2015 Second Quarter

Management's Discussion & Analysis

Management’s Discussion & Analysis for the Six Months Ended June 30, 2015

DATE AND BASIS OF INFORMATION

Enhanced Oil Resources Inc. (“we”, “our” or “the Company”) is a natural resource company incorporated in 1980 and is currently engaged in the acquisition, exploration, exploitation, and development of oil and gas properties in the Southwestern United States. The Company’s office is headquartered in Houston, Texas, and its registered and records office is located in Vancouver, British Columbia. Common shares of the Company are listed for trading 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”. 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 August 27, 2015 and should be read in conjunction with the Company’s unaudited interim condensed consolidated financial statements for the six months ended June 30, 2015 and related notes as well as the audited consolidated financial statements and related notes and MD&A for the year ended December 31, 2014. The referenced unaudited consolidated financial statements for the six months ended June 30, 2015 have been prepared by management and approved by the Company’s Board of Directors as of August 27, 2015. Unless otherwise noted, all financial information and the unaudited interim condensed consolidated financial statements presented herein has been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board, specifically with regard to International Accounting Standard 34, “Interim Financial Reporting”.

All financial information referencing $ are in US dollars and references to C$ are in Canadian dollars.

Conversions and abbreviations – See Appendix A attached hereto.

Non-IFRS Financial Measures

Certain financial measures in this MD&A, namely netback, cash flow from operations, lifting costs, and EBITDA are not prescribed and do not have a standardized meaning prescribed 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 interest, income taxes, depletion, depreciation, amortization and accretion and is often referred to as ‘cash flow from operations’.

ENHANCED Oil Resources Inc.

Management's Discussion & Analysis for the Six Months Ended June 30, 2015

OVERVIEW – SIX MONTHS ENDED JUNE 30, 2015

Change in Management and Directors - Following a complete change in the Board of Directors of the Company in December 2014, including the appointment of Andrew Hromyk as Chief Executive Officer and President, the new Board was elected by a majority of the shareholders at the annual general meeting held January 15, 2015. Currently, management is undertaking a substantial restructuring of objectives and operating actions to facilitate raising new capital and/or financing arrangements for the reactivation and development of the Company's oilfields. With the decline of crude oil prices during the first quarter of 2015, management took steps to reduce overhead and personnel, closed our Midland, Texas office and relocated our Houston office to smaller premises.

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. As such, we produce oil and gas from two Permian Basin crude oilfields located in eastern New Mexico. The New Mexico fields ("Chaveroo Field" and "Milnesand Field") were purchased in 2007 because they represented candidates for enhanced oil recovery through CO_2 injection based on estimates of substantial remaining original-oil-in-place ("OOIP"). The OOIP utilized by the Company's independent reserves auditors for these fields represents approximately 318 million barrels, of which some estimates project as much as 20% of OOIP could still be recoverable through enhanced recovery methods by CO_2 injection. The Company's net proved reserves at December 31, 2014 and 2013, respectively, were 4.8 million and 3.6 million barrels of equivalents with a net present value of $54.2 million and $68.5 million using a 10% discount rate for 2014 and 2013.

OVERALL PERFORMANCE

Consolidated Statements of Operations and Comprehensive Loss:

(In thousands of US dollars)	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Revenues				
Oil and gas gross sales	$ 394	$ 2,510	$ 661	$ 4,876
Less royalties	(85)	(516)	(139)	(1,004)
	309	1,994	522	3,872
Expenses				
Production costs and taxes	306	745	532	1,388
Workover expenses	156	548	257	3,292
Field expenses	160	313	364	678
General and administrative	666	638	1,342	1,706
Loss on disposition of assets	110	57	94	1,085
Depreciation, depletion and amortization	107	440	261	859
Financing costs and other, net	118	157	245	320
(Gain) loss on financial instruments	24	365	89	365
Foreign currency translation (gain) loss	(3)	(3)	(7)	1
	1,644	3,260	3,177	9,694
Loss before income taxes	(1,335)	(1,266)	(2,655)	(5,822)
Income tax provision	-	-	-	-
Net comprehensive loss for the period	$ (1,335)	$ (1,266)	$ (2,655)	$ (5,822)
Loss per share - basic and diluted	$ (0.08)	$ (0.08)	$ (0.17)	$ (0.36)

