



**BIRCHCLIFF ENERGY LTD.**

**Year Ended December 31, 2010**

**National Instrument 51-101**

**Form 51-101F1**

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**STATEMENT OF RESERVES DATA AND  
OTHER OIL AND GAS INFORMATION**

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**March 29, 2011**

## ABBREVIATIONS AND CONVERSIONS

In this Statement of Reserves Data and Other Oil and Gas Information, the abbreviations set forth below have the following meanings:

### Oil and Natural Gas Liquids

bbl	barrel
bbls	barrels
bbls/d	barrels per day
mbbls	thousand barrels
MMbbls	million barrels
boe	barrel of oil equivalent
boe/d	barrels of oil equivalent per day
mboe	thousand barrels of oil equivalent
MMboe	million barrels of oil equivalent
NGLs	natural gas liquids

### Natural Gas

mcf	thousand cubic feet
MMcf	million cubic feet
Bcf	billion cubic feet
mcf/d	thousand cubic feet per day
MMcf/d	million cubic feet per day
m <sup>3</sup>	cubic metres
GJ	Gigajoule

### Other

AECO	benchmark natural gas price determined at the AECO ‘C’ hub in southeast Alberta
WTI	West Texas Intermediate crude oil, a benchmark oil price determined at Cushing, Oklahoma
°API	the measure of the density or gravity of liquid petroleum products
psi	pounds per square inch
\$000s	thousands of dollars

Gross reserves or production volumes means the Corporation’s working interest share of such volumes before the deduction of royalty interests and without including any royalty interests of the Corporation.

Gross wells means any well in which the Corporation has an interest.

Gross acres means any acreage in which the Corporation has an interest.

Net reserves or production volumes means the Corporation’s working interest share of such volumes after the deduction of royalty interests and after including any royalty interests of the Corporation in production or reserves.

Net wells means the number of wells obtained by aggregating the Corporation’s working interest in each of its wells.

Net acres means the number of acres obtained by aggregating the Corporation’s working interest in each of the acres in which the Corporation has an interest.

### **Boe Conversions**

Barrel of oil equivalent (“boe”) amounts may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet (6 Mcf) of natural gas to one barrel of oil (1 bbl) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

## DATE OF STATEMENT

This Statement of Reserves Data and Other Oil and Gas Information of Birchcliff Energy Ltd. (“**Birchcliff**” or the “**Corporation**”) is dated March 29, 2011. The effective date of the reserves and future net revenues information provided is December 31, 2010, unless otherwise indicated. The information contained herein was prepared between December 31, 2010 and March 29, 2011.

## DISCLOSURE OF RESERVES DATA

AJM Petroleum Consultants (“**AJM**”), qualified independent petroleum engineers of Calgary, Alberta prepared a Reserves Assessment and Economic Evaluation effective December 31, 2010 in respect of Birchcliff’s oil and natural gas properties, which is contained in a report dated February 9, 2011 (the “**AJM Evaluation**”). AJM has confirmed to the Reserves Evaluation Committee of Birchcliff’s Board of Directors that the AJM Evaluation has been prepared in accordance with the standards contained in the Canadian Oil and Gas Evaluation Handbook (“**COGEH**”) and the reserves definitions contained in National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities* (“**NI 51-101**”).

In preparing its report, AJM obtained basic information from Birchcliff, which included land data, well and accounting information, reservoir and geological studies, estimates of on-stream dates for certain properties, contract information, current hydrocarbon product prices, operating cost data, test data, estimates of future capital expenditures and financial data. Other engineering, geological or economic data required to conduct the evaluation, and upon which the AJM Evaluation is based, were obtained from public records, other operators and from AJM’s non-confidential files. The extent and character of ownership and the accuracy of all factual data supplied for the independent evaluation, from all sources, was accepted by AJM.

For the purposes of properly understanding the reserves and future net revenue data presented from AJM’s Evaluation it is important to understand each of the following:

- Due to rounding, certain columns may not add exactly.
- The net present value of future net revenue attributable to the Corporation’s reserves is based on AJM’s December 31, 2010 forecast price assumptions set out in Table 5 (“**AJM Price Forecast**”) and is stated without provision for interest costs and general and administrative costs, but after providing for estimated royalties, production costs, transportation and marketing costs, development costs, other income, future capital expenditures and well abandonment costs for only those wells assigned reserves by AJM.
- It should not be assumed that the undiscounted or discounted net present value of future net revenue attributable to the Corporation’s reserves estimated by AJM represent the fair market value of those reserves.
- The recovery and reserve estimates of the Corporation’s oil, NGL and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual reserves may be greater than or less than the estimates provided herein. Reservoir performance after December 31, 2010 may justify revision of assessed reserves, either upward or downward.
- The tables below are a summary of the oil, natural gas liquids and natural gas reserves of the Corporation and the net present value of future net revenue attributable to such reserves as evaluated in the AJM Evaluation based on the AJM Price Forecast. The tables summarize the data contained in the AJM Evaluation.
- The AJM Evaluation is based on certain factual data supplied by the Corporation and AJM’s opinion of reasonable practice in the industry. The extent and character of ownership and all factual data pertaining to Birchcliff’s petroleum properties and contracts (except for certain information residing in the public domain) were supplied by Birchcliff to AJM and accepted without any further investigation. AJM accepted this data as presented and neither title searches nor field inspections were conducted.

- Estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.

### Reserves Data (Forecast Prices and Costs)

The following table summarizes AJM's estimates of Birchcliff's oil and natural gas reserves at December 31, 2010, using the AJM Price Forecast.

