Enhanced Oil Resources Inc.

Management's Discussion & Analysis

Three Months Ended March 31, 2016

DATE AND BASIS OF INFORMATION

Enhanced Oil Resources Inc. is a natural resource company incorporated in British Columbia, Canada in 1980 and is engaged, through its wholly-owned U.S. subsidiaries (collectively referred to as the "Company", "we", or "our"), in the acquisition, development, operation and exploitation of crude oil and natural gas properties in the Permian Basin of New Mexico, United States.

The Company's corporate headquarters are located in Houston, Texas. Common shares of the Company are listed on the TSX Venture Exchange ("TSXV") under the symbol "EOR" and quoted on the OTCQX ("Over the Counter" qualified stock exchange) under the symbol "EORIF". The registered office of the Company is Suite 940, 1040 West Georgia Street, Vancouver, British Columbia, V6E 4H1. Additional information relating to the Company can be found on the SEDAR website at www.sedar.com.

Basis of Presentation

The following Management's Discussion and Analysis ("MD&A") is dated May 30, 2016 and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and related notes for the three months ended March 31, 2016, as well as the consolidated financial statements and related notes, and MD&A for the year ended December 31, 2015. The referenced unaudited condensed interim consolidated financial statements have been prepared by management and approved by the Company's Board of Directors. Unless otherwise noted, all financial information presented herein has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

All financial information is in US dollars, unless otherwise indicated.

Non-IFRS Financial Measures

Certain financial measures in this MD&A, namely netback, cash flow from operations, lifting costs and EBITDA are not prescribed, do not have a standardized meaning defined by IFRS and therefore may not be comparable with the calculation of similar measures by other companies.

Netbacks are used by the Company as a key measure of performance and are not intended to represent operating profit nor should they be viewed as an alternative to cash flow provided by operating activities, net earnings or other measures of financial performance calculated in accordance with IFRS. A netback is a per barrel (or mcf) computation determined by deducting royalties, production expenses, transportation and selling expenses from the oil or gas sales price to measure the average net cash received from the barrels or mcf sold.

Lifting costs include all production costs necessary to produce oil or gas, however exclude severance taxes.

EBITDA refers to income (loss) before income taxes, depletion, depreciation, amortization and accretion and is often referred to as 'cash flow from operations'.

There is an abbreviations section at the end of this document that lists abbreviations and definitions that are commonly referred to in the energy business and may be used in this MD&A.

BUSINESS OVERVIEW

Overview of Three Months Ended March 31, 2016

Crude Oil and Natural Gas Business Segment. The Company has one reportable business segment; crude oil and natural gas production and development, with all activities located in the United States of America. As such, we produce oil and gas from Permian Basin crude oilfields located in eastern New Mexico. The New Mexico fields were purchased in 2007 ("Chaveroo Field" and "Milnesand Field") because they represented excellent candidates for future development based on estimates of substantial remaining original-oil-in-place ("OOIP"). The OOIP associated with these fields represents more than 300 million barrels, of which some estimates project as much as 20% of OOIP could still be recoverable. The Company's net proved reserves at December 31, 2015 and 2014, respectively, were 6.2 million and 4.8 million barrels of equivalents with a net present value of $180.2 million and $54.2 million using a 10% discount rate for both periods. This represents a 29.2% increase in reserves.

Subsidiaries and Operations. The operations of the Company include Enhanced Oil Resources Inc. ("the Parent Company") and its wholly-owned subsidiary, Ridgeway Petroleum (Florida), Inc. ("RF"). RF includes the results of its wholly-owned subsidiaries, Enhanced Oil Resources USA Inc. and Arizona Resources Industries, Inc. ("ARI"). ARI includes the results of its wholly-owned subsidiaries, Ridgeway Arizona Oil Corp., EOR Operating Company, St. Johns Dome Operating Company and Phoenix Energy Inc. Ridgeway Arizona Oil Corp. includes the results of its wholly-owned subsidiary, Ridgeway SPV Inc.

