

Sinopec Daylight Energy Ltd.  
2014 Annual Summary Reserve Report



## Disclosure of Reserves Data

The reserves data (the "Reserves Data") set forth below in this reserves report (the "Report") for Sinopec Daylight Energy Ltd. ("Sinopec Daylight" or the "Company") is based upon an independent evaluation by Sproule Associates Limited ("Sproule") with an effective date of December 31, 2014 contained in the Sproule reserve report ("Sproule Report") dated January 12, 2015. The opening reserves balances represent the reserves for Sinopec Daylight at December 31, 2013. The Reserves Data summarizes the crude oil, natural gas liquids and natural gas reserves of the Company and the net present values of future net revenue for these reserves using forecast prices and costs. The Sproule Report has been prepared in accordance with the standards contained in the COGE Handbook and National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*. We engaged Sproule to provide an evaluation of proved and proved plus probable reserves and no request was made to evaluate possible reserves.

All of Sinopec Daylight's reserves are in Canada, and specifically in the provinces of Alberta and British Columbia.

**It should not be assumed that the estimates of future net revenues presented in the tables below represent the fair market value of the reserves. There is no assurance that the forecast prices and costs assumptions will be attained and variances could be material. The recovery and reserve estimates of Sinopec Daylight's crude oil, natural gas liquids and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas and natural gas liquids reserves may be greater than or less than the estimates provided herein.**

## Abbreviations and Conversions

|                |   |
|----------------|---|
| AECO           | physical storage and trading hub for natural gas on the TransCanada Alberta Transmission System (NOVA) which is the delivery point for the various Alberta index prices |
| API            | American Petroleum Institute  |
| °API           | measure of the density or gravity of liquid petroleum products derived from a specific gravity  |
| Bbl            | barrel  |
| Bbl/d          | barrels per day   |
| Bcf            | billion cubic feet  |
| boe            | barrels of oil equivalent converting 6 Mcf of natural gas or one barrel of natural gas liquids to one barrel of oil equivalent  |
| boe/d          | barrels of oil equivalent per day   |
| GJ             | Gigajoule   |
| MBbl           | one thousand barrels  |
| Mboe           | one thousand barrels of oil equivalent  |
| MMboe          | one million barrels of oil equivalent   |
| Mcf            | one thousand cubic feet   |
| m <sup>3</sup> | cubic meters  |
| Mcf/d          | one thousand cubic feet per day   |
| MMBtu          | one million British Thermal Units   |
| MMcf           | one million cubic feet  |
| MMcf/d         | one million cubic feet per day  |
| MMBbl          | one million barrels   |
| M\$            | one thousand dollars  |
| MM\$           | one million dollars   |
| NGLs           | natural gas liquids   |
| WTI            | West Texas Intermediate crude oil that serves as the benchmark crude oil for the NYMEX crude oil contract delivered in Cushing, Oklahoma                                |

## FORWARD-LOOKING STATEMENTS

Certain statements contained within this Report constitute forward-looking statements. These statements relate to future events or future performance. 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", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. We believe the expectations reflected in these forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this Report should not be unduly relied upon. These statements speak only as of the date of this Report.

The actual results could differ materially from those anticipated in forward-looking statements as a result of certain risk factors, including those set forth below:

- volatility in market prices for oil, NGLs and natural gas;
- counterparty credit risk;
- changes or fluctuations in oil, NGLs and natural gas production levels;
- infrastructure or transportation constraints for oil, NGLs or natural gas;
- liabilities inherent in and as a result of oil and natural gas operations;
- adverse regulatory rulings, orders and decisions;
- attracting, retaining and motivating skilled personnel;
- uncertainties associated with estimating oil and natural gas reserves;
- fluctuations in foreign exchange or interest rates;
- actions by governmental or regulatory authorities including changes in royalty structures and programs and income tax laws or changes in tax laws and incentive programs relating to the oil and natural gas industry generally;
- limitations on insurance;
- changes in accounting policies and standards;
- changes in environmental or other legislation applicable to our operations including environmental laws and regulations associated with drilling and completion technologies, and our ability to comply with current and future environmental and other laws; and
- geological, technical, drilling and processing problems and other difficulties in producing oil, NGLs and natural gas reserves.

Statements relating to "reserves" or "resources" are by their nature deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions that the resources and reserves described can be profitably produced in the future.

## Reserves Information

The following table sets forth certain standard conversions between Standard Imperial Units and the International System of Units (or metric units).

| To Convert From | To           | Multiply By |
|-----------------|--------------|-------------|
| cubic meters    | cubic feet   | 35.315      |
| Mcf             | cubic meters | 28.174      |
| Bbl             | cubic meters | 0.159       |
| cubic meters    | Bbl          | 6.290       |
| Feet            | Meters       | 0.305       |
| Meters          | Feet         | 3.281       |
| Miles           | Kilometers   | 1.609       |
| Kilometers      | Miles        | 0.621       |
| Acres           | Hectares     | 0.405       |
| Hectares        | Acres        | 2.471       |

### Summary of Reserves

The following tables summarize, as at December 31, 2014, Sinopec Daylight's oil, natural gas liquids and natural gas reserves and the estimated net present values of future net cash revenues associated with such reserves, together with certain information, estimates and assumptions associated with such reserve estimates, as contained in the Sproule Report. The data contained in the tables set out below is a summary of the evaluations, and as a result, the numbers in the tables may not add due to rounding.

