

**SINCLAIR UNIT NO. 3
WATERFLOOD EOR PROJECT

ANNUAL REPORT FOR 2010**

April 29, 2011

Tundra Oil and Gas Partnership

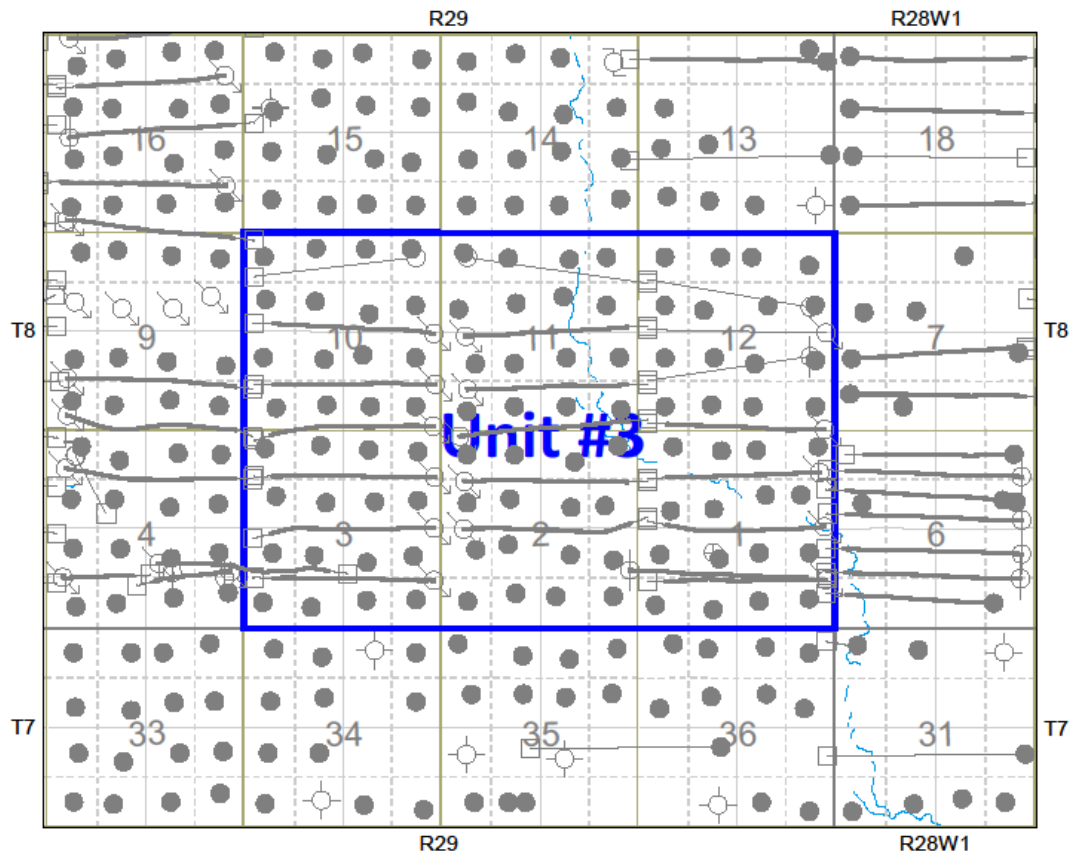
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INTRODUCTION

Sinclair Unit No. 3 Enhanced Oil Recovery (EOR) Waterflood Project was approved under Waterflood Order No 18 effective November 1, 2009 with Tundra Oil and Gas (Tundra) as Operator. The EOR project area contains 96 producing wells in 6 sections in Township 8, Range 29 W1 as shown in the figure below.

Figure 1: Sinclair Unit 3 Area Outline



In accordance with Section 73 of the Manitoba Drilling and Production Regulation, Tundra hereby submits the 2010 Annual Progress Report for Sinclair Unit No 3 as required by Waterflood Order No 18.