OVERALL PERFORMANCE

Consolidated Statements of Operations and Comprehensive Loss:

(In thousands of US dollars)	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Revenues		
Oil and gas gross sales	$ 236	$ 267
Less royalties	(51)	(54)
	185	213
Expenses		
Operating costs, production costs and taxes	168	430
Workover expenses	21	101
General and administrative	685	676
Gain on disposition of assets	-	(16)
Depreciation, depletion, and amortization	191	154
Accretion	96	128
Other, net	58	(1)
Loss on derivative financial instruments, net	-	65
Foreign currency translation gain	(1)	(4)
	1,218	1,533
Loss before income taxes	(1,033)	(1,320)
Income tax provision	-	-
Net comprehensive loss for the period	$ (1,033)	$ (1,320)
Loss per share - basic and diluted	$ (0.06)	$ (0.08)

Results of operations for the three months ended March 31, 2016, included crude oil and natural gas sales revenues of $0.2 million, and a net loss of $1.0 million, compared to revenues of $0.3 million and a net loss of $1.3 million for the same period in 2015. The decrease in net loss of $0.3 million was principally due to field personnel reductions, the closing of the Midland, Texas office at the end of the first quarter of 2015 and workover activity during the first quarter 2015. Per share losses (basic and fully diluted) were $0.06 and $0.08 for the three months ended March 31, 2016 and 2015, respectively.

DISCUSSION OF OPERATIONS

Revenues

Gross sales of crude oil and natural gas in the first three months of 2016 decreased $0.03 million, or 11.6%, when compared to the same period in 2015. The decrease is due to a 32.8% reduction in the average price received for commodity sales ($28.19 per Boe in 2015 compared to $41.96 per Boe during the same three months in the prior year). This is partially offset by a 31.6% increase in oil sales during the 2016 first quarter.

Operating Costs, Production Costs and Netback

Our efforts have been focused on increasing oil recovery from legacy oil fields, which normally reflect higher operating costs than fields with newly established production. Since all of the Company's properties are older oil fields, we expect that operating costs will always be relatively higher due to the higher frequency of workovers, increasing compliance costs associated with increased regulatory activity and higher maintenance costs pending additional field development.

Operating and Production Costs: Operating and production costs for the three months ended March 31, 2016 decreased 60.9% to $0.2 million compared to the same period in the prior year. This decrease in costs is primarily due to field personnel reductions and overall field-level cost reductions.

Workover expenses:
Workover expenses for the three months ended March 31, 2016 decreased 79% to $0.02 million compared to the same period in the prior year. This decrease in expenses is primary due to a significant reduction in workover activity compared to the same period in the prior year.

Netback: As a result of the decrease in operating and production costs during the period, operating netback for the first three months in 2016 was $1.54 income per Boe compared to $14.81 loss per Boe during the same period in 2015.

Loss on Financial Instruments

The Company had no derivative contracts in place during the first three months of 2016. At March 31, 2015, the remaining crude oil derivative contract represented an unrealized loss of $0.1 million.

EBITDA Reconciliation

In thousands	Three Months Ended March 31,	
	2016	**2015**
Net loss before tax	$ (1,033)	$ (1,320)
Adjustments:		
Gain on disposition of assets	191	(16)
Depreciation , depletion, and amortization	96	154
Foreign currency translation (gain) loss	(1)	(4)
Unrealized loss on financial instruments	-	50
Financing costs and other, net	58	127
EBITDA	**$ (689)**	**$ (1,009)**

Operating Netback Analysis

Operating Netback Per Gross Boe:

(In US dollars)		Three Months Ended March 31, 2016		Three Months Ended March 31, 2015	
Oil & Gas Sales Volumes					
Oil equivalent	*Boe's*		8,378		6,365
Average prices [1]					
Oil equivalent	*$/Boe*	$	28.19	$	41.96
Less:					
Royalties, net [2]	*$/Boe*		(5.93)		(7.51)
Production taxes	*$/Boe*		(1.81)		(3.53)
Production costs	*$/Boe*		(18.92)		(33.05)
Workover expense	*$/Boe*		-		(12.68)
Operating Netback [3]	*$/ Boe*	$	1.54	$	(14.81)

[1] Average prices are after deduction of transportation costs.

[2] Net of related production taxes.