| Reserves                          | Light and Medium Oil |               | Heavy Oil       |               | Shale Oil       |               |
|-----------------------------------|----------------------|---------------|-----------------|---------------|-----------------|---------------|
|                                   | Gross<br>(MBbl)      | Net<br>(MBbl) | Gross<br>(MBbl) | Net<br>(MBbl) | Gross<br>(MBbl) | Net<br>(MBbl) |
| Proved                            |                      |               |                 |               |                 |               |
| Developed producing               | 12,828               | 10,648        | 92              | 84            | 21              | 20            |
| Developed non-producing           | 607                  | 494           | -               | -             | -               | -             |
| Undeveloped                       | 5,874                | 5,079         | -               | -             | -               | -             |
| Total Proved                      | 19,310               | 16,221        | 92              | 84            | 21              | 20            |
| Probable                          | 10,342               | 8,196         | 52              | 45            | 15              | 14            |
| <b>Total proved plus probable</b> | <b>29,651</b>        | <b>24,417</b> | <b>144</b>      | <b>129</b>    | <b>36</b>       | <b>34</b>     |

| Reserves                          | Natural Gas     |                | Coalbed Methane |               | Shale Gas       |               |
|-----------------------------------|-----------------|----------------|-----------------|---------------|-----------------|---------------|
|                                   | Gross<br>(MMcf) | Net<br>(MMcf)  | Gross<br>(MMcf) | Net<br>(MMcf) | Gross<br>(MMcf) | Net<br>(MMcf) |
| Proved                            |                 |                |                 |               |                 |               |
| Developed producing               | 193,454         | 174,807        | 318             | 304           | 1,157           | 1,045         |
| Developed non-producing           | 14,958          | 13,397         | 233             | 193           | 675             | 622           |
| Undeveloped                       | 306,415         | 285,110        | -               | -             | 3,401           | 3,033         |
| Total Proved                      | 514,828         | 473,314        | 551             | 497           | 5,233           | 4,700         |
| Probable                          | 484,363         | 436,087        | 102             | 95            | 12,045          | 10,794        |
| <b>Total proved plus probable</b> | <b>999,190</b>  | <b>909,401</b> | <b>653</b>      | <b>592</b>    | <b>17,278</b>   | <b>15,494</b> |

# Reserves Information

| Reserves                          | Natural Gas Liquids |               | Total           |                |
|-----------------------------------|---------------------|---------------|-----------------|----------------|
|                                   | Gross<br>(MBbl)     | Net<br>(MBbl) | Gross<br>(Mboe) | Net<br>(Mboe)  |
| Proved                            |                     |               |                 |                |
| Developed producing               | 9,415               | 6,876         | 54,844          | 46,987         |
| Developed non-producing           | 591                 | 445           | 3,842           | 3,308          |
| Undeveloped                       | 14,999              | 12,078        | 72,509          | 65,181         |
| <b>Total Proved</b>               | <b>25,005</b>       | <b>19,399</b> | <b>131,196</b>  | <b>115,475</b> |
| Probable                          | 23,411              | 16,990        | 116,572         | 99,742         |
| <b>Total proved plus probable</b> | <b>48,416</b>       | <b>36,389</b> | <b>247,767</b>  | <b>215,217</b> |

## Net Present Value of Future Net Revenue (before income taxes)

| (000s) discounted at              | 0%                 | 5%                 | 10%                | 15%                | 20%              |
|-----------------------------------|--------------------|--------------------|--------------------|--------------------|------------------|
| Proved                            |                    |                    |                    |                    |                  |
| Developed producing               | \$1,205,811        | \$955,286          | \$797,411          | \$688,439          | \$608,556        |
| Developed non-producing           | \$57,430           | \$45,482           | \$37,138           | \$31,002           | \$26,319         |
| Undeveloped                       | \$561,581          | \$216,723          | \$19,259           | (\$100,256)        | (\$175,308)      |
| <b>Total Proved</b>               | <b>\$1,824,823</b> | <b>\$1,217,492</b> | <b>\$853,807</b>   | <b>\$619,185</b>   | <b>\$459,567</b> |
| Probable                          | \$2,057,108        | \$1,136,377        | \$692,242          | \$442,816          | \$288,566        |
| <b>Total proved plus probable</b> | <b>\$3,881,931</b> | <b>\$2,353,869</b> | <b>\$1,546,049</b> | <b>\$1,062,001</b> | <b>\$748,132</b> |

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| (000s) discounted at              | 0%                 | 5%                 | 10%                | 15%              | 20%              |
|-----------------------------------|--------------------|--------------------|--------------------|------------------|------------------|
| Proved                            |                    |                    |                    |                  |                  |
| Developed producing               | \$1,205,811        | \$955,286          | \$797,411          | \$688,439        | \$608,556        |
| Developed non-producing           | \$57,430           | \$45,482           | \$37,138           | \$31,002         | \$26,319         |
| Undeveloped                       | \$561,581          | \$216,723          | \$19,259           | (\$100,256)      | (\$175,308)      |
| <b>Total Proved</b>               | <b>\$1,824,823</b> | <b>\$1,217,492</b> | <b>\$853,807</b>   | <b>\$619,185</b> | <b>\$459,567</b> |
| Probable                          | \$1,616,431        | \$916,693          | \$570,489          | \$370,359        | \$243,130        |
| <b>Total proved plus probable</b> | <b>\$3,441,254</b> | <b>\$2,134,186</b> | <b>\$1,424,297</b> | <b>\$989,544</b> | <b>\$702,697</b> |