Results of operations for the six months ended June 30, 2015, included crude oil and natural gas sales revenues of $0.7 million, and a net loss of $2.7 million, compared to revenues of $4.9 million and a net loss of $5.8 million for the same period in 2014. The decrease in net loss of $3.1 million was principally related to the reduction in workover costs incurred in 2014 associated with the Crossroads #202 well in New Mexico coupled with a loss of $1.1 million recognized on the disposition of certain Texas properties, which were sold in January of 2014. The Crossroads #202 well was side tracked in the first quarter of 2014 and re-drilled following an equipment failure in September 2013. In addition, net crude oil sales declined $3.3 million primarily due to sale of the Crossroads field in October 2014 and decreases in production volumes and in average prices received for crude oil. Per share losses (basic and fully diluted) were $0.17 and $0.36 for the six months ended June 30, 2015 and 2014, respectively. Per share results were restated for the second quarter of 2014 due to the one for ten share consolidation effective January 21, 2015 (see Share Consolidation discussed below).

Results for the three months ended June 30, 2015 included crude oil and natural gas sales revenues of $0.4 million and a net loss of $1.3 million, compared to revenues of $2.5 million and a net loss of $1.3 million for the same period in 2014. Net loss for the three months ended 2015 compared to the prior year remained constant as lower productions volumes and average prices received for crude oil were offset by lower production costs, workover expenses, loss on financial instruments and depreciation, depletion and amortization. In addition, per share losses (basic and fully diluted) were $0.08 for the comparative three month periods.

DISCUSSION OF OPERATIONS

Revenues

Gross sales of crude oil and natural gas in the first six months of 2015 decreased $4.2 million, or 86.4%, when compared to the same period in 2014. The decrease can be attributed to a reduction in the average price received for commodity sales ($42.61 per Boe decrease under the prior year) as well as the loss of 37.9 MBoe's in production when the Crossroads Field was sold in October of 2014.

Gross crude oil and natural gas sales for the second quarter of 2015 decreased $2.1 million to $0.4 million when compared to the same period in 2014. The 84.3% decrease was due to a combination of lower sales volumes (72.9% decrease under 2014 primarily driven by the Crossroads sale) and average lower selling prices ($38.05 per Boe reduction from 2014).

Production Costs, Workover Expense and Field Expense

Production Costs: Production costs for the six months and three months ended June 30, 2015 decreased 61.7% and 58.9%, respectively, compared to the same periods in the prior year primarily due to the reduced production resulting from the sale of the Crossroads field.

Workover Expenses: Workover expenses decreased significantly ($3.0 million) for the first six month of 2015, primarily due to the additional expense of re-drilling of the Crossroads #202 well during the first half of 2014.

Second quarter 2015 workover expenses decreased $0.4 million when compared to the prior year primarily due to the replacement of equipment in the Crossroads #101 and #202 wells in the second quarter of 2014.

Netback: Although operating costs for the first six months ended June 30, 2015 decreased significantly under the prior year, the 2015 operating netback loss per Boe increased to $15.21 when compared to a $13.18 loss per Boe for the same six months in 2014. The discrepancy between operating costs and netback loss in 2015 is due to the combination of lower production resulting from the Crossroads sale, lower average selling prices received per Boe and operating expenses decreasing at a slower rate than production.

Operating netback for the quarter ended June 30, 2015 was a $17.63 loss per Boe compared to $33.51 income for the same period in 2014 primarily due to reduced operations resulting from the sale of the Crossroads field.