[3] Operating netback equals crude oil and natural gas sales less royalties, operating costs and transportation costs calculated on a Boe basis. Operating netback does not have a standardized measure prescribed by IFRS and therefore may not be comparable with the calculations of similar measures for other companies.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2016, the Company had unrestricted cash of $2.1 million and restricted cash balances of $3.0 million. In 2015, the Company announced a private placement of up to $5.5 million, management's estimate of the additional funds necessary for limited activities in 2015 and 2016. During 2015, the Company received $0.3 million in private placement subscription funds. During the first three months of 2016, the Company received additional private placement subscription payments of $0.7 million. On May 13, 2016, the Company closed the private placement of 64,700,000 common shares of the Company at a price of C $0.05 per share to raise gross proceeds of US$2,500,000. The common shares are subject to a trading hold period expiring on September 14, 2016.

On January 11, 2016, the remaining $1.25 million was released from escrow by Kinder Morgan (See "Commitments").

In order to provide the necessary funds to develop its projects, the Company is considering all available sources of financing to develop its projects, including equity, bank and mezzanine debt, asset sales and joint venture arrangements. The Company expects that financing of drilling activities will require dilution of equity interests or higher cost debt financing and will require that the development of these fields command a high rate of return on investment. The Company will continue to focus on operations activities that further its objectives of positive operating cash flows and increasing production in one or more of its oil fields.

QUARTERLY RESULTS OF OPERATIONS AND SELECT FINANCIAL DATA

Summary of Quarterly Information:

Quarterly Revenue, Loss and Earnings Per Share:

(In thousands except per share amounts)

	2014			2015				2016
	Second	Third	Fourth	First	Second	Third	Fourth	First
Revenues	$ 2,510	$ 2,420	$ 705	$ 267	$ 394	$ 372	$ 325	$ 236
Net comprehensive income (loss)	$ (1,267)	$ 24	$ (644)	$ (1,320)	$ (1,335)	$ (1,099)	$ (1,424)	$ (1,033)
Per share - basic	$ (0.08)	$ -	$ (0.04)	$ (0.08)	$ (0.08)	$ (0.07)	$ (0.09)	$ (0.06)
Per share - diluted	$ (0.08)	$ -	$ (0.04)	$ (0.08)	$ (0.08)	$ (0.07)	$ (0.09)	$ (0.06)

Revenue varies directly with the average price of oil received and production volumes achieved. The following table summarizes the average received prices and gross production for the three month periods indicated:

Quarterly Average Prices Received and Sales Volumes:

	2014			2015				2016
	Second	Third	Fourth	First	Second	Third	Fourth	First
Average price received	$ 90.33	$ 84.81	$ 68.70	$ 41.96	$ 52.28	$ 43.34	$ 37.43	$ 28.19
Sales volume	27,784	28,535	10,264	6,365	7,535	8,571	8,704	8,378

The quarterly results tables reflects operational activity arising from planned and unplanned activities, such as regulatory requirements, changes in prices, availability of oil field services and/or weather related downtime, thereby affecting the level of workover and maintenance activity in each of the oilfields. The decrease in crude oil sales volumes in the first quarter of 2016 was primarily due to deferral of workover activity due to lower oil prices. The increases in crude oil sales volumes in the second, the third and the fourth quarters of 2015 were due to the reactivation of numerous wells in both the Milnesand and the Chaveroo fields. The decrease in crude oil sales volume in the first quarter of 2015 was due to the loss of oil production from producing wells that went offline during the period and the sale of the Crossroads field. The decrease in crude oil sales volume in the fourth quarter 2014 is principally due to the sale of the Crossroads field on October 16, 2014. The Crossroads field was the Company's largest producing field.

Revenue decreased in the first quarter of 2016 and the third and the fourth quarters of 2015 due to lower commodity prices received from oil sales. Revenue increased in the second quarter of 2015 due to higher sales volume coupled with higher oil prices. Revenue decreased in the first quarter of 2015 due to lower sales volumes and oil prices. Revenue decreased in the fourth quarter of 2014 due to lower sales volumes resulting from the Crossroads sale coupled with lower oil prices. Revenue decreased in the third quarter of 2014 due to the decrease in the average price received for commodity sales.

Equity Placements

On May 13, 2016, the Company closed a private placement of 64,700,000 common shares of the Company at a price of C $0.05 per share to raise gross proceeds of US$2,500,000. The common shares are subject to a trading hold period expiring on September 14, 2016. The Company had received approximately $1.0 million in private placement subscription payments as of March 31, 2016.