## Future Net Revenue (undiscounted)

| (000s)                            | Revenue             |                    | Operating Development |                    | Abandonment and Reclamation Costs | Future Net Revenue Before Income Taxes | Future Income Taxes | Future Net Revenue After Income Taxes |
|-----------------------------------|---------------------|--------------------|-----------------------|--------------------|-----------------------------------|--|---------------------|---------------------------------------|
|                                   | Revenue             | Royalties          | Costs                 | Costs              |                                   |  |                     |                                       |
| Proved                            |                     |                    |                       |                    |                                   |  |                     |                                       |
| Developed producing               | \$2,797,040         | \$412,740          | \$1,178,281           | \$208              | \$0                               | \$1,205,811                            | \$0                 | \$1,205,811                           |
| Developed non-producing           | \$166,417           | \$24,437           | \$62,532              | \$22,018           | \$0                               | \$57,430                               | \$0                 | \$57,430                              |
| Undeveloped                       | \$3,421,305         | \$366,966          | \$1,272,350           | \$1,208,068        | \$12,340                          | \$561,581                              | \$0                 | \$561,581                             |
| <b>Total Proved</b>               | <b>\$6,384,762</b>  | <b>\$804,143</b>   | <b>\$2,513,162</b>    | <b>\$1,230,294</b> | <b>\$12,340</b>                   | <b>\$1,824,823</b>                     | <b>\$0</b>          | <b>\$1,824,823</b>                    |
| Probable                          | \$5,981,346         | \$916,402          | \$2,179,379           | \$817,875          | \$10,582                          | \$2,057,108                            | \$440,676           | \$1,616,431                           |
| <b>Total proved plus probable</b> | <b>\$12,366,108</b> | <b>\$1,720,545</b> | <b>\$4,692,542</b>    | <b>\$2,048,169</b> | <b>\$22,922</b>                   | <b>\$3,881,931</b>                     | <b>\$440,676</b>    | <b>\$3,441,254</b>                    |

# Reserves Information



## Future Net Revenue by Production Group (discounted at 10%)

|  | Future Net Revenue<br>before Income Taxes<br>(000s) | Unit Value <sup>(3)</sup><br>(\$/boe or \$/Mcf) |
|--|---|---|
| <b>Proved</b>                                    |   |   |
| Light and medium crude oil <sup>(1)</sup>        | \$442,478   | \$20.27   |
| Heavy oil <sup>(1)</sup>                         | \$1,396   | \$13.37   |
| Shale Oil  | \$720   | \$24.95   |
| Natural gas <sup>(2)</sup> (Non Assoc. & Assoc.) | \$438,702   | \$4.80  |
| Coalbed methane                                  | \$199   | \$2.40  |
| Shale Gas  | \$21,789  | \$10.38   |
| Other Revenue                                    | (\$51,477)  | N/A   |
| <b>Total Proved</b>                              | <b>\$853,807</b>                                    | <b>\$7.39</b>                                   |
| <b>Proved plus probable</b>                      |   |   |
| Light and medium crude oil <sup>(1)</sup>        | \$646,846   | \$19.80   |
| Heavy oil <sup>(1)</sup>                         | \$2,356   | \$12.65   |
| Shale Oil  | \$1,293   | \$26.89   |
| Natural gas <sup>(2)</sup> (Non Assoc. & Assoc.) | \$894,950   | \$5.10  |
| Coalbed methane                                  | \$265   | \$2.69  |
| Shale Gas  | \$45,318  | \$6.79  |
| Other Revenue                                    | (\$44,979)  | N/A   |
| <b>Total Proved plus probable</b>                | <b>\$1,546,049</b>                                  | <b>\$7.18</b>                                   |

(1) Including solution gas and other by-products

(2) Including by-products but excluding natural gas from oil wells

(3) Calculated using net oil or net gas reserves and forecast prices and cost assumptions

## Pricing Assumptions

The forecast cost and price assumptions include increases in wellhead selling prices and take into account inflation with respect to future operating and capital costs. The estimated future net revenue to be derived from the production of the reserves includes an inflation rate assumption of 1.5% per year together with the following price forecasts supplied by Sproule.

| Year                               | West Texas                              | Edmonton par             | Natural Gas              | Foreign                  |
|------------------------------------|---|--------------------------|--------------------------|--------------------------|
|                                    | Intermediate<br>Crude Oil<br>(\$US/Bbl) | Crude Oil<br>(\$Cdn/Bbl) | At AECO<br>(\$Cdn/MMbtu) | Exchange<br>(\$US/\$Cdn) |
| 2015                               | \$65.00                                 | \$70.35                  | \$3.32                   | \$0.850                  |
| 2016                               | \$80.00                                 | \$87.36                  | \$3.71                   | \$0.870                  |
| 2017                               | \$90.00                                 | \$98.28                  | \$3.90                   | \$0.870                  |
| 2018                               | \$91.35                                 | \$99.75                  | \$4.47                   | \$0.870                  |
| 2019                               | \$92.72                                 | \$101.25                 | \$5.05                   | \$0.870                  |
| 2020                               | \$94.11                                 | \$103.85                 | \$5.13                   | \$0.870                  |
| 2021                               | \$95.52                                 | \$105.40                 | \$5.22                   | \$0.870                  |
| 2022                               | \$96.96                                 | \$106.99                 | \$5.31                   | \$0.870                  |
| 2023                               | \$98.41                                 | \$108.59                 | \$5.40                   | \$0.870                  |
| 2024                               | \$99.89                                 | \$110.22                 | \$5.49                   | \$0.870                  |
| 2025 Escalation of 1.5% thereafter | \$101.38                                | \$111.87                 | \$5.58                   | \$0.870                  |

Weighted average historical prices realized by Sinopec Daylight for the year ended December 31, 2013 were \$4.63 per Mcf for natural gas, \$91.23 per Bbl for light oil and \$64.15 per Bbl for NGLs.