**Table 1**

**Summary of Oil and Gas Reserves at December 31, 2010**  
(Forecast Prices and Costs)

RESERVES CATEGORY	LIGHT AND MEDIUM OIL		NATURAL GAS <sup>(1)</sup>		NATURAL GAS LIQUIDS		BOEs	
	Gross (mdbl)	Net (mdbl)	Gross (MMcf)	Net (MMcf)	Gross (mdbl)	Net (mdbl)	Gross (mboe)	Net (mboe)
<b>PROVED</b>								
Developed Producing	6,877	5,934	137,347	120,149	1,012	653	30,780	26,612
Developed Non-Producing	2,642	2,217	5,137	4,482	41	30	3,539	2,994
Undeveloped	9,052	7,366	405,586	367,399	3,013	2,260	79,663	70,859
<b>TOTAL PROVED</b>	<b>18,571</b>	<b>15,517</b>	<b>548,070</b>	<b>492,031</b>	<b>4,066</b>	<b>2,943</b>	<b>113,982</b>	<b>100,465</b>
<b>PROBABLE</b>	<b>9,829</b>	<b>7,398</b>	<b>443,886</b>	<b>391,932</b>	<b>3,344</b>	<b>2,267</b>	<b>87,155</b>	<b>74,987</b>
<b>PROVED PLUS PROBABLE</b>	<b>28,400</b>	<b>22,915</b>	<b>991,955</b>	<b>883,963</b>	<b>7,411</b>	<b>5,211</b>	<b>201,137</b>	<b>175,453</b>

(1) Estimates of reserves of natural gas include both associated and non-associated gas.

The following table is a summary of the net present values of future net revenues associated with such reserves at December 31, 2010, using the AJM Price Forecast, before and after deducting future income tax expense, and calculated without discount and using discount rates of 5%, 8%, 10%, 15% and 20%. Future net revenue includes estimated future abandonment costs related to wells and production facilities required to produce the reserves.

**Table 2**

**Net Present Value of Future Net Revenue<sup>(1)</sup> at December 31, 2010**  
(Forecast Prices And Costs)

	Before Income Taxes Discounted at (%/year)						After Income Taxes Discounted at (%/year)					
	0% (MM\$)	5% (MM\$)	8% (MM\$)	10% (MM\$)	15% (MM\$)	20% (MM\$)	0% (MM\$)	5% (MM\$)	8% (MM\$)	10% (MM\$)	15% (MM\$)	20% (MM\$)
<b>PROVED</b>												
Developed Producing	1,007.2	786.8	696.1	646.8	550.9	481.5	966.3	761.4	676.7	630.5	540.1	474.1
Developed Non-Producing	255.3	159.3	128.6	113.8	88.3	72.1	190.6	120.2	98.3	87.8	69.8	58.4
Undeveloped	2,098.5	1,289.0	992.0	839.3	560.0	374.1	1,543.3	926.0	698.6	581.5	367.1	224.4
<b>TOTAL PROVED</b>	<b>3,361.0</b>	<b>2,235.1</b>	<b>1,816.7</b>	<b>1,599.9</b>	<b>1,199.2</b>	<b>927.7</b>	<b>2,700.2</b>	<b>1,807.6</b>	<b>1,473.5</b>	<b>1,299.7</b>	<b>976.9</b>	<b>756.9</b>
<b>PROBABLE</b>	<b>3101.7</b>	<b>1632.7</b>	<b>1,180.4</b>	<b>968.2</b>	<b>619.2</b>	<b>417.5</b>	<b>2,280.3</b>	<b>1,191.9</b>	<b>856.6</b>	<b>699.3</b>	<b>441.0</b>	<b>292.2</b>
<b>PROVED PLUS PROBABLE</b>	<b>6,462.8</b>	<b>3,867.8</b>	<b>2,997.1</b>	<b>2,568.1</b>	<b>1,818.4</b>	<b>1,345.1</b>	<b>4,980.6</b>	<b>2,999.5</b>	<b>2,330.1</b>	<b>1,999.0</b>	<b>1,417.9</b>	<b>1,049.0</b>

(1) National Instrument 51-101 requires the inclusion of the following statement: Estimates of future net revenues whether discounted or not do not represent fair market value.

### ***Future Net Revenue by Production Group***

The following table provides additional information derived from the AJM Evaluation, by production group, regarding the future net revenues associated with the Corporation's reserves, before deducting future income tax expenses and calculated using a 10% discount rate.

**Table 3**

**Net Present Value of Pre-Tax Future Net Revenue at December 31, 2010**  
(Forecast Prices And Costs) (10% discount rate)

	<u>LIGHT AND MEDIUM OIL</u>		<u>NATURAL GAS</u>	
<b>PROVED</b>	(MM\$)	(\$/boe)	(MM\$)	(\$/boe)
Developed Producing	315.3	40.08	331.5	17.68
Developed Non-Producing	110.0	40.51	3.8	13.92
Undeveloped	245.9	29.19	593.4	9.50
<b>TOTAL PROVED</b>	<b>671.2</b>	<b>35.31</b>	<b>928.7</b>	<b>11.40</b>
<b>PROBABLE</b>	267.2	30.38	701.0	10.59
<b>PROVED PLUS PROBABLE</b>	<b>938.3</b>	<b>33.75</b>	<b>1,629.8</b>	<b>11.04</b>

- (1) Estimates of reserves include both associated and non-associated gas and by-products. The production groupings are determined based upon the primary product produced from each reserve entity. The values and volumes of associated gas and the by-products derived from such associated gas are included with oil. The values and volumes of the by-products derived from non-associated gas are included with natural gas.
- (2) Unit amounts are derived using net reserves volumes.
- (3) National Instrument 51-101 requires the inclusion of the following statement: Estimates of future net revenues whether discounted or not, do not represent fair market value.
- (4) Future net revenues are after deduction of estimated costs of abandonment of existing and future wells and costs of reclamation of future wells only.