DISCUSSION

Production History

For the wells included in Sinclair Unit No. 3, production started in November 2004 with 00/09-10-008-29W1 and 00/16-10-008-29W1 wells. Oil production peaked at 4.9 m³/d in September of 2006. This production was coming from 96 wells and totaled 468 m³/d for the whole Unit. Since then production has steadily declined while the water oil ratio (WOR) has remained steady averaging 0.29 m³/m³ over the past four years. Water injection began in July 2010. Water injection rates were 190 m³/d in November and 284

m³/d in December 2010 through 14 wells. Production from the entire Unit was shut-in from the 22nd to the end of December 2010 due to Enbridge pipeline problems and associated production allocations. In November 2010, the Unit was producing 127 m³/d of oil and 35 m³/d of water. The rates and WOR are presented in Figure 2.

Figure 2: Sinclair Unit 3 Production/Injection Rates and WOR vs Time

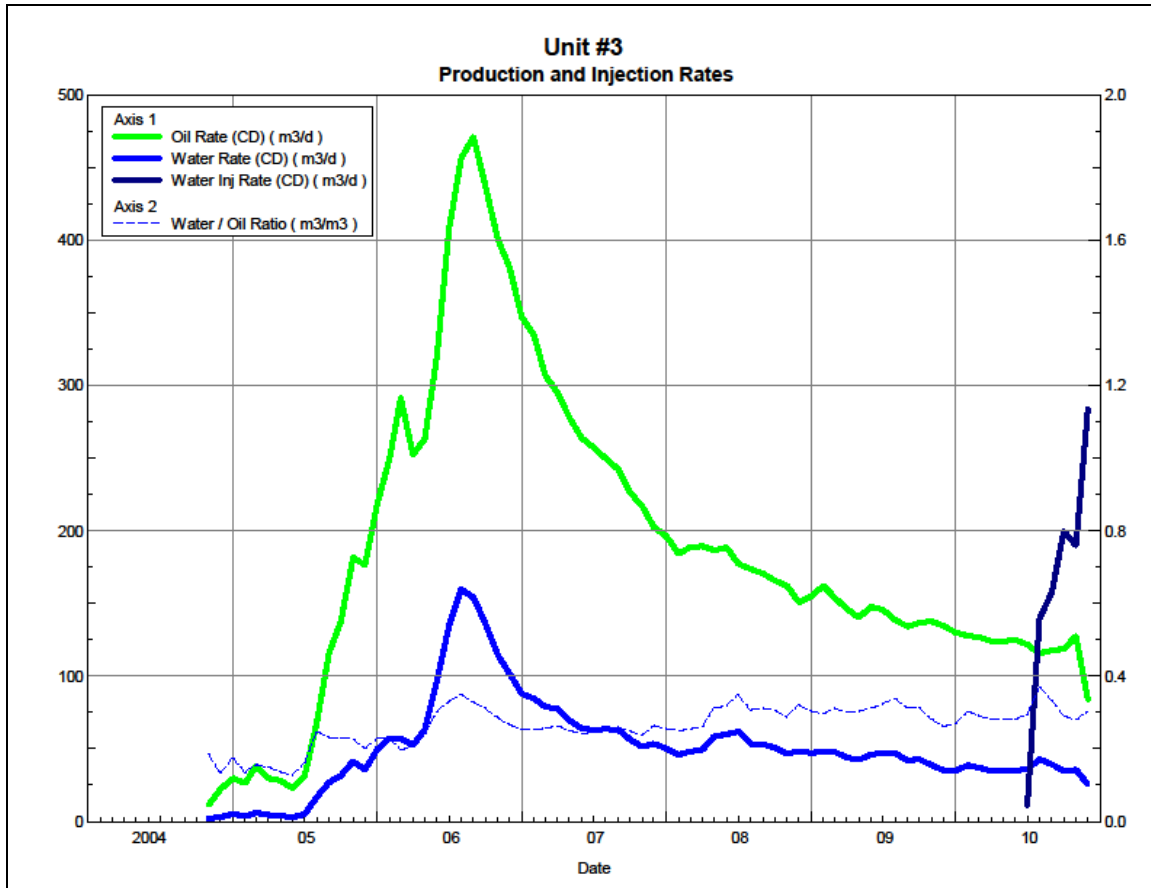
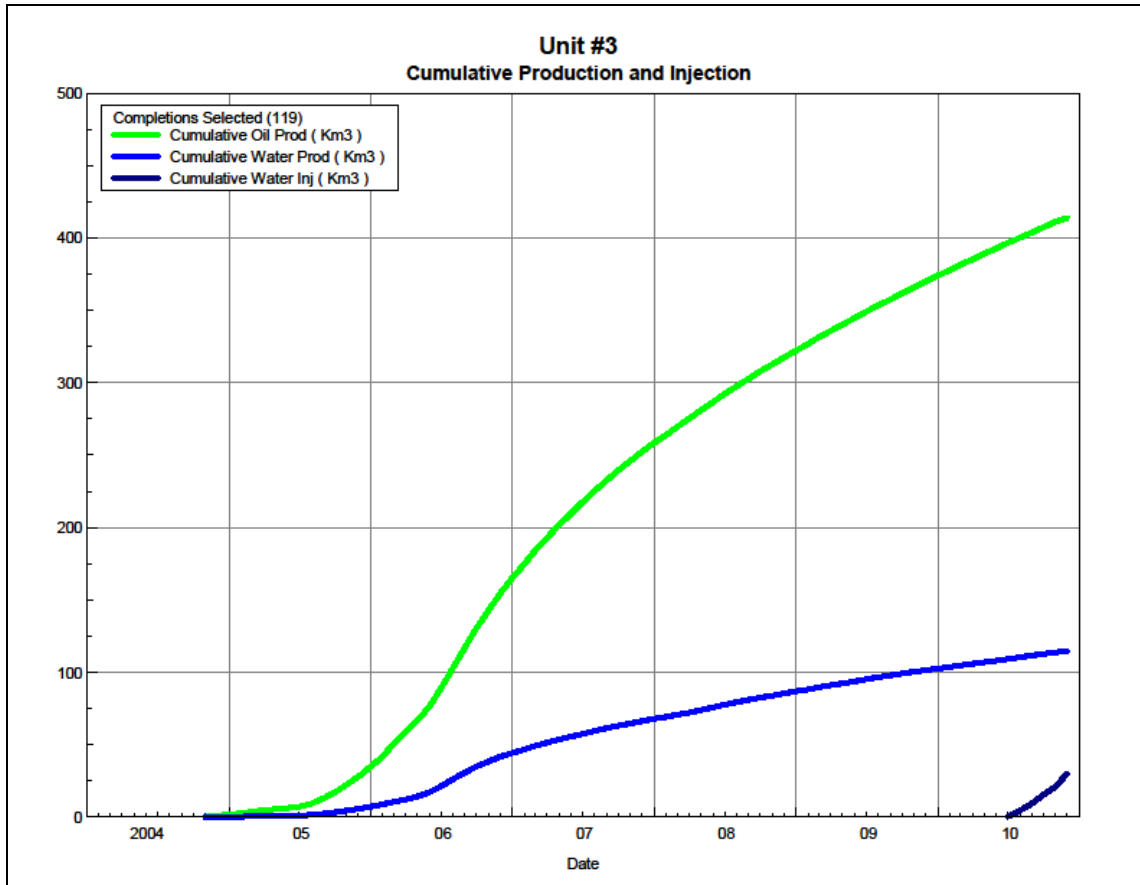