# Reserves Information



## Reserves Reconciliation

### Reconciliation of Gross Reserves

|                                  | Light and Medium Oil |                    |                                   | Heavy Oil        |                    |                                   |
|----------------------------------|----------------------|--------------------|-----------------------------------|------------------|--------------------|-----------------------------------|
|                                  | Proved<br>(MBbl)     | Probable<br>(MBbl) | Proved plus<br>Probable<br>(MBbl) | Proved<br>(MBbl) | Probable<br>(MBbl) | Proved plus<br>Probable<br>(MBbl) |
| <b>December 31, 2013</b>         | 24,141               | 16,937             | 41,078                            | 118              | 179                | 297                               |
| Extensions and improved recovery | 681                  | 177                | 857                               | -                | -                  | -                                 |
| Infill Drilling                  | 713                  | 151                | 864                               | -                | -                  | -                                 |
| Technical revisions              | (3,722)              | (6,711)            | (10,433)                          | 22               | (124)              | (101)                             |
| Discoveries                      | 123                  | 32                 | 154                               | -                | -                  | -                                 |
| Acquisitions                     | -                    | -                  | -                                 | -                | -                  | -                                 |
| Dispositions                     | -                    | -                  | -                                 | -                | -                  | -                                 |
| Expired Leases                   | -                    | (107)              | (107)                             | -                | -                  | -                                 |
| Economic factors                 | (37)                 | (137)              | (174)                             | (4)              | (3)                | (7)                               |
| Production                       | (2,589)              | -                  | (2,589)                           | (45)             | -                  | (45)                              |
| <b>December 31, 2014</b>         | <b>19,310</b>        | <b>10,342</b>      | <b>29,651</b>                     | <b>92</b>        | <b>52</b>          | <b>144</b>                        |

### Reconciliation of Gross Reserves

|                                  | Shale Oil        |                    |                                   | Natural Gas Liquids |                    |                                   |
|----------------------------------|------------------|--------------------|-----------------------------------|---------------------|--------------------|-----------------------------------|
|                                  | Proved<br>(MBbl) | Probable<br>(MBbl) | Proved plus<br>Probable<br>(MBbl) | Proved<br>(MBbl)    | Probable<br>(MBbl) | Proved plus<br>Probable<br>(MBbl) |
| <b>December 31, 2013</b>         | 33               | 21                 | 55                                | 22,654              | 17,098             | 39,752                            |
| Extensions and improved recovery | -                | -                  | -                                 | 964                 | 1,755              | 2,719                             |
| Infill Drilling                  | -                | -                  | -                                 | 1,112               | 3,730              | 4,842                             |
| Technical revisions              | 15               | (6)                | 10                                | 2,398               | 257                | 2,655                             |
| Discoveries                      | -                | -                  | -                                 | 609                 | 346                | 955                               |
| Acquisitions                     | -                | -                  | -                                 | -                   | -                  | -                                 |
| Dispositions                     | -                | -                  | -                                 | (22)                | (10)               | (32)                              |
| Expired Leases                   | -                | -                  | -                                 | -                   | (2)                | (2)                               |
| Economic factors                 | -                | -                  | -                                 | (291)               | 236                | (55)                              |
| Production                       | (28)             | -                  | (28)                              | (2,418)             | -                  | (2,418)                           |
| <b>December 31, 2014</b>         | <b>21</b>        | <b>15</b>          | <b>36</b>                         | <b>25,005</b>       | <b>23,411</b>      | <b>48,416</b>                     |

# Reserves Information



## Reconciliation of Gross Reserves

|                                  | Associated and Non-Associated Gas |                    |                                   | Shale Gas        |                    |                                   |
|----------------------------------|-----------------------------------|--------------------|-----------------------------------|------------------|--------------------|-----------------------------------|
|                                  | Proved<br>(MMcf)                  | Probable<br>(MMcf) | Proved plus<br>Probable<br>(MMcf) | Proved<br>(MMcf) | Probable<br>(MMcf) | Proved plus<br>Probable<br>(MMcf) |
| <b>December 31, 2013</b>         | 517,095                           | 460,629            | 977,724                           | 620              | 8,908              | 9,528                             |
| Extensions and improved recovery | 10,647                            | 15,996             | 26,643                            | 1,351            | 3,279              | 4,629                             |
| Infill Drilling                  | 10,946                            | 70,470             | 81,417                            | -                | -                  | -                                 |
| Technical revisions              | 34,073                            | (67,616)           | (33,543)                          | 2,144            | (1,112)            | 1,033                             |
| Discoveries                      | 4,179                             | 909                | 5,087                             | 1,369            | 978                | 2,347                             |
| Acquisitions                     | -                                 | -                  | -                                 | -                | -                  | -                                 |
| Dispositions                     | (855)                             | (341)              | (1,196)                           | -                | -                  | -                                 |
| Expired Leases                   | -                                 | (39)               | (39)                              | -                | -                  | -                                 |
| Economic factors                 | (6,342)                           | 4,354              | (1,989)                           | 8                | (8)                | -                                 |
| Production                       | (54,915)                          | -                  | (54,915)                          | (259)            | -                  | (259)                             |
| <b>December 31, 2014</b>         | <b>514,828</b>                    | <b>484,363</b>     | <b>999,190</b>                    | <b>5,233</b>     | <b>12,045</b>      | <b>17,278</b>                     |