### ***Components of Future Net Revenue***

The following table sets out, in the aggregate, the various elements of the Corporation's future net revenue associated with the Corporation's reserves, calculated using the AJM Price Forecast and without discount.

**Table 4**

**Components of Future Net Revenue<sup>(1)</sup> at December 31, 2010**  
(Forecast Prices And Costs) (Undiscounted)

	Estimated Future Net Revenues (MM\$)	Royalties (MM\$)	Operating Costs (MM\$)	Development Costs (MM\$)	Well Abandonment Costs (MM\$) <sup>(2)</sup>	Future Net Revenue Before Income Taxes (MM\$)	Income Taxes (MM\$)	Future Net Revenues After Income Taxes (MM\$)
<b>PROVED</b>								
Developed Producing	1,633.7	226.1	337.6	9.9	52.8	1,007.2	40.9	966.3
Developed Non-Producing	347.5	62.1	27.0	3.0	0.1	258.3	64.7	190.6
Undeveloped	4,023.3	542.8	602.9	756.4	22.7	2,098.5	555.2	1,543.3
<b>TOTAL PROVED</b>	<b>6,004.5</b>	<b>831.0</b>	<b>967.5</b>	<b>769.3</b>	<b>75.6</b>	<b>3,361.0</b>	<b>660.8</b>	<b>2,700.2</b>
<b>PROBABLE</b>	5,231.7	858.5	881.5	371.6	18.3	3,101.7	821.4	2,280.3
<b>PROVED PLUS PROBABLE</b>	<b>11,236.2</b>	<b>1,689.5</b>	<b>1,849.1</b>	<b>1,140.9</b>	<b>93.9</b>	<b>6,462.8</b>	<b>1,482.2</b>	<b>4,980.6</b>

- (1) National Instrument 51-101 requires the inclusion of the following statement: Estimates of future net revenues whether discounted or not, do not represent fair market value.
- (2) Does not include abandonment costs for facilities and reclamation costs for facilities and existing wells.

## PRICING ASSUMPTIONS

### Actual Weighted Average Commodity Prices

The actual weighted average commodity prices received by Birchcliff in 2010 are as follows:

- Crude Oil: \$78.76 per bbl
- Natural Gas: \$4.21 per mcf
- Natural Gas Liquids: \$72.82 per bbl

### Forecast Prices Used in Estimates

The following table sets out the forecast price assumptions used by AJM for the AJM Evaluation. The pricing and cost assumptions used were determined by AJM using information available from numerous governmental agencies, industry publications, oil refineries, natural gas marketers and industry trends. These forecast price assumptions are subject to many uncertainties that exist in both the domestic and international petroleum industries.

**Table 5**  
**AJM Price Forecast at December 31, 2010**

Year	Crude Oil		Natural Gas	Natural Gas Liquids			Currency Exchange Rate (\$US/\$Cdn.)	Inflation Rate (%)
	WTI Crude Oil (\$US/bbl)	Edmonton City Gate (\$CDN/bbl)	Natural Gas at AECO (\$CDN/mcf)	Edm Propane (\$CDN/bbl)	Edm Butane (\$CDN/bbl)	Edm C <sup>5+</sup> (\$CDN/bbl)		
2011	\$85.00	\$82.80	\$4.10	\$45.55	\$70.40	\$86.95	1.000	0.0%
2012	\$89.25	\$88.80	\$4.60	\$48.85	\$75.50	\$93.25	0.980	2.0%
2013	\$91.55	\$94.05	\$5.20	\$51.75	\$79.95	\$98.75	0.950	2.0%
2014	\$95.50	\$98.15	\$5.50	\$54.00	\$83.45	\$103.05	0.950	2.0%
2015	\$102.85	\$105.80	\$5.75	\$58.20	\$89.95	\$111.10	0.950	2.0%
2016	\$110.40	\$113.70	\$6.20	\$62.55	\$96.65	\$119.40	0.950	2.0%
2017	\$112.60	\$116.05	\$6.55	\$63.85	\$98.65	\$121.85	0.950	2.0%
2018	\$114.85	\$118.35	\$7.00	\$65.10	\$100.60	\$124.25	0.950	2.0%
2019	\$117.15	\$120.75	\$7.30	\$66.40	\$102.65	\$126.80	0.950	2.0%
2020	\$119.50	\$123.15	\$7.45	\$67.75	\$104.70	\$129.30	0.950	2.0%
2021	\$121.90	\$125.60	\$7.60	\$69.10	\$106.75	\$131.90	0.950	2.0%
2022	\$124.35	\$128.15	\$7.75	\$70.50	\$108.95	\$134.55	0.950	2.0%
2023	\$126.80	\$130.70	\$7.95	\$71.90	\$111.10	\$137.25	0.950	2.0%
2024	\$129.35	\$133.30	\$8.10	\$73.30	\$113.30	\$139.95	0.950	2.0%
2025	\$131.95	\$135.95	\$8.25	\$74.75	\$115.55	\$142.75	0.950	2.0%
2026	\$134.60	\$138.70	\$8.40	\$76.30	\$117.90	\$145.65	0.950	2.0%
2027	\$137.30	\$141.45	\$8.60	\$77.80	\$120.25	\$148.50	0.950	2.0%
2028	\$140.00	\$144.30	\$8.75	\$79.35	\$122.65	\$151.50	0.950	2.0%
2029	\$142.80	\$147.20	\$8.95	\$80.95	\$125.10	\$154.55	0.950	2.0%
2030	\$145.70	\$150.10	\$9.10	\$82.55	\$127.60	\$157.60	0.950	2.0%
Thereafter	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	0.950	2.0%