Field Expenses: Field expenses for the six months and the three months ended June 30, 2015 decreased $0.3 million and $0.2 million, respectively, when compared to the same periods in 2014 due to personnel reductions and the closing of the Midland office. As result of the decline in crude oil prices and the sale of the Crossroads field, the Company has limited its field activities.

General and Administrative

General and administrative costs decreased $0.4 million to $1.3 million for the six months ended June 30, 2015 when compared to the same period in 2014. As discussed above, the Company reduced personnel and overhead costs in the first quarter of 2015. In addition, the Company relocated its Houston office to smaller premises in April 2015. In connection with the office closings, the Company retired certain other property, principally furniture, equipment and trucks, most of which was fully depreciated, and expensed approximately $24,000.

Loss on Disposition of Assets

In February 2014, the Company sold certain oil and gas interests located in Texas for cash proceeds of $0.4 million and purchaser assumption of asset retirement liabilities of $0.3 million. The Company acquired these interests in July 2011 for $1.6 million including $0.6 million of asset retirement obligations. In the second quarter of 2015, the Company disposed of property and equipment at a loss of $0.1 million.

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization expense decreased $0.6 million for the first six months of 2015, compared to 2014. The decrease in depletion expense for 2015 was due to the decrease in production. Depreciation, depletion, and amortization expense for the three months ended June 30, 2015 and 2014 were $0.1 million and $0.4 million, respectively.

Gain (Loss) on Financial Instruments

The Company realized a loss of $0.05 million related to its crude oil derivative contracts for the six months ended June 30, 2015 compared to a loss of $0.06 million for the same period in 2014. Estimated unrealized losses on the future settlements of the remaining derivative contracts were $0.1 million and $0.3 million at June 30, 2015 and 2014, respectively.

Financing Costs and Other, net

Financing costs were $0.2 million and $0.3 million for the six months ended June 30, 2015 and 2014, respectively, representing accretion of asset retirement obligations. Financing costs for the three months ended June 30, 2015 and 2014 were $0.1 million and $0.2 million, respectively.

EBITDA Reconciliation

In thousands	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Net loss before tax	$ (1,335)	$ (1,266)	$ (2,655)	$ (5,822)
Adjustments:				
Loss on disposition of assets	110	57	94	1,085
Depreciation , depletion, and amortization	107	440	261	859
Foreign currency translation loss (gain)	(3)	(3)	(7)	1
Unrealized loss (gain) on financial instruments	(13)	308	37	308
Financing costs and other, net	118	157	245	320
EBITDA	**$ (1,016)**	**$ (307)**	**$ (2,025)**	**$ (3,249)**

Operating Netback Analysis

Operating Netback Per Gross Boe:

(In US dollars)		Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Oil & Gas Sales Volumes					
Oil equivalent	*Boe's*	7,535	27,784	13,900	54,074
Average prices [1]					
Oil equivalent	*$/Boe*	$ 52.28	$ 90.33	$ 47.56	$ 90.17
Less:					
Royalties, net [3]	*$/Boe*	(10.41)	(18.57)	(7.30)	(18.56)
Production taxes	*$/Boe*	(4.53)	(5.42)	(4.07)	(5.69)
Production costs	*$/Boe*	(32.18)	(19.27)	(34.36)	(19.20)
Workover expense	*$/Boe*	(22.80)	(13.56)	(17.04)	(59.90)
Operating Netback [2]	*$/ Boe*	$ (17.63)	$ 33.51	$ (15.21)	$ (13.18)

[1] Average prices are after deduction of transportation costs and do not include net realized losses of $0.04 and $0.06 million on financial instruments for the six months ended June 30, 2015 and 2014, respectively.

[2] 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.

[3] Net of related production taxes.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2015, the Company had unrestricted cash of $1.6 million and restricted cash balances of $5.5 million. On April 9, 2015, the Company announced a private placement of approximately $5.5 million, which represents management's estimate of the additional funds necessary for limited activities in 2015. As a result of the

Company's reduced production and the recent decline in oil prices, the Company significantly reduced its operating costs, its personnel and overhead during the first quarter of 2015.