## Reconciliation of Gross Reserves

|                                  | Coalbed Methane  |                    |                                   | Oil Equivalent   |                    |                                   |
|----------------------------------|------------------|--------------------|-----------------------------------|------------------|--------------------|-----------------------------------|
|                                  | Proved<br>(MMcf) | Probable<br>(MMcf) | Proved plus<br>Probable<br>(MMcf) | Proved<br>(Mboe) | Probable<br>(Mboe) | Proved plus<br>Probable<br>(Mboe) |
| <b>December 31, 2013</b>         | 1,441            | 1,279              | 2,720                             | 133,472          | 112,705            | 246,177                           |
| Extensions and improved recovery | -                | -                  | -                                 | 3,644            | 5,144              | 8,788                             |
| Infill Drilling                  | -                | -                  | -                                 | 3,649            | 15,626             | 19,275                            |
| Technical revisions              | (783)            | (1,164)            | (1,947)                           | 4,619            | (18,232)           | (13,613)                          |
| Discoveries                      | -                | -                  | -                                 | 1,656            | 692                | 2,349                             |
| Acquisitions                     | -                | -                  | -                                 | -                | -                  | -                                 |
| Dispositions                     | -                | -                  | -                                 | (165)            | (66)               | (231)                             |
| Expired Leases                   | -                | -                  | -                                 | -                | (115)              | (115)                             |
| Economic factors                 | (4)              | (14)               | (18)                              | (1,389)          | 818                | (571)                             |
| Production                       | (103)            | -                  | (103)                             | (14,292)         | -                  | (14,292)                          |
| <b>December 31, 2014</b>         | <b>551</b>       | <b>102</b>         | <b>653</b>                        | <b>131,196</b>   | <b>116,572</b>     | <b>247,767</b>                    |

## Additional Information Relating to Reserves Data

### Undeveloped Reserves

Undeveloped reserves are attributed by Sproule in accordance with standards and procedures contained in the COGE Handbook. Proved undeveloped reserves are those reserves that can be estimated with a high degree of certainty and are expected to be recovered from known accumulations where a significant expenditure is required to place them on production. Probable undeveloped reserves are those reserves that are less certain to be recovered than proved reserves and are expected to be recovered from known accumulations where a significant expenditure is required to place them on production.

Nearly all of our proved undeveloped reserves fall within the following categories:

- wells budgeted and scheduled to be drilled from 2015 to 2019;
- wells drilled which require completion or have been completed and require equipping and tie-in during 2015 or 2016; and
- secondary zones that will be completed for production once the primary zone is depleted.



## Reserves Information

We do not intend to carry proved undeveloped reserves for long periods of time unless there is a good reason not to produce these reserves in the short term. Where there is sufficient economic justification, we intend to take steps to accelerate and enhance production. These steps could involve dually completing and/or re-drilling to twin wells for secondary zones.

About 18% of our probable reserves are attributed to better performance of reserves from producing wells. The remaining 82% results from identified step-out drilling locations, recompletions of existing wells and tie-in of additional reserves. While these assets do not yet meet the required confidence factor for a booking in the proved category, they are anticipated to be developed in the near term.

For the year ended December 31, 2014, \$403 million was spent on capital expenditures including land and property acquisitions, net of dispositions. A portion of the 2015 development capital is planned to be used to convert proved undeveloped reserves and probable reserves into proved developed producing reserves. Allocating capital to properties and timing of development is based on the economics and performance of the respective properties.

We plan to continue pursuing development opportunities such as drilling, completions and facilities upgrades in order to convert proved undeveloped and probable reserves into proved developed producing reserves. In instances where land rights are expected to expire within one year, we may engage in farmout arrangements which would eliminate the potential expiry and possibly result in certain proved undeveloped and probable reserves becoming proved developed producing reserves.

There are a number of factors that could result in delayed or cancelled development, including the following: (i) changing economic conditions (due to pricing, operating and capital expenditure fluctuations); (ii) changing technical conditions (including production anomalies, such as water breakthrough or accelerated depletion); (iii) multi-zone developments (for instance, a prospective formation completion may be delayed until the initial completion is no longer economic); (iv) a larger development program may need to be spread out over several years to optimize capital allocation and facility utilization; and (v) surface access issues (including those relating to land owners, weather conditions and regulatory approvals).