Commitments

In February 2014, the Company amended its CO_2 Purchase Agreement with Kinder Morgan CO_2 Company, L.P. ("Kinder Morgan"), which the Company entered into in order to provide the source of CO_2 for use in tertiary oil recovery projects in the Permian Basin. The contract, as amended, requires the Company to take or pay for the purchase of 27.4 billion cubic feet of CO_2 over a five-year period commencing no later than January 1, 2018. The maximum daily rate to be purchased under the contract is 20 million cubic feet per day during year three and the cost of CO_2 will fluctuate based on the price of oil and transportation tariffs. The Company would be required to construct a pipeline, currently estimated to be a distance of approximately 32 miles, to the pipeline operated by Kinder Morgan. The purchase commitment and obligation to pay, as amended, is cancellable before January 1, 2017, with no termination penalty.

In connection with the sale of certain assets to Kinder Morgan in 2012, the Company agreed to be contingently responsible for up to $5.0 million of future appraisal drilling costs to evaluate helium in certain areas of the St. Johns Dome field ("Drilling Costs"). The obligation was secured in part by $2.5 million placed into escrow at closing of the sale. On September 4, 2015, approximately $1.25 million of the Company's restricted cash was released from escrow by Kinder Morgan. In January 2016, the remaining sum of approximately $1.25 million was released to the Company (see the Company's consolidated financial statements for the year ended December 31, 2015 and 2014, Note 22 – *Subsequent Events*). The remaining obligation of $2.5 million expires in January of 2024. The Company's obligations to fund Drilling Costs are contingent on both (i) all permits being issued, and (ii) all steel being purchased to construct a pipeline to the St. Johns Dome field.

Regulatory Compliance in New Mexico

The Company's operating subsidiaries, primarily Ridgeway Arizona Oil Corp. ("Ridgeway") and EOR Operating Company, conduct their operations under the oversight of multiple federal and state agencies. The Company's Chaveroo field, because of the age and condition of its production facilities and wells, is operated by Ridgeway, which is both the federal and State of New Mexico operator of record. The Company's other principal oil field, Milnesand, is operated by EOR Operating Company, which is both the federal and State of New Mexico operator of record.

DISCLOSURE OF CONTROLS, PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

As a TSXV issuer, the Company's officers are not required to certify the design and evaluation of operating effectiveness of the Company's disclosure controls and procedures ("DC&P") or its internal controls over financial reporting ("ICFR"). The Company maintains DC&P designed controls to ensure that the information required to be disclosed in reports filed or reports submitted is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In addition, both the Chief Executive Officer and the Chief Financial Officer have designed controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles. Due to its size, the small number of employees, the scope of its current operations, its limited liquidity and capital resources, there are inherent limitations on the Company's ability to design and implement on a cost effective basis the DC&P and ICFR procedures, the effect of which may result in additional risks related to the quality, reliability, transparency and timeliness of its interim filings and other reports. There were no changes in ICFR during the three months ended March 31, 2016.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any special purpose entities nor is it party to any arrangements that would be excluded from the consolidated balance sheet.

RELATED PARTY TRANSACTIONS

The Company paid approximately $0.06 million in management fees to an entity controlled by the Company's Chief Executive Officer during the three months ended March 31, 2016 and 2015, respectively.

CRITICAL ACCOUNTING ESTIMATES

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are reviewed and for any future years affected. Significant judgments, estimates and assumptions made by management in these consolidated financial statements are outlined below:

Oil and natural gas reserves: Certain depletion, depreciation, and impairment and asset retirement obligation charges are measured based on the Company's estimate of oil and gas reserves and resources. The estimation of proved and probable reserves and resources is an inherently complex process and involves the exercise of professional judgment. Oil and natural gas reserves have been evaluated at December 31, 2015 and December 31, 2013 by independent petroleum engineers in accordance with National Instruments 51-101 "*Standards of Disclosure for Oil and Gas Activities*".

Oil and natural gas reserve estimates are based on a range of geological, technical and economic factors, including projected future rates of production, estimated commodity prices, engineering data, and the timing and amount of future expenditures, all of which are subject to uncertainty. Assumptions reflect market and regulatory conditions existing at the reporting date, which could differ significantly from other points in time throughout the year, or future periods. Changes in market and regulatory conditions and assumptions can materially impact the estimation of net reserves and resources.