## RECONCILIATION OF CHANGES IN RESERVES

The following tables set forth a reconciliation of the Corporation's gross reserves using the AJM Price Forecast for the year ended December 31, 2010 as derived from the AJM Evaluation against the AJM evaluation of such reserves for the year ended December 31, 2009, using the AJM price forecast provided in the AJM evaluation for the year ended December 31, 2009.

**Table 6****2010 Reconciliation of Gross Proved Reserves**

(Forecast Prices And Costs)

	<b>Light and Medium Crude Oil (mdbl)</b>	<b>Natural Gas (MMcf)</b>	<b>NGLs (mdbl)</b>	<b>Oil Equivalent (mboe)</b>
<b>Opening Balance</b>				
<b>December 31, 2009</b>	<b>18,906.7</b>	<b>410,817.0</b>	<b>2,660.8</b>	<b>90,037.0</b>
Discoveries	-	-	-	-
Extensions <sup>(1)</sup>	1,540.5	156,359.9	1,133.1	28,733.6
Improved Recovery	-	-	-	-
Infill Drilling	225.2	26.4	0.1	229.7
Recompletions	-	-	-	-
Technical Revisions <sup>(2)</sup>	(673.8)	(14,740.2)	309.4	(2,821.1)
Acquisitions	21.1	18,910.8	160.4	3,333.3
Dispositions	(307.2)	(212.1)	(2.0)	(344.6)
Economic Factors <sup>(3)</sup>	4.1	(4,817.0)	(55.7)	(854.4)
Working Interest Adjustment <sup>(4)</sup>	(1.3)	2,519.1	24.0	442.6
Production <sup>(5)</sup>	(1,144.3)	(20,794.0)	(163.7)	(4,773.7)
<b>Closing Balance</b>				
<b>December 31, 2010</b>	<b>18,571.0</b>	<b>548,069.9</b>	<b>4,066.4</b>	<b>113,982.4</b>

**2010 Reconciliation of Gross Probable Reserves**

(Forecast Prices And Costs)

	<b>Light and Medium Crude Oil (mdbl)</b>	<b>Natural Gas (MMcf)</b>	<b>NGLs (mdbl)</b>	<b>Oil Equivalent (mboe)</b>
<b>Opening Balance</b>				
<b>December 31, 2009</b>	<b>8,854.0</b>	<b>337,519.4</b>	<b>2,121.9</b>	<b>67,229.1</b>
Discoveries	-	-	-	-
Extensions <sup>(1)</sup>	1,113.7	90,590.0	696.3	16,908.3
Improved Recovery	-	-	-	-
Infill Drilling	78.9	18.3	0.1	82.1
Recompletions	-	-	-	-
Technical Revisions <sup>(2)</sup>	(78.6)	(605.3)	394.2	214.7
Acquisitions	7.9	18,474.0	150.8	3,237.7
Dispositions	(153.6)	(165.3)	(2.6)	(183.8)
Economic Factors <sup>(3)</sup>	5.1	(6,419.4)	(50.6)	(1,115.4)
Working Interest Adjustment <sup>(4)</sup>	1.7	4,473.6	34.3	781.6
	-	-	-	-
<b>Closing Balance</b>				
<b>December 31, 2010</b>	<b>9,829.1</b>	<b>443,885.3</b>	<b>3,344.4</b>	<b>87,154.4</b>

**2010 Reconciliation of Gross Proved Plus Probable Reserves**  
(Forecast Prices And Costs)

	<b>Light and Medium Crude Oil (mdbl)</b>	<b>Natural Gas (MMcf)</b>	<b>NGLs (mdbl)</b>	<b>Oil Equivalent (mboe)</b>
<b>Opening Balance</b>				
<b>December 31, 2009</b>	<b>27,760.7</b>	<b>748,336.4</b>	<b>4,782.7</b>	<b>157,266.1</b>
Discoveries	-	-	-	-
Extensions <sup>(1)</sup>	2,654.2	246,949.9	1,829.4	45,641.9
Improved Recovery	-	-	-	-
Infill Drilling	304.1	44.7	0.2	311.8
Recompletions	-	-	-	-
Technical Revisions <sup>(2)</sup>	(752.4)	(15,345.5)	703.6	(2,606.4)
Acquisitions	29.0	37,384.8	311.2	6,571.0
Dispositions	(460.8)	(377.4)	(4.6)	(528.3)
Economic Factors <sup>(3)</sup>	9.2	(11,236.4)	(106.3)	(1,969.8)
Working Interest Adjustment <sup>(4)</sup>	0.4	6,992.7	58.3	1,224.2
Production <sup>(5)</sup>	(1,144.3)	(20,794.0)	(163.7)	(4,773.7)
<b>Closing Balance</b>				
<b>December 31, 2010</b>	<b>28,400.1</b>	<b>991,955.2</b>	<b>7,410.8</b>	<b>201,136.8</b>

- (1) The majority of reserve changes comprising "Extensions" were the result of drilling activities in the Montney/Doig Natural Gas Resource Play. Much of the capital in 2010 was in support of Phase I and Phase II of the Pouce Coupe South Gas Plant, which commenced operation in March 2010 and November 2010 respectively. Wells were drilled extending the resource play beyond lands to which reserves had previously been attributed. As a result of these successful wells, reserves were attributed to future well locations proximal to these wells.
- (2) The majority of the technical revisions are a result of wells becoming uneconomic to develop at current natural gas prices.
- (3) "Economic Factors", although not significant, result from natural gas prices forecast by AJM that were significantly lower than the 2009 AJM evaluation for the entire forecast period, and resulted in negative impacts on reserve volumes.
- (4) "Working Interest Adjustment" results from working interest changes that were identified since the AJM evaluation for the year ended December 31, 2009.
- (5) Represents production for 2010.