### ***Proved Undeveloped Reserves***

The following table discloses, for each product type, the volumes of current proved undeveloped reserves that were first attributed in each of the most recent three financial years and, in the aggregate, before that time. In the following table, "First Attributed" refers to reserves first attributed at year-end of the corresponding fiscal year.

|      | Light and Medium Oil |          | Heavy Oil  |          | Shale Oil  |          |
|------|----------------------|----------|------------|----------|------------|----------|
|      | First                | Total at | First      | Total at | First      | Total at |
|      | Attributed           | Year-end | Attributed | Year-end | Attributed | Year-end |
|      | (MBbl)               | (MBbl)   | (MBbl)     | (MBbl)   | (MBbl)     | (MBbl)   |
| 2011 | 3,068                | 7,144    | -          | 83       | -          | -        |
| 2012 | 2,861                | 9,707    | -          | 72       | -          | -        |
| 2013 | 455                  | 8,215    | -          | -        | -          | -        |
| 2014 | 158                  | 5874     | -          | -        | -          | -        |

# Reserves Information



## Proved Undeveloped Reserves

|      | Assoc. and Non-Assoc. Gas  |                             | Shale Gas                  |                             | Natural Gas Liquids        |                             |
|------|----------------------------|-----------------------------|----------------------------|-----------------------------|----------------------------|-----------------------------|
|      | First Attributed<br>(MMcf) | Total at Year-end<br>(MMcf) | First Attributed<br>(MMcf) | Total at Year-end<br>(MMcf) | First Attributed<br>(MBbl) | Total at Year-end<br>(MBbl) |
| 2011 | 35,029                     | 138,001                     | -                          | -                           | 969                        | 3,157                       |
| 2012 | 22,360                     | 235,154                     | -                          | -                           | 1,170                      | 8,296                       |
| 2013 | 76,646                     | 304,769                     | -                          | -                           | 4,336                      | 13,578                      |
| 2014 | 4,322                      | 306,415                     | 1,351                      | 3,401                       | 997                        | 14,999                      |

## Proved Undeveloped Reserves

|      | Oil Equivalent             |                             |
|------|----------------------------|-----------------------------|
|      | First Attributed<br>(Mboe) | Total at Year-end<br>(Mboe) |
| 2011 | 9,875                      | 33,384                      |
| 2012 | 7,758                      | 57,267                      |
| 2013 | 17,555                     | 72,588                      |
| 2014 | 2,101                      | 72,509                      |

Approximately 75% of Sinopec Daylight's future capital associated with proved undeveloped reserves is scheduled for expenditure in 2015 and 2016. The major areas of development in 2015 and 2016 are the Brazeau and Wapiti properties. The proved undeveloped reserves scheduled for development in 2015 and 2016 represent 74% of the total proved undeveloped reserves. The remaining proved undeveloped capital and reserves are primarily associated with the Elsworth, Fox Creek (Duvernay), Tomahawk, Medicine Lodge, and Marlboro areas.

### Probable Undeveloped Reserves

The following table discloses, for each product type, the volumes of current probable undeveloped reserves that were first attributed in each of the most recent three financial years and, in the aggregate, before that time. In the following table, "First Attributed" refers to reserves first attributed at year-end of the corresponding fiscal year.

# Reserves Information

## Probable Undeveloped Reserves

|      | Light and Medium Oil |                    | Heavy Oil            |                    | Shale Oil            |                    |
|------|----------------------|--------------------|----------------------|--------------------|----------------------|--------------------|
|      | First                | Total at           | First                | Total at           | First                | Total at           |
|      | Attributed<br>(MBbl) | Year-end<br>(MBbl) | Attributed<br>(MBbl) | Year-end<br>(MBbl) | Attributed<br>(MBbl) | Year-end<br>(MBbl) |
| 2011 | 4,130                | 8,478              | -                    | 81                 | -                    | -                  |
| 2012 | 2,186                | 8,161              | -                    | 81                 | -                    | -                  |
| 2013 | 437                  | 8,097              | -                    | 95                 | -                    | -                  |
| 2014 | 44                   | 4,788              | -                    | -                  | -                    | -                  |

## Probable Undeveloped Reserves

|      | Assoc. and Non-Assoc. Gas |                    | Shale Gas            |                    | Natural Gas Liquids  |                    |
|------|---------------------------|--------------------|----------------------|--------------------|----------------------|--------------------|
|      | First                     | Total at           | First                | Total at           | First                | Total at           |
|      | Attributed<br>(MMcf)      | Year-end<br>(MMcf) | Attributed<br>(MMcf) | Year-end<br>(MMcf) | Attributed<br>(MBbl) | Year-end<br>(MBbl) |
| 2011 | 71,178                    | 288,042            | -                    | -                  | 2,744                | 6,820              |
| 2012 | 43,652                    | 342,364            | -                    | -                  | 1,536                | 8,980              |
| 2013 | 57,293                    | 367,468            | 8,415                | 8,415              | 2,630                | 12,808             |
| 2014 | 82,053                    | 395,068            | 3,279                | 10,661             | 5,123                | 19,398             |

## Probable Undeveloped Reserves

|      | Oil Equivalent       |                    |
|------|----------------------|--------------------|
|      | First                | Total at           |
|      | Attributed<br>(Mboe) | Year-end<br>(Mboe) |
| 2011 | 18,737               | 63,386             |
| 2012 | 10,997               | 74,283             |
| 2013 | 13,624               | 83,647             |
| 2014 | 19,389               | 91,808             |

Approximately 41% of Sinopec Daylight's future capital associated with probable undeveloped reserves is scheduled for expenditure in 2015 and 2016. The major areas of development in 2015 and 2016 are the Brazeau and Wapiti properties. The probable undeveloped reserves scheduled for development in 2015 and 2016 represent 48% of the total probable undeveloped reserves. The remaining probable undeveloped capital and reserves are primarily associated with the Elmworth, Fox Creek (Duvernay), Tomahawk, Medicine Lodge, and Marlboro areas.