Impairment of assets: The Company evaluates its assets for possible impairment at the CGU level. The determination of CGUs requires judgment in defining the smallest grouping of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The allocation of assets into CGUs have been determined based on similar geological structure, shared infrastructure, geographical proximity, commodity type, the existence of active markets, similar exposure to market risks, and the way in which management monitors the operations.

The recoverable amounts of CGUs and individual assets have been determined based on the higher of fair value less costs to sell model and value in-use model. The key assumptions the Company uses in estimating future cash flows for recoverable amounts are: anticipated future commodity prices, expected production volumes, future operating and development costs, estimates of inflation on costs and expenditures, expected income taxes and discount rates.

In addition, the Company considers the current environmental, social and governance issues affecting its property interests and operations, including the current legislative and regulatory activity affecting the permitting and approval of its projects and operations. Changes to these assumptions will affect the estimated recoverable amounts attributed to a CGU or individual assets and may also require a material adjustment to their related carrying value.

Asset retirement obligations: The Company estimates and recognizes liabilities for future asset retirement obligations and restoration of exploration and evaluation assets, and for oil and gas development and producing assets. These provisions are based on estimated costs, which take into account the anticipated method and extent of restoration, technological advances and the possible future use of the asset. Actual costs are uncertain and estimates can vary as a result of changes to relevant laws and regulations, the emergence of new restoration techniques, operating experience and prices. The expected timing of future retirement and restoration may change due to these factors, as well as affect the estimates of reserve life. Changes to assumptions related to future expected costs, discount rates and timing may have a material impact on the amounts presented. Effective with the transition to IFRS, the Company made a policy choice available under existing standards to use a risk-free rate for discounting asset retirement obligations.

POTENTIAL RISKS AND UNCERTAINTIES

The resource industry is highly competitive and, in addition, exposes the Company to a number of risks. Resource exploration and development involves a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. It is also highly capital intensive and the ability to complete a development project may be dependent on the Company's ability to raise additional capital. In certain cases, this may be achieved only through joint ventures or other relationships, which would reduce the Company's ownership interest in the project. There is no assurance that development operations will prove successful.

Exploration, Drilling and Operational Risks

The business of exploration for and production of oil, gas and other resources involves a high degree of risk. In particular, the operations of the Company may be disrupted, curtailed or cancelled by a variety of risks and hazards which are beyond the control of the Company, including environmental hazards, industrial accidents, occupational and health hazards, technical failures, labor disputes, unusual or unexpected rock formations, flooding and extended interruptions due to inclement or hazardous weather conditions, mechanical difficulties, shortage or delays in the delivery of rigs and/or other equipment, compliance with governmental requirements, explosions and other accidents. These risks and hazards could also result in damage to, or destruction of, production facilities, personal injury, environmental damage, business interruptions, monetary losses and possible legal liability.

Political Risks

The Company's principal licenses are located in New Mexico, USA. Future operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, foreign investment, maintenance of licenses, environmental legislation, land use, land claims of local people, water use and well safety.

Failure to comply strictly with applicable laws, regulations and local practices relating to exploration and evaluation assets could result in loss, reduction or expropriation of entitlements. The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the Company's consolidated results of operations and financial condition.

Additional Financing

To the extent that external sources of capital, including the issuance of additional common shares, become limited or unavailable, the Company's ability to make necessary capital investments to maintain or expand its oil and gas exploration and development activities will be impaired.

Dependence on Key Personnel

The Company has a small management team and the loss of a key individual or the inability to attract suitably qualified personnel in the future could materially and adversely affect the Company's business.

Foreign Investments

The Company expects that its oil and gas exploration activities will take place principally outside of Canada for the foreseeable future. As such, the Company's operations are subject to a number of risks over which it has no control. These risks may include risks related to economic, social or political instability or change, terrorism, hyperinflation, currency non-convertibility or instability, changes of laws affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, petroleum and export licensing and export duties as well as government control over domestic oil and gas pricing. The Company endeavors to operate in such a manner in order to minimize and mitigate its exposure to these risks. However, there can be no assurance that the Company will be successful in protecting itself from the impact of all of these risks.

Environmental Regulation

The oil and gas industry is subject to environmental regulation. A breach of such legislation may result in the imposition of fines or issuance of clean up orders in respect of the Company or its properties. Such legislation may be changed to impose higher standards and potentially costlier obligations. The Company endeavors to operate in such a manner to ensure it conforms to the standards and government regulations required for each jurisdiction in which it operates.