In September 2014, the Company entered into a letter of intent (the "LOI") with Schlumberger Technology Corporation ("Schlumberger") whereby Schlumberger, at its own cost, would conduct an in-depth technical evaluation of the potential redevelopment of the Company's Milnesand and Chaveroo oil fields, located in New Mexico. Based on the results of the study, a comprehensive services agreement would be negotiated, to replace the LOI. Schlumberger completed its evaluation in January 2015 and the parties have discussed arrangements for the development of the fields. It is expected that declining oil prices will delay any significant development until 2016. The Company's intent is to structure joint venture agreements that would facilitate the development of the fields and reduce the Company's capital burden under terms consistent with current crude oil prices and development costs.

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 drilling activities will require higher cost debt financing and will require that the development of its oil fields command a high rate of return on investment. The Company may consider the sale of some or all of its oil fields to accelerate cash flows for use on other projects. The Company will continue to focus on operations activities that further its objectives of positive operating cash flows and further its strategic objective of increasing production in one or more of its oil fields.

The Company's working capital and current cash flows are not sufficient to fund the Company's operating expenditures and cash requirements without additional sources of funds. The Company's ability to continue as a going concern is dependent upon its ability to generate profitable production and to obtain additional funding from loans, equity financings, the sale of assets or through other arrangements. Although the Company has been successful in obtaining financing in the past, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company.

Derivative Financial Instruments: Average prices received are net of transportation costs. The current derivative contracts in place for crude oil settlements subsequent to June 30, 2015 are as follow:

Barrels	Commodity	Type	Price	Term
27,500	WTI Midland-Cushing Differential	Swap	($3.50)	Jan 2015- Dec 2015

Private Placement: On April 9, 2015, the Company announced a private placement of common shares at C$0.05 per share, to raise up to $5.5 million, subject to approval of the TSX Venture Exchange.

Share Consolidation: Effective January 15, 2015, the Directors of the Company authorized the implementation of a share consolidation of one new common share for every 10 pre-consolidation shares of the Company's common shares. The Company's shares began trading on the post-consolidation basis on January 21, 2015, and, accordingly, all references to the outstanding shares of the Company have been restated to give effect to the one for ten share consolidation (see "Subsequent Events" in the Company's consolidated financial statements for the year ended December 31, 2014).

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)	2013		2014				2015	
	Third	Fourth	First	Second	Third	Fourth	First	Second
Revenues	$3,935	$3,048	$ 2,366	$ 2,510	$2,420	$ 705	$ 267	$ 394
Net comprehensive income (loss)	$ (292)	$ (492)	$(4,554)	$(1,267)	$ 24	$ (644)	$(1,320)	$(1,335)
Per share - basic	$ -	$ -	$ (0.03)	$ 0.01	$ -	$(0.04)	$ (0.08)	$ (0.08)
Per share - diluted	$ -	$ -	$ (0.03)	$ 0.01	$ -	$(0.04)	$ (0.08)	$ (0.08)

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:

	2013		2014				2015	
	Third	Fourth	First	Second	Third	Fourth	First	Second
Average price received	$ 101.13	$ 91.94	$ 90.00	$ 90.33	$ 84.81	$ 68.70	$ 41.96	$ 52.28
Sales volume	38,907	33,152	26,290	27,784	28,535	10,264	6,365	7,535

The quarterly table 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 production in the fourth quarter of 2014 was due to the sale of the Crossroads field. The increase in crude oil sales volume during the second quarter of 2014 was due to the increase in production from wells that were offline during the prior quarter. The decrease in production in the first quarter of 2014 was associated with wells off production in the Crossroads field. The decrease in crude oil sales volumes in the fourth quarter of 2013 was principally due to severe weather conditions causing the Company to shut-in multiple wells during the latter part of the quarter coupled with the loss of crude oil production of the Crossroads #202 well starting at the beginning of October. In addition to the increase in third quarter 2013 oil prices, production also increased in the quarter as a result of returning two shut-in wells to production in the Crossroads field following the addition of a second water injection well in the field