### Significant Factors or Uncertainties Affecting Reserves Data

The process of evaluating reserves is inherently complex and such evaluations are estimates only. Our reserves have been evaluated by Sproule, an independent engineering firm. The reserve evaluation process 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 gas prices and costs change. The reserve estimates contained herein are based on current production forecasts, geological evaluation, engineering data, prices and economic conditions. These factors and assumptions include among others: (i) historical production in the area compared with production rates from analogous producing areas; (ii) initial production rates; (iii) production decline rates; (iv) ultimate recovery of reserves; (v) success of future

## Reserves Information

development activities; (vi) marketability of production; (vii) effects of government regulations; and (viii) other government levies imposed over the life of the reserves. As circumstances change and additional data becomes available, reserve estimates also change. Estimates are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, prices, economic conditions and governmental restrictions. Revisions to reserve estimates can arise from changes in year-end prices, reservoir performance and geologic conditions or production. These revisions can be either positive or negative. High operating costs substantially reduce our netback, which in turn reduces the amount of cash available for reinvestment in drilling opportunities. This becomes most relevant during periods of low commodity prices when profits are more significantly impacted by high costs.

Our oil and gas properties have no material extraordinary risks or uncertainties beyond those which are inherent in other oil and gas producing companies.

### **Future Development Costs**

The following table sets forth development costs deducted in the estimation of the future net revenue attributable to the reserve categories noted below.

| <b>Future Development Costs (undiscounted)</b> | <b>Proved Plus<br/>Probable<br/>Reserves</b> | <b>Proved Plus<br/>Probable<br/>Reserves</b> |
|--|--|--|
| <i>(000s)</i>                                  | <b>Proved<br/>Reserves</b>                   | <b>Proved Plus<br/>Probable<br/>Reserves</b> |
| 2015   | \$137,461                                    | \$332,944                                    |
| 2016   | \$781,516                                    | \$922,103                                    |
| 2017   | \$225,667                                    | \$490,565                                    |
| 2018   | \$37,869                                     | \$219,800                                    |
| 2019   | \$47,217                                     | \$80,317                                     |
| Remaining                                      | \$563  | \$2,439                                      |
| <b>Total</b>                                   | <b>\$1,230,294</b>                           | <b>\$2,048,169</b>                           |

Future development costs are capital expenditures required in the future for us to convert proved non-producing reserves and probable reserves into proved developed producing reserves. We anticipate using a combination of internally generated cash provided by operating activities, and, as required, financing from Sinopec International Petroleum Exploration and Production Corporation ("SIPC") and external sources to fund these future development costs. Sinopec Daylight has the support of its operating parent, SIPC, which provides financial support as required. Based on the commodity price and cost assumptions adopted for the forecast prices and costs case, all the expenditures included in the future development costs are economic as they enhance the net present values of the proved developed producing reserves.

The interest or other costs of external funding are not included in the reserves and future net revenue estimates set forth herein and would reduce reserves and future net revenue to some degree depending upon the funding sources utilized. We do not anticipate that interest or other funding costs would make development of any of these properties uneconomic.

## Other Oil and Natural Gas Information

### Overview

Our operational strategies and activities are directed toward maximizing value over the long-term. We intend to utilize our extensive operating experience and employ prudent oil and natural gas business practices to increase value through development and optimization activities on both existing and acquired oil and natural gas properties. We expect to achieve this value creation through an active development program directed towards lower risk development, continuous optimization of our assets and active management of risk.

Optimization of our assets will take the form of debottlenecking, compression, installation or enhancement of artificial lift, water injection, fluid handling and fluid processing, facility optimization, and other activities. These activities are usually smaller projects with attractive rates of return given the limited capital investment required and rapid payback. We expect to use a variety of technical and operating experts, both internal and external, to achieve these results.

We currently focus our development activities in the Western Canadian Sedimentary Basin. Our development activities are expected to be funded by internally generated cash provided by operating activities, intercompany financing and external sources. We do not anticipate that the costs of funding these development activities will have a material effect on our disclosed oil and gas reserves or future net revenue attributable to those reserves.

### Description of Principal Oil and Natural Gas Properties

The following is a description of the principal oil and natural gas properties in which we have an interest. Unless otherwise specified, production estimates, gross and net acres and well count information are as at December 31, 2014. Reserve amounts are stated, before deduction of royalties as at December 31, 2014, based on forecast cost and price assumptions as evaluated in the Sproule Report. **The 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.**

#### *Greater Pembina Area*

The Greater Pembina area consists of Sinopec Daylight's Brazeau and Warburg properties. The Brazeau property is located approximately 145 kilometers southwest of Edmonton, Alberta near the community of Drayton Valley. Sinopec Daylight operates two significant facilities for the processing of sour oil and the compression of sour gas in the Brazeau area. The sour gas is shipped for final processing at four third-party midstream plants located in the neighboring Brazeau River and West Pembina areas. The majority of reserves are associated with the Cardium and Rock Creek formations with additional reserves assigned to the Nisku, Ellerslie and Notikewan zones. Development of the Cardium and Rock Creek zones with horizontal wells occurred during 2014 and is expected to continue in 2015. Proved plus probable reserves in the Sproule Report total 38.5 MMboe for our interests in this area at year end 2014.