**ADDITIONAL INFORMATION RELATING TO RESERVES DATA**

**Undeveloped Reserves**

The following table sets forth the volumes of each of the gross proved undeveloped reserves and the gross probable undeveloped reserves from the AJM Evaluation for each product type that were first attributed as reserves in each of the most recent three financial years and in the aggregate, before that time, based on the AJM Price Forecast.

**Table 7**

Year	Proved Undeveloped Reserves			Probable Undeveloped Reserves		
	<b>Light and Medium Crude Oil (mdbl)</b>	<b>Natural Gas (MMcf)</b>	<b>Natural Gas Liquids (mdbl)</b>	<b>Light and Medium Crude Oil (mdbl)</b>	<b>Natural Gas (MMcf)</b>	<b>Natural Gas Liquids (mdbl)</b>
<b>2010</b>	<b>960</b>	<b>130,200</b>	<b>918</b>	<b>1,948</b>	<b>262,500</b>	<b>1,894</b>
2009	980	121,507	787	1,368	267,538	1,669
2008	1,516	146,460	938	2,242	266,911	1,716
Prior Years	8,051	46,370	292	13,112	82,063	520

All of Birchcliff's proved undeveloped reserves are located in the Peace River Arch area of Alberta.



Birchcliff has a large inventory of development opportunities in its portfolio. As a result, its capital spending activities are prioritized to optimize development plans, achieve strategic goals and maximize shareholder value.

With respect to the Proved Undeveloped Reserves attributed to the Montney/Doig Natural Gas Resource Play, the AJM Evaluation has attributed Proved Undeveloped Reserves to each future horizontal well location that is proximal to an existing well to which AJM has attributed Proved Developed reserves. AJM has estimated such Proved Undeveloped Reserves using forecast production rates that are based on a statistical analysis of production rates of existing wells operated by Birchcliff or others on the Montney/Doig Natural Gas Resource Play in the regional area.

There are 173 (137.3 net) future horizontal development well locations to which the AJM Evaluation has attributed Proved Undeveloped Reserves. During 2011 and 2012, Birchcliff plans to drill as many of these future horizontal well locations as processing capacity can be arranged for. The remaining future horizontal well locations are expected to be drilled during the ensuing three years on a schedule consistent with Birchcliff's access to required processing capacity.

Approximately 67% of the Proved Undeveloped Reserves attributed to the Worsley property are based on the forecast results of the waterflood enhanced recovery scheme that has been underway for a number of years and a forecast expansion of the waterflood. These Proved Undeveloped Reserves will be developed prior to the end of 2012 contingent upon obtaining third party and regulatory approvals.

The balance of the Proved Undeveloped Reserves attributed to the Worsley property relate in part to 53 (49.8 net) future drilling locations. Birchcliff is planning to develop approximately 47 (43.8 net) of these future drilling locations prior to the end of 2012 to the extent that their production can be accommodated at Birchcliff's Worsley facilities. The balance of these future drilling locations will be developed thereafter as processing capacity becomes available at Worsley.

Of Birchcliff's total Proved Plus Probable reserves at December 31, 2010, approximately 43% were Probable Reserves. Birchcliff's plans to develop the Probable Undeveloped Reserves are largely dependent on the development of the Proved Undeveloped Reserves discussed above. For the same reasons described above, the development of the Probable Undeveloped Reserves is planned to occur during the ensuing five years on a schedule consistent with Birchcliff's access to required processing capacity.

Birchcliff's plans relating to the development of its Proved Undeveloped Reserves and its Probable Undeveloped Reserves and therefore the timing of development described above may change based on changes in geological, geophysical, engineering data and commodity prices that become available to Birchcliff and based upon the array of other potential investments that become available to Birchcliff in its areas of interest and elsewhere.

### **Significant Factors or Uncertainties Affecting Reserves Data**

National Instrument 51-101 requires that this disclosure discuss the significant factors or uncertainties that affect the reserves data presented herein.

The process of estimating reserves is complex. It requires significant judgments and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and natural gas prices and costs change. The reserve estimates contained herein are based on AJM's production forecasts, prices and economic conditions at the time of preparation of the AJM Evaluation.

As circumstances change and additional data becomes available, reserve estimates also change. Estimates made are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required over time due to changes in well performance, prices, economic conditions and governmental restrictions. Although every reasonable effort is made to ensure that reserve estimates are accurate, reserve estimation is an inferential science. As a result, the subjective decisions, new geological or production information and a changing environment may impact these estimates. Revisions to reserve estimates can arise from changes in year-end oil and gas prices, and reservoir performance. Such revisions can be either positive or negative.

## FUTURE DEVELOPMENT COSTS

The following table sets forth the future development costs that have been deducted in the estimation of future net revenue attributed to the Corporation's reserves estimated by the AJM Evaluation.

