #9 VRR	0.39	1.05	1.23	1.29	1.43	1.46	1.73	1.78	1.81	1.78	1.75	1.45	1.36	1.48	0.51
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00/13-30-7-29 W1M



00/14-30-7-29 W1M



00/15-30-7-29 W1M

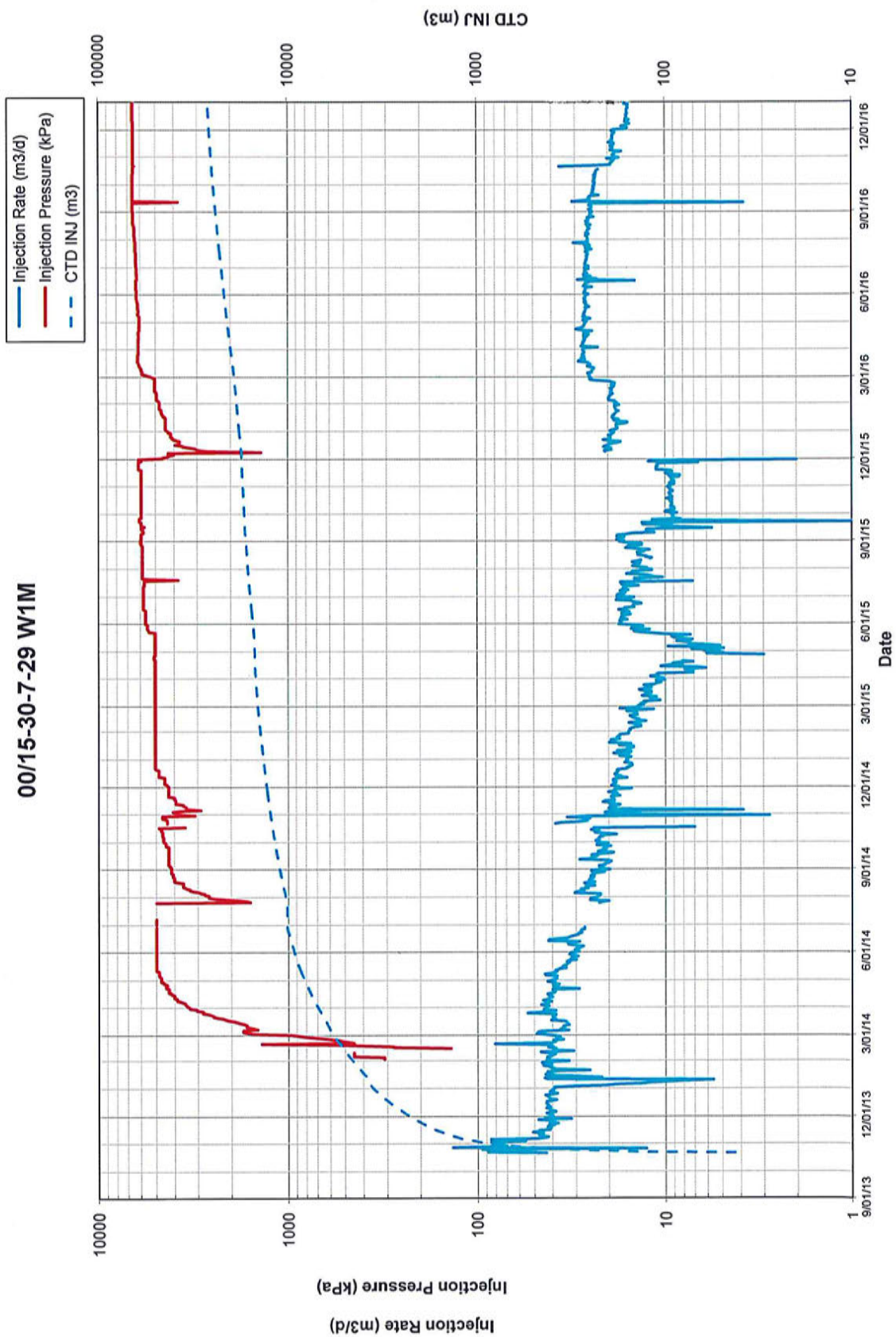


Table 2: Sinclair Unit #9 Monthly Average Injection Data

2015 Monthly Averages	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
00/13-30 Injection Rate (m3/d)	16	15	12	10	9	12	14	14	14	15	17	18
00/13-30 Injection Pressure (kPa)	5033	5033	5033	5052	5184	5826	5783	6071	6053	6024	6054	6454
00/14-30 Injection Rate (m3/d)	23	22	23	22	23	25	23	17	18	19	20	21
00/14-30 Injection Pressure (kPa)	13	768	2478	4061	4851	5504	5262	3581	3329	3363	3791	3887
00/15-30 Injection Rate (m3/d)	17	15	12	7	10	16	15	13	12	9	10	15
00/15-30 Injection Pressure (kPa)	5033	5033	5033	5042	5184	5723	5736	5877	5920	5929	6005	3799