Figure 3 shows the cumulative production for Sinclair Unit 3 to the end of December 2010 as 414 E³m³ of oil, and 115 E³m³ of water, representing an 8.4 % recovery factor of the OOIP. The cumulative water injected is over 30 E³m³.

Figure 3: Sinclair Unit 3 Cumulative Oil, Water and Water Injected vs Time



Waterflood Development Plan

Sinclair Unit No 3 Waterflood (WF) Development Plan

The Unit no.3 is still in the early stages of water injection, with injection just beginning in July of last year. As of December 2010 the Unit has 14 active horizontal injectors, with four more drilled and in various stages of completion, and three more licensed to drill in Q3 2011. In order to maximize recovery from the Unit, the remaining three horizontal injectors, where deemed necessary, will be produced for a short period prior to being converted to water injectors. This only affects the following three patterns:

- 02/16-10-008-29W1 Injector
- 02/13-11-008-29W1 Injector
- 02/09-12-008-29W1 Injector

Since water injection is still quite new, detailed pattern analysis will be discussed in the 2011 Annual Report. All injection wells are fracture stimulated to improve the injection rates.

Any future revisions to the waterflood development or surveillance plan would be based on new production or performance response data, technical studies, or observed reservoir behavior and reserves recovery interpretations.

Waterflood EOR Operating Strategy and Performance

Water Source and Quality

The injection water for Unit 3 is sourced from the 16-32-007-29W1 well (Lodgepole formation). The water is treated at the 03-04-008-29W1 battery where it is filtered to 0.5 microns and has scale inhibitor added. The injection water is then distributed to the injectors through the dedicated infrastructure system.

Injection Wellhead Pressures

The monthly wellhead injection pressures for each injection well are summarized in Appendix A. Since injection in this Unit is still in the early stages many of the injectors show very low wellhead pressure if any at all. This is due to voidage that has been created by production of oil and water in the area. In some instances, the water is basically being injected under vacuum. As fill-up occurs the wellhead pressures will begin to register.

Reservoir Pressure

Tundra is committed to collecting pressures from every new injection well drilled. Currently, for Unit 3 the pressure data from 14 locations is available. Appendix B summarizes these results. The pressures were corrected to a common datum of -450 m SS for comparison. The table shows quite a range in pressure, from a low of 1163 kPaa to a high of 5173 kPaa. These values appear reasonable given their location in the pool and the corresponding production voidage in the surrounding area.

Well Servicing

The following table summarizes the well servicing performed within Unit 3 during 2010:

Table 1: Sinclair Unit #3 Well Servicing

02-01-008-29W1	Pump Change	6/10/2010
06-12-008-29W1	Repair Well	7/29/2010
07-12-008-29W1	Repair Well	8/16/2010
08-10-008-29W1	Repair Well	7/13/2010
08-11-008-29W1	Repair Well	8/17/2010
09-03-008-29W1	Pump Change	7/8/2010
09-10-008-29W1	Pump & Rod Change	12/7/2010
09-11-008-29W1	Pump Change	5/15/2010
10-03-008-29W1	Pump Change	3/2/2010
14-10-008-29W1	Repair Well	7/16/2010
15-02-008-29W1	Repair Well	8/18/2010
15-11-008-29W1	Pump Change	8/24/2010

Voidage Replacement

Tundra injects water for a minimum of 1 – 3 year period to re-pressurize the reservoir due to cumulative primary production voidage and corresponding pressure depletion. During the initial fill-up period, the instantaneous voidage replacement ratio (VRR) averages approximately 1.25 to 2.0 by individual patterns. The injector pattern VRRs will be discussed in the waterflood performance section of the report.

Waterflood Performance Discussion

At year end 2010, Unit 3 waterflood area had 18 injector patterns in place, with three more injectors licensed to be drilled in the summer of 2011. Water injection started in July 2010 at the 02/01-03, 03/01-10 and 02/08-10 injectors, with the remaining 11 active injectors started by year end. All 21 injection patterns are set up the same way with a single horizontal injection well supporting production from four wells to the north and four wells to the south. An overall summary for each injector pattern is presented in Appendix C. Plots and tables of the production and injection data along with the VRR information are presented in Appendix D for each of the injector patterns.

List of Appendices

Appendix A: Monthly Injection Wellhead Pressures Table and Plots

Appendix B: Sinclair Unit #3 Reservoir Pressure Summary Table

Appendix C: Sinclair Unit #3 Injection Pattern Summary

Appendix D: Injector Pattern Production/Injection Rates, Cumulatives and VRRs
Plots and Tables for the following injectors:

02/01-01-008-29W1
02/09-01-008-29W1
02/16-01-008-29W1
02/05-02-008-29W1
03/05-02-008-29W1
02/12-02-008-29W1
02/13-02-008-29W1
02/01-03-008-29W1
02/08-03-008-29W1
02/16-03-008-29W1
02/01-10-008-29W1
03/01-10-008-29W1
02/08-10-008-29W1
02/16-10-008-29W1
02/04-11-008-29W1
02/05-11-008-29W1
02/13-11-008-29W1
02/01-12-008-29W1
02/08-12-008-29W1
03/08-12-008-29W1
02/09-12-008-29W1