**Table 8**  
**Future Development Costs**  
(Forecast Prices and Costs)

Calendar Year	Total Proved (MM\$)	Proved Plus Probable (MM\$)
2011	176.1	185.3
2012	317.3	362.8
2013	268.6	269.8
2014	3.3	159.7
2015	3.3	160.8
Thereafter	0.7	2.5
<b>Total Undiscounted</b>	<b>769.3</b>	<b>1,140.9</b>

The Corporation expects to be able to fund the development costs required in the future from working capital, internally generated cash flow, existing credit facilities and access to debt. Interest and other costs of external funding are not included in the future net revenue estimates. The Corporation does not expect any inordinate costs to be associated with such funding sources.

There can be no guarantee that funds will be available or that the Corporation will allocate funding to develop all of the reserves attributed in the AJM Evaluation. Failure to develop those reserves would have a negative impact on future production and cash flow.

## OTHER OIL AND NATURAL GAS INFORMATION

### Oil and Gas Properties and Wells

The Corporation's important properties and facilities are described in its Annual Information Form to which this Statement of Reserves Data and Other Oil and Gas Information is incorporated by reference.

### *Producing and Non-Producing Wells*

The following table shows Birchcliff's producing and non-producing wells at December 31, 2010, all of which are in Alberta.

	Oil Wells				Gas Wells			
	Producing		Non-producing		Producing		Non-producing	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Alberta Wells	336	228.3	110	69.4	160	117.7	97	57.2

Note: Table does not include water injection wells, service wells, capped wells and wells that have not been categorized as either oil wells or natural gas wells.

### **Properties with No Attributed Reserves**

At December 31, 2010 Birchcliff held 500,569 gross (456,952 net) acres of undeveloped land. Of this 82,535 gross (79,618 net) acres are due to expire prior to the end of 2011. Birchcliff expects that its planned operations will continue its tenure with respect to approximately 15% of this expiring acreage, primarily where it recognizes the most value.

### **Significant Factors or Uncertainties Relevant to Properties With No Attributed Reserves**

The significant economic factors that affect Birchcliff's development of its lands to which no reserves have been attributed are future commodity prices for crude oil and natural gas (and Birchcliff's outlook relating to such prices), the future costs of drilling, completing, tying in and operating wells at the time that such activities are considered in the future.

The significant uncertainties that affect Birchcliff's development of such lands are the future drilling and completion results Birchcliff achieves in its development activities, drilling and completion results achieved by others on lands in proximity to Birchcliff's lands, future changes to applicable regulatory or royalty regimes that affect timing or economics of proposed development activities. All of these uncertainties have the potential to delay the development of such lands. On the other hand, uncertainty as to the timing and nature of the evolution or development of better exploration, drilling, completion and production technologies have the potential to enhance the economics of and to accelerate development activities relating to such lands.

### **Forward Contracts**

As of December 31, 2010, the Corporation had not entered into financial or physical hedges in respect of commodity prices, or foreign exchange contracts or other similar forward sale contracts.

### **Additional Information Concerning Abandonment and Reclamation Costs**

Birchcliff estimates the future costs for abandonment and reclamation of surface leases and wells by using amounts that are consistent with Directive 11 of the Energy Resources Conservation Board, which provides ranges of typical costs for abandonment and reclamation experienced by industry in Birchcliff's areas of operation. Based on this information and the actual experience of its technical personnel in handling such matters in the past, Birchcliff estimates its typical abandonment costs to be in the range of \$30,000 to \$60,000 per well depending on the specific circumstances. Based on Directive 11 data, reclamation costs are forecast at approximately \$25,000 per wellsite. Costs of abandoning facilities are estimated by Birchcliff on a case by case basis relying on the knowledge and experience of its technical personnel.

The AJM Evaluation has included estimated well abandonment costs for all existing wells and future drilling locations identified in the AJM Evaluation, but reclamation costs have been included only for future drilling locations.

Birchcliff currently has 627 net wells that ultimately will need to be abandoned and/or reclaimed.

The following table sets forth the total amount of future costs to be incurred by Birchcliff in connection with the abandonment and reclamation of wells in the proved category.

**Table 10**  
**Future Abandonment and Reclamation Costs relating to Proved Reserves**  
(Forecast Pricing and Costs)

	Undiscounted Amount (M\$)	Discounted Amount at 10% per year (M\$)
Total amount of the future abandonment and reclamation costs, net of salvage value expected to be incurred	112,429	20,951
Portion not deducted as abandonment and reclamation costs, in determining future net revenue <sup>(1)</sup>	36,843	1,682
Portion that Birchcliff expects to pay in the next three years	5,500	4,559

(1) Includes abandonment and reclamation costs for facility sites and pipelines.

### Tax Horizon

The Corporation was not required to pay any cash income taxes for the year ended December 31, 2010. Birchcliff estimates that based on current expenditure plans and the current price environment no income taxes will become payable on Birchcliff's income during 2011. If Birchcliff continues to expend capital beyond its internally generated cash flow, it is likely that Birchcliff will not become taxable so long as such expenditures continue and commodity prices remain consistent with today's environment.

### Costs Incurred

The following table sets forth amounts of Birchcliff's property acquisition costs, exploration costs and development costs for the year ended December 31, 2010.

**Table 11**  
**2010 Acquisition, Exploration and Development Costs**

Acquisition Costs Proved Properties (M\$)	Acquisition Costs Unproved Properties (M\$)	Exploration Costs (M\$)	Development Costs (M\$)
2,051	19,050	27,122	187,785

### Exploration and Development Activities

Birchcliff's planned exploration and development activities are described in its Annual Information Form to which this Statement of Reserves Data and Other Oil and Gas Information is incorporated by reference.