Revenue decreased in the second quarter of 2015 due to the lower sales volumes resulting from the Crossroads Sales coupled with lower oil prices. Revenue increased in the second quarter of 2014 primarily due to an increase in crude oil sales volume. Revenue decreased in the first quarter 2014 principally due to decreased production. Net loss increased in the first quarter of 2014 principally related to increased workover expenses and loss on sale of assets. Fourth quarter 2013 net loss increased $0.2 million over the third quarter of 2013 principally due a 14.8% reduction in sales volumes related to the Crossroads #202, colder weather and a decrease in average sales prices.

Kinder Morgan CO_2 Gas Purchase Contract

In March 2010 (as amended February 28, 2014), the Company entered into a cancellable five-year CO_2 purchase and delivery agreement with Kinder Morgan CO_2 Company, L.P. ("Kinder Morgan") whereby the Company agreed to purchase CO_2 from Kinder Morgan for use in the Company's tertiary oil projects in the Permian Basin. The contract represents a take or pay commitment for a total of 27.4 bcf of CO_2 to be purchased over a five year period commencing no later than January 1, 2018. The maximum daily rate required to be purchased under the contract is 20 million cubic feet per day during the third year. The purchase commitment and obligation to pay, as amended, is cancellable on or before December 31, 2017, with no termination penalty. The cost of CO_2 will fluctuate based on the price of oil plus transportation tariffs.

Regulatory Compliance in New Mexico

The Company's operating subsidiaries, primarily Ridgeway Arizona Oil Corp. ("Ridgeway") and EOR Operating, 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 Venture 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 information required to be disclosed in reports filed or 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, 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 have been no changes in ICFR during the six months ended June 30, 2014.

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, 2014 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 then 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.

SHARE CAPITAL

Authorized capital:

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

Issued and outstanding at August 27, 2015:

1,000 preference shares (held by a wholly-owned subsidiary of the Company)
16,018,586 common shares

Common stock options outstanding at August 27, 2015 were as follows:

Stock Options Outstanding - Common Stock:

Number Authorized	Date of Agreement	Exercise or Issue Price	Expiry Date
42,500	April 14, 2011	$2.50	April 14, 2016
25,000	February 15, 2012	$1.60	February 15, 2017
7,500	August 1, 2012	$1.50	August 1, 2017
50,000	January 14, 2013	$1.00	January 14, 2018
7,500	March 19, 2013	$1.10	March 19, 2018
132,500			

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.

Many of these risk factors and other assumptions related to the Company's forward-looking statements and information are discussed in further detail throughout this MD&A, and in the company's 2014 annual MD&A and in other documents on file at www.sedar.com.

Cautionary Note Regarding Forward-Looking Statements

Except for statements of historical fact, this MD&A contains certain "forward-looking information" within the meaning of applicable securities law. Forward-looking information is frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate", "will", "could" and other similar words, or statements that certain events or conditions "may" or "could" occur. Such forward-looking information is based on a number of assumptions and subject to a variety of risks and uncertainties, including but not limited to those discussed in the sections entitled "Forward-Looking Statements" in the interim and annual Management's Discussion and Analysis which are available at www.sedar.com. While our management believes that the assumptions made are reasonable, should one or more of the risks, uncertainties or other factors materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking information. Forward-looking information herein, and all subsequent written and oral forward-looking information are based on estimates and opinions of management on the dates they are made and are expressly qualified in their entirety by this cautionary statement. Except as required by law, the Company assumes no obligation to update forward-looking information should circumstances or management's estimates or opinions change.