The Warburg properties are located to the east of the Brazeau property, approximately 30 kilometers east of Drayton Valley. The Warburg area contains five significant sub-properties: Easyford, Tomahawk, Warburg, Chip Lake and Caroline and a number of minor properties. Sinopec Daylight operates two significant facilities for the processing of sour oil and the compression of sour gas and a number of sweet oil facilities in the Warburg area. The sour gas is shipped for final processing at two third-party midstream plants located in the neighboring Bigoray and Minnehik-Buck Lake areas. The majority of reserves are associated with the Cardium, Nisku, and Belly River formations with additional reserves assigned to the Ellerslie and various other cretaceous zones. Development of the Cardium zone with horizontal wells occurred during 2014 and is expected to continue in 2015. Proved plus probable reserves in the Sproule Report total 19.3 MMboe for our interests in this area at year end 2014.

## Other Oil and Natural Gas Information

### Deep Basin Area

The Deep Basin area consists of Sinopec Daylight's Peace River Arch ("PRA") and "Value Optimization" properties. The PRA properties are located in proximity to the City of Grande Prairie, in northwest Alberta. The PRA area contains three significant sub-properties: Elmworth, Wapiti, and Karr and a number of minor properties. In Elmworth, reserves are developed with both vertical and horizontal gas wells and production is commingled from the Cadotte, Falher, Bluesky, Gething, Cadomin, and Nikanassin formations. In Wapiti, development and production is primarily from the Montney formation, which is being developed with horizontal wells. Sinopec Daylight has identified numerous additional Montney, Cadomin and Nikanassin horizontal well opportunities in the PRA area. Sproule has assigned total proved plus probable reserves of 160.1 MMboe to our interest in this area at year end 2014.

The Value Optimization (Value Opt.) properties are primarily located approximately 230 kilometers northwest of Edmonton, Alberta. The West Central area contains six significant sub-properties: Obed, Pine Creek, Marlboro, Medicine Lodge, Kaybob, and Cecil and a number of minor properties. Historically, the major producing formations in the West Central area were the prolific gas-charged Wabamun and Leduc reservoirs. In recent years, attention has focused on the shallower Notikewin, Bluesky, Gething and Wilrich zones. During 2014, development of the Bluesky and Wilrich zones with multi-staged stimulated horizontal wells was undertaken with strong results. During 2015, horizontal well development of the Bluesky and Wilrich formations is expected to continue. Sproule has assigned total proved plus probable reserves of 29.8 MMboe to our interests in this area at year end 2014.

### Oil and Natural Gas Wells

The following table sets forth the number and status of wells in which we had a working interest as at December 31, 2014. Although many wells produce both oil and natural gas, a well is categorized as an oil well or a natural gas well based upon the proportion of oil or natural gas production that constitutes the majority of production from that well.

|                  | Number and Status of Wells        |            |                                       |            |                                   |            |                                       |            |
|------------------|-----------------------------------|------------|---------------------------------------|------------|-----------------------------------|------------|---------------------------------------|------------|
|                  | Oil Wells                         |            |                                       |            | Natural Gas Wells                 |            |                                       |            |
|                  | Producing<br>Gross <sup>(1)</sup> | Net        | Non-Producing<br>Gross <sup>(1)</sup> | Net        | Producing<br>Gross <sup>(1)</sup> | Net        | Non-Producing<br>Gross <sup>(1)</sup> | Net        |
| Alberta          | 507                               | 398        | 238                                   | 187        | 713                               | 342        | 228                                   | 142        |
| British Columbia | 44                                | 4          | 34                                    | 5          | 763                               | 108        | 159                                   | 19         |
| Saskatchewan     | 1                                 | 1          | 0                                     | 0          | 0                                 | 0          | 0                                     | 0          |
| <b>Total</b>     | <b>552</b>                        | <b>403</b> | <b>272</b>                            | <b>192</b> | <b>1,476</b>                      | <b>451</b> | <b>387</b>                            | <b>162</b> |

(1) Gross wells include unit wells

### Properties with no Attributed Reserves

The following table sets out our undeveloped land holdings as at December 31, 2014. Our undeveloped land holdings have no reserves attributed to them.

| Undeveloped Land Holdings | Undeveloped Acres |                |
|---------------------------|-------------------|----------------|
|                           | Gross             | Net            |
| Alberta                   | 968,509           | 817,572        |
| British Columbia          | 65,555            | 43,307         |
| Saskatchewan              | 14,723            | 7,362          |
| <b>Total</b>              | <b>1,048,786</b>  | <b>868,241</b> |

We expect that rights to explore, develop and exploit 66,064 net acres of our undeveloped land holdings will be subject to potential expiry within one year. We have no material work commitments on such properties. Where we determine appropriate, we may continue expiring leases by either making the necessary applications to extend or by performing the necessary work. Sinopec Daylight calculates gross undeveloped

## Other Oil and Natural Gas Information

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acres by including undrilled spacing units in each lease or license where we have a working interest. The net undeveloped acreage is calculated by multiplying the gross acreage by our working interest percentage.

There are several economic factors and significant uncertainties that affect the anticipated development of Sinopec Daylight's properties with no attributed reserves. Sinopec Daylight will be required to make substantial capital expenditures in order to prove, exploit, develop and produce oil and natural gas from these properties in the future.