The following Table sets forth a summary of Birchcliff's exploration and development drilling activities for the year ended December 31, 2010.

**Table 12**

	<b>Exploration Wells</b>		<b>Development Wells</b>		<b>Total</b>	
	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>
Oil Wells	1	1	28	22.2	29	25.4
Natural Gas Wells	7	6.7	19	15.1	26	21.8
Service Wells	Nil	Nil	Nil	Nil	Nil	Nil
Stratigraphic Test Wells	Nil	Nil	Nil	Nil	Nil	Nil
Dry Holes	1	1	Nil	Nil	1	1
<b>Totals</b>	<b>9</b>	<b>8.7</b>	<b>47</b>	<b>39.5</b>	<b>56</b>	<b>48.2</b>

**Production Estimates**

The following table sets forth AJM's forecast volumes of Birchcliff's production from gross proved reserves and gross probable reserves as estimated in the AJM Evaluation for the 2011 financial year.

**Table 13****2011 Production Volume Estimates**

	Light and Medium			
	Crude Oil (mdbl)	Natural Gas (bcf)	NGLs (mdbl)	Oil Equivalent (mboe)
<b>Total Proved Reserves</b>	1,555.5	34.7	251.0	7,588.1
<b>Total Probable Reserves</b>	100.7	1.0	10.0	274.5

The estimated production volumes for the two fields that account for more than 20% of AJM's total forecast production for the year ended December 31, 2010 are set forth below:

**Table 14**

<b>Field Name</b>	<b>2011 AJM Forecast Production for determining Gross Proved Reserves (mboe)</b>	<b>2011 AJM Forecast Production for determining Gross Probable Reserves (mboe)</b>
Pouce Coupe South	3,037.1	65.8
Worsley	1,744.8	108.7

**Production History****Average Daily Production by Product Type**

The following table sets out, by product type, Birchcliff's average daily production volumes, before deduction of royalties, on a quarterly basis, for the year ended December 31, 2010.

**Table 15****2010 Quarterly Production History**

<b>Product Type</b>	Three months ended				Year ended December 31, 2010
	March 31, 2010	June 30, 2010	September 30, 2010	December 31, 2010	
Light and Medium Crude Oil (bbl/day)	2,982	3,096	2,973	3,486	3,135
Natural Gas (mcf/day)	42,548	53,074	57,924	73,978	56,970
NGLs (bbl/day)	334	415	483	559	448
<b>Total (boe/day)</b>	<b>10,407</b>	<b>12,357</b>	<b>13,109</b>	<b>16,375</b>	<b>13,079</b>

**Price Received, Royalties Paid, Production Costs and Netbacks**

The following tables set forth, by product type, Birchcliff's share of average daily production before deduction of royalties, prices received, royalties paid, production costs incurred and netbacks on a per unit of volume basis, on a quarterly basis, for the year ended December 31, 2010.

**Light and Medium Crude Oil 2010 Quarterly Price, Royalty, Production Cost and Netback History**

	Three months ended				Year ended December 31, 2010
	March 31, 2010	June 30, 2010	September 30, 2010	December 31, 2010	
Price Received (\$/bbl) <sup>(1)</sup>	80.03	76.24	76.44	81.89	78.76
Royalties Paid (\$/bbl)	(12.49)	(12.12)	(11.05)	(10.53)	(11.50)
Production Costs (\$/bbl)	(7.84)	(10.47)	(10.65)	(8.54)	(9.43)
Transportation and Marketing (\$/bbl)	(5.16)	(5.49)	(5.73)	(5.61)	(5.51)
Netback (\$/bbl)	54.54	48.16	49.01	57.21	52.32
Royalty Income	0.19	0.49	(0.16)	0.14	0.16
Netback including Royalty Income	<b>54.73</b>	<b>48.65</b>	<b>48.85</b>	<b>57.35</b>	<b>52.48</b>

(1) Does not include royalty income

**Natural Gas 2010 Quarterly Price, Royalty, Production Cost and Netback History**

	Three months ended				Year ended December 31, 2010
	March 31, 2010	June 30, 2010	September 30, 2010	December 31, 2010	
Price Received (\$/mcf) <sup>(1)</sup>	5.34	4.16	3.79	3.94	4.21
Royalties Paid (\$/mcf)	(0.30)	0.15	0.06	(0.01)	(0.01)
Production Costs (\$/mcf)	(1.58)	(1.15)	(1.10)	(1.08)	(1.19)
Transportation and Marketing (\$/mcf)	(0.25)	(0.27)	(0.28)	(0.29)	(0.27)
Netback (\$/mcf)	3.21	2.89	2.47	2.56	2.74
Royalty Income (\$/mcf)	0.01	0.01	0.01	0.01	0.01
Netback including Royalty Income (\$/mcf)	<b>3.22</b>	<b>2.90</b>	<b>2.48</b>	<b>2.57</b>	<b>2.75</b>

(1) Does not include royalty income

**NGL 2010 Quarterly Price, Royalty, Production Cost and Netback History**

	Three months ended				Year ended December 31, 2010
	March 31, 2010	June 30, 2010	September 30, 2010	December 31, 2010	
Price Received (\$/bbl) <sup>(1)</sup>	73.15	73.33	68.30	76.14	72.82
Royalties Paid (\$/bbl)	(29.35)	(25.00)	(19.35)	(18.46)	(22.21)
Production Costs (\$/bbl)	(10.01)	(7.27)	(6.90)	(6.77)	(7.49)
Transportation and Marketing (\$/bbl)	(1.64)	(1.73)	(1.76)	(1.81)	(1.76)
Netback (\$/bbl)	32.15	39.33	40.29	49.10	41.36
Royalty Income (\$/bbl)	0.23	0.24	0.14	0.29	0.23
Netback including Royalty Income (\$/bbl)	<b>32.38</b>	<b>39.57</b>	<b>40.43</b>	<b>49.39</b>	<b>41.59</b>

(1) Does not include royalty income.