Such forward-looking statements concern our anticipated results and developments in our operations in future periods, planned exploration and development of its properties, plans related to its business and other matters that may occur in the future. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management. 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 are only predictions. Actual events may differ materially. In addition, this Registration Statement may contain forward-looking statements attributed to third party industry sources. 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. In particular, this Registration Statement 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, CO2 and helium operations and production levels;
- capital expenditure programs, including drilling programs, pipeline construction projects, completion and facilities costs, and the timing and method of financing thereof; projections of market prices and costs;
- supply, demand and pricing for crude oil, natural gas, and CO2;
- 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;

- timing of receipt of regulatory approvals and the impact of federal and state governmental regulation on the Company;
- growth expectations within the Company and timing of development of undeveloped reserves;
- the tax horizon and taxability of the Company and treatment under government regulation and taxation, including carbon taxation regimes;
- the Company's acquisition strategy, the criteria to be considered in connection therewith and the benefits to be derived therefrom; and
- expected levels of royalty rates, operating costs, general and administrative costs, costs of services and other costs and expenses.

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 Registration Statement:

- risks related to the volatility of and decline in oil and gas prices, which can significantly affect our financial results, impede our growth and result in downward adjustments in our estimated proved oil and gas reserves;
- risks related to substantially all of our producing properties being located in New Mexico, making us vulnerable to risks associated with operating in one geographic area;
- risks related to resource exploration and operational risks;
- risks related to estimation of reserves and estimation of quantities of recoverable petroleum and natural gas;
- risks related to seasonal considerations and regulatory risks;
- risks related to our hedging activities, which may negatively impact our income and our financial condition;
- risks related to failure of third parties to meet their contractual obligations to us, which may have a material adverse effect on our financial condition;
- risks related to our ability to add to our petroleum and natural gas reserves, which is highly dependent on our success in exploiting existing properties and acquiring additional reserves;
- risks related to changes in government regulations that affect the oil and natural gas industry, including climate change laws, environmental, health and safety regulation, income tax laws or other laws or government incentive programs or regulations, which could adversely affect us;
- risks related to hydraulic fracturing;
- risks related to the operation of a portion of our properties which is largely dependent on the ability of third party operators, and harm to their business could cause delays and additional expenses in our receiving revenues;
- risks related to delays in business operations, which could adversely affect our income and financial condition;
- risks related to the marketability of petroleum and natural gas that may be acquired or discovered by us, which will be affected by numerous factors beyond our control;

- risk related to potential expansion outside of our current areas, which may increase our risk exposure;
- risks related to our inability to realize the anticipated benefits of acquisitions and dispositions or to manage growth;
- risks related to the strong competition relating to all aspects of the oil and gas industry;
- risk related to the fact that our petroleum and natural gas reserves are a depleting resource and decline as such reserves are produced;
- risks related to securing and maintaining title to our properties;
- risks related to the loss of key management personnel, which may adversely affect our business and results of operations;
- risks related to certain directors potentially being in a position of conflicts of interest;
- risks related to being a foreign private issuer, giving our shareholders less complete and timely data;
- risks related to the volatility and uncertainty of recent market events and conditions;
- risks related to our intention not to pay cash dividends; risks related to our stock being a penny stock; risk related to potential dilution, due to raising additional funding through
- equity financings; and
- risks related to the fact that our common shares are thinly traded.

This list is not exhaustive of the factors that may affect our forward-looking statements. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the forward-looking statements. Our forward-looking statements are based on beliefs, expectations and opinions of management on the date the statements are made and the Company does not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions change, except as required by law. For the reasons set forth above, investors should not place undue reliance on forward-looking statements.

APPENDIX A - ABBREVIATIONS

Crude Oil and Natural Gas Liquids

Bbl	barrel
Bbls	barrels
BBls/d	barrels per day
BOEPD	barrel of oil equivalent per day
MMbbls	million barrels
Mbbls	thousand barrels

Carbon Dioxide and Natural Gas

Bcf	billion cubic feet
CO_2	carbon dioxide
Mcf	thousand cubic feet
MMcf	million cubic feet
Mcf/d	thousand cubic feet per day
MMcf/d	million cubic feet per day
Tcf	trillion cubic feet

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.
CGU	Cash Generating Unit
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
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
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.
$	United States dollars
C$	Canadian dollars