Government Regulations

The Company's oil and gas concessions are subject to various federal and local governmental regulations. Matters subject to regulation include discharge permits for drilling operations, drilling and abandonment bonds, reports concerning operations, the spacing of wells, and pooling of properties and taxation. From time to time, regulatory agencies have imposed price controls and limitations on production by restricting the rate of flow of oil and gas wells below actual production capacity in order to conserve supplies of oil and gas. The production, handling, storage, transportation and disposal of oil and gas, by-products thereof, and other substances and materials produced or used in connection with oil and gas operations are also subject to regulation under federal and local laws and regulations relating primarily to the protection of human health and the environment. The Company incurs expenditures related to complying with these laws, and for remediation of existing environmental contamination. The requirements imposed by such laws and regulations are frequently changed and subject to interpretation, and the Company is unable to predict the ultimate cost of compliance with these requirements or their effect on its operations.

General Economic Conditions

There has been a high level of volatility in the world financial markets over the past few years. This volatility has caused investors to become less willing to provide debt or equity financing to most companies and in particular to junior resource companies. This will potentially make completing financings for the Company difficult in the foreseeable future.

Market Risks

The Company is subject to normal market risks including fluctuations in foreign exchange rates and interest rates. While the Company manages its operations in order to minimize exposure to these risks, the Company has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure.

OTHER MD&A INFORMATION

Share Capital

Authorized capital:

25 million preference shares of no par value
Unlimited common shares of no par value

Issued and outstanding at May 30, 2016:

1,000 preference shares (held by a wholly-owned subsidiary of the Company)
80,708,810 common shares

Common stock options outstanding at May 30, 2016 were as follows:

Stock Options Outstanding - Common Stock:

Number Authorized	Date of Agreement	Exercise or Issue Price (C$)	Expiration Date
10,000	February 15, 2012	$1.60	February 15, 2017
20,000	January 14, 2013	$1.00	January 14, 2018
30,000			

Forward-Looking Statements

Certain statements contained in this Management's Discussion and Analysis and in certain documents incorporated by reference into this Management's Discussion and Analysis, contain estimates and assumptions which management are required to make regarding future events and may constitute forward-looking statements within the meaning of applicable securities laws. Management's assessment of future operations, drilling and development plans and timing thereof, other capital expenditures and timing thereof, methods of financing capital expenditures and the ability to fund financial liabilities, expected commodity prices and the impact on the Company, and the impact of the adoption of future changes in accounting standards may constitute forward-looking statements under applicable securities laws and necessarily involve risks including, without limitation, risks associated with oil and gas exploration, development, exploitation, the flexibility of capital funding plans and the source of funding therefore; production, marketing and transportation, loss of markets, volatility of commodity prices, the effect of the Company's risk management program, including the impact of derivative financial instruments; currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, inability to retain drilling rigs and other services, incorrect assessment of the value of acquisitions, failure to realize the anticipated benefits of acquisitions, the inability to fully realize the benefits of the acquisitions, delays resulting from or inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources.

All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar other expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in these forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference into, this MD&A should not be unduly relied upon. These statements speak only as of the date of this MD&A, as the case may be. The Company does not intend, and does not assume an obligation, to update these forward-looking statements, except as required by securities law.

In particular, this MD&A and the documents incorporated by reference include, but are not limited to, forward-looking statements pertaining to the following:

- the quantity of reserves and contingent resources;
- crude oil, natural gas, CO_2 and helium operations and production levels;
- capital expenditure programs, including drilling programs, asset retirement and abandonment activities and pipeline construction projects, and the timing and method of financing thereof;
- projections of market prices and costs;
- supply, demand and pricing for crude oil, natural gas, and CO_2;
- expectations regarding the Company's ability to raise capital and to continually add to reserves through acquisitions and development
- drilling inventory, drilling plans and timing of drilling, re-completion and tie-in of wells;
- plans for production facilities construction and completion and the timing and method of funding thereof;
- productive capacity of wells, anticipated or expected production rates and anticipated dates of commencement of production;
- drilling, completion and facilities costs;
- results of various projects of the Company;
- timing of receipt of regulatory approvals;
- timing and effect of production increases and the related effect and timing on operating costs per BOE;
- ability to lower cost structure in certain projects of the Company;
- growth expectations within the Company;
- timing of development of undeveloped reserves;
- the tax horizon and tax related implications of the Company;
- supply and demand for oil, natural gas liquids and natural gas;
- the performance and characteristics of the Company's oil and natural gas properties;