## 2010 Production History

The following table sets forth Birchcliff's annual production volumes for the year ended December 31, 2010 by product type, for the two fields each comprising more than 20% of Birchcliff's total production and in total.

**Table 16**  
**2010 Production Volumes by Product Type**  
**For Major Fields and in Total**

	Light and Medium Crude Oil (bbls)	Natural Gas (mcf)	NGLs (bbls)	Oil Equivalent (boe)
Pouce Coupe South	20,944	9,644,251	59,279	1,687,599
Worsley	874,834	2,277,191	22,429	1,276,794
Total Annual Production Volumes	1,144,294	20,794,026	163,690	4,773,655

## FORWARD LOOKING INFORMATION

This Statement of Reserves Data and Other Oil and Gas Information contains certain forward-looking statements and forward-looking information (hereinafter collectively referred to as "forward-looking information") within the meaning of applicable Canadian securities laws. These statements relate to future events or future performance and are based upon the Corporation's current internal expectations, estimates, projections, assumptions and beliefs. All statements other than statements of historical fact are forward-looking statements. In some cases, words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate", "may", "will", "potential", "proposed" and other similar words, or statements that certain events or conditions "may" or "will" occur, are intended to identify forward-looking statements.

In particular, this Statement of Reserves Data and Other Oil and Gas Information contains forward-looking information, including among other places, under the headings "Proven Undeveloped Reserves and Probable Undeveloped Reserves", "Future Development Costs", "Properties With No Attributed Reserves", "Abandonment and Reclamation Costs", "Tax Horizon" and "Production Estimates". This forward-looking information includes but is not limited to statements regarding: business strategy, plans and priorities; planned drilling, exploration and development; the quantity and development of oil and gas reserves; and other expectations, beliefs, plans, goals, objectives, assumptions, information and statements about possible future events, conditions, results of operations or performance. The Corporation cannot guarantee future results, levels of activity, performance or achievements. Consequently, there is no representation by the Corporation that actual results achieved will be the same in whole or in part as those set out in the forward-looking information.

Statements regarding oil and gas reserves may be deemed to be forward-looking information as such statements involve the implied assessment that the resources described can be profitably produced in the future.

With respect to such forward-looking information the key assumptions on which the Corporation relies are: that future prices for crude oil and natural gas, future currency exchange rates and interest rates, and future availability of debt and equity financing will be at levels and costs that allow the Corporation to manage, operate and finance its business and develop its properties and meet its future obligations; that the regulatory framework in respect of royalties, taxes and environmental matters applicable to the Corporation will not become so onerous as to preclude the Corporation from viably managing, operating and financing its business and the development of its properties; that the Corporation will continue to be able to identify, attract and employ qualified staff and obtain the outside expertise and specialized and other equipment it requires to manage, operate and finance its business and develop its properties; and various assumptions as to future prices for crude oil and natural gas, currency exchange rates, inflation rates, future well production rates, well drainage areas, success rates of future well drilling and future costs and availability of labour and services. With respect to estimates of reserves volumes and associated future net revenues and numbers of future wells to be drilled a key assumption is the validity of the commodity prices, currency exchange rates, future capital and operating costs and well production rates forecast by the Corporation's independent reserves evaluator. With respect to the number of future wells to be drilled a key assumption is the

validity of the geological and other technical interpretations that have been performed by the Corporation's technical staff and that indicate that commercially economic reserves can be recovered from the Corporation's lands as a result of drilling such future wells.

Undue reliance should not be placed on forward-looking information, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. Forward-looking information involves numerous assumptions, uncertainties and both known and unknown risks. There is a risk that such predictions, forecasts and projections may not occur. Although the Corporation 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. Some of those risks include: risks inherent of the oil and gas industry, such as operational risks in exploring for, developing and producing crude oil and nature gas, market demand and unpredictable facilities outages; risks and uncertainties involving geology of oil and gas deposits; uncertainty of reserves and resources estimates, reserves life and underlying reservoir risk; general economic conditions in Canada, the United States and globally; changes in governmental regulation of the oil and gas industry, including environmental regulation; fluctuations in foreign exchange rates or interest rates; adverse conditions in the debt and equity markets; and competition from others for scarce resources.

The foregoing list of risk factors is not exhaustive. The forward-looking information contained in this Statement of Reserves Data and Other Oil and Gas Information is expressly qualified by this cautionary statement. Additional information on these and other risk factors that could affect operations or financial results are included the heading "Risk Factors" in the Annual Information Form; in the Report on Reserves Data by Birchcliff's Independent Qualified Reserves Evaluator; and in the Report of Management and Directors on Oil and Gas Disclosure. In addition, information is available in the Corporation's other reports filed with Canadian securities regulatory authorities.

Forward-looking information is based on estimates and opinions of management at the time the information is presented. The Corporation is not under any duty to update the forward-looking information after the date of this Statement of Reserves Data and Other Oil and Gas Information to conform such information to actual results or to changes in the Corporation's plans or expectations, except as otherwise required by applicable securities laws.