- the Company's acquisition strategy, the criteria to be considered in connection therewith and the benefits to be derived therefrom;
- the impact of federal and state governmental regulation on the Company, either directly or relative to other oil and gas issuers of similar size;
- realization of the anticipated benefits of acquisitions and dispositions;
- weighting of production between different commodities;
- expected levels of royalty rates, production and workover costs, office field expenses, general and administrative costs, costs of services and other costs and expenses; and
- benefits or costs related to settlement of financial instruments
- treatment under government regulation and taxation, including carbon taxation regimes

Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. The Company cannot guarantee future results, levels of activity, performance, or achievements. Moreover, neither the Company nor any other person assumes responsibility for the outcome of the forward-looking statements. Many of the risks and other factors are beyond the Company's control, which could cause actual results to differ materially from those anticipated in these forward-looking statements as a result of risk factors as set forth, but not limited to, those below and elsewhere in this MD&A:

- volatility in market prices for oil, natural gas, and CO_2;
- liabilities and risks inherent in oil and natural gas operations;
- uncertainties associated with estimating reserves;
- competition for capital, acquisitions of reserves, undeveloped lands and skilled personnel;
- incorrect assessments of the value of acquisitions;
- incorrect assessments of the recoverability of asset costs and investments;
- geological, technical, drilling and processing problems; and
- governmental, regulatory and taxation regimes.

ABBREVIATIONS AND DEFINITIONS

Crude Oil and Natural Gas Liquids		Carbon Dioxide and Natural Gas	
Bbl	barrel	Bcf	billion cubic feet
Bbls	barrels	CO_2	carbon dioxide
BBls/d	barrels per day	Mcf	thousand cubic feet
BOEPD	barrel of oil equivalent per day	MMcf	million cubic feet
MMbbls	million barrels	Mcf/d	thousand cubic feet per day
Mbbls	thousand barrels	MMcf/d	million cubic feet per day
		Tcf	trillion cubic feet

$	United States dollars
C$	Canadian dollars
API	American Petroleum Institute
Boe	Barrel of oil equivalent of natural gas and crude oil on the basis of one boe for six mcf of natural gas and one boe for forty- two gallons of plant products (these conversion factor are an industry accepted norm and is not based on either energy content or current prices).
Contingent resource	Those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from known accumulations, but which are not currently considered to be commercially recoverable.
DD&A	Depreciation, depletion and amortization
DOE	United States Department of Energy
EBITDA	Income before income taxes, depletion, depreciation, amortization and accretion and often referred to as 'cash flow from operations'
EOR	Enhanced oil recovery, typically any method of economically removing oil incremental to that produced by primary or conventional improved-recovery methods.
MBoe	1,000 barrels of oil equivalent
Net revenue	Gross revenue less all taxes, royalties and lease operating expenses.
NI 51-101	National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* adopted by the Canadian Securities Administrators.
Primary recovery	Production in which only existing natural energy sources in the reservoir provide for movement of well fluids.
Permian Basin	A large crude oil and natural gas producing area representing a sedimentary basin dating from the Permian geologic period and covering an area extending from West Texas to eastern New Mexico.

Reserves	Estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward based on (i) analysis of drilling, geophysical and engineering data; (ii) the use of established technology; (iii) specified economic conditions, which are generally accepted as being reasonable, and shall be disclosed; and (iv) a remaining reserve life of 50 years. These definitions and disclosures are in accordance with the definitions, procedures and standards contained in the Canadian Oil and Gas Evaluation (COGE) Handbook and the Canadian Securities Administrators NI 51-101.
Secondary recovery	Any method by which an essentially depleted reservoir is restored to producing status by the injection of liquids or gases (from external sources) into the formation, thereby effecting a restoration of reservoir energy which moves the unrecoverable secondary reserves through the reservoir to the wellbore.
Tertiary recovery	Any of various methods, chiefly reservoir drive mechanisms and enhanced recover techniques, designed to improve the flow of hydrocarbons from the reservoir to the wellbore to recover more oil after the primary and secondary methods (water and gas floods) are uneconomic.