

Rocksource ASA

Annual Statement of Reserves 2010

Classification of Reserves and Contingent Resources

The volumes reported in this document include both reserves and contingent resources classified in accordance with the SPE PRMS guidelines. The use of this system is approved by the Oslo Stock Exchange as stated in the Circular 9/2009 “Listing and disclosure requirements for oil and natural gas companies”.

All reserves are held by the Rocksource Group through its US subsidiaries Rocksource Energy Corporation and Sandhawk Energy LLC, both registered in Texas, USA. Rocksource Group owns a 91-100% Working Interest in the Morian NW, Morian NE, Morian SE, Drews Landing (Morian/Drews Landing), New Ace and Edny Duke fields described below, and has 63 – 75% Net Revenue Interest in any production from these fields. Most contingent resources are held by the Rocksource Group through its US subsidiary, Rocksource Gulf of Mexico Corporation. The exception to this is the Mulle discovery in UK licence P1067, which is held by Rocksource UK Ltd. All quoted volumes is the Rocksource Group share of the Net Revenue Interest and does not include royalty volumes belonging to the mineral lease owners.

The reporting date is 31 December 2010. Due to continued low gas prices, no new wells have been drilled in the fields during 2010. Our focus for 2010 has been to limit the production decline from existing wells.

Production rates were as predicted through the year, starting at just under 1 000 barrels of oil equivalent per day (boepd) at year end 2009 with an exit rate of 550 boepd at 31 December 2010. The daily average through the year was 692 boepd. The total net production for the year was 0.3 million barrels of oil equivalent (mboe), including fuel and losses.

The total reserve volume has declined from the 2009 report due partially to production and also as a consequence of low gas prices making proposed work-over and drilling activities sub commercial. In addition the productivity in lower Wilcox has shown to be poorer than expected.

Reserves and Resources at 31 December 2010 are summarised in Table 1 and the Reserves Development in Table 2.

Reserves

New Ace and Morian / Drews Landing Fields.

These lie within San Jacinto and Polk Counties Texas. The fields include multiple pay zones within the Wilcox Formation. At the end of 2009 the fields were estimated to contain 0.56 mboe classified as P50 developed reserves (2P-D) and 0.82 mboe classified as P50 undeveloped reserves (2P-UD), producing a total of 1.38 mboe of proven reserves.

The current estimates are 0.52 mboe 2P-D and 0.20 mboe 2P-UD producing a total of 0.72 mboe of proven reserves. The reduction in proven reserves are partly due to production (0.3 mboe) and partly due to reduced behind pipe reserves as a consequence of continued low gas prices.

Migration of reserves and resources

The reduction in reserves is a consequence of produced gas and a transfer of some of the P2 reserves to contingent resources due to low gas prices.

Definition of Reserves

Our evaluation of reserves is done in accordance to SPE PRMS and reserves are reported as Proven Developed and Proven Undeveloped.

3rd Party Expert Audit

Rocksource commissioned W.D.Von Gonten & Co to prepare the 2010 reserve estimates. "W.D.Von Gonten & Co" is a well recognised Houston based Petroleum Engineering company established in 1995.

Management Discussion and Analysis

With continued low gas prices, 2010 was a challenging year for the onshore production part of Rocksource. Due to low prices, some of the work that was required to achieve the undeveloped reserves reported in 2009 was halted, which has led to the reduction in undeveloped reserves. Developed reserves have increased by 0.26 mmbob due to revised estimates based on production performance through 2010.

In the US Gulf of Mexico (GoM), last year's focus and strategy was affected by the Macondo accident. However, Rocksource has continued to mature the GoM prospects further toward internal drill or drop decisions.

The Trident discovery (Blocks AC 903, 904 and 947) has been further matured toward a concept selection stage and both internal and external subsurface work and development studies have been completed. The estimated net resources at Trident is 100 mmbob, which is included here as a contingent resource.

Other contingent resources include discoveries in Gulf of Mexico licenses EB 300, EB 475, P1067 (Mulle) in the UK North Sea.

Evaluation of reserves was performed by W.D.Von Gonten & Co. Input to 3rd party reserve estimate was prepared by staff of Rocksource's subsidiaries who operate the field. Standard geological and engineering techniques accepted by the petroleum industry are used in estimating reserves and resources. These techniques rely on scientific interpretation and judgment and as such are only estimates, not exact quantities. It should be recognised that as such, reserves and resources may increase or decrease as more data become available or as interpretations and regulations change.

Economic calculations are based on Nymex future price per January 2011 and a conversion factor of 1bob = 5.6 mcf has been used where appropriate.

Oslo 15.4.2011
Rocksource ASA

Trygve Pedersen
CEO

Reserves										
Developed assets										
As of 31.12.2010	1P / P90					2P / P50				
	Liquids	Gas		Interest	Net	Liquids	Gas		Interest	Net
Field	mmbbl	bcf	mmboe	%	mmboe	mmbbl	bcf	mmboe	%	mmboe
New Ace	0.01	0.06	0.02	70.00	0.01	0.02	0.12	0.04	70.00	0.03
Morian/DL field	0.04	1.62	0.33	75.00	0.25	0.08	3.24	0.65	75.00	0.49
Total					0.26					0.52
Under development										
As of 31.12.2010	1P / P90					2P / P50				
	Liquids	Gas		Interest	Net	Liquids	Gas		Interest	Net
Field	mmbbl	bcf	mmboe	%	mmboe	mmbbl	bcf	mmboe	%	mmboe
New Ace	0.01	0.54	0.11	70.00	0.08	0.03	1.08	0.22	70.00	0.15
Morian/DL field	0.00	0.00	0.00	75.00	0.00	0.01	0.34	0.07	75.00	0.05
Total					0.08					0.20

Table 1. Reserves summary 31.12.2010

	Reserves Development					
	Developed assets		Under development		Total Reserves	
	1P / P90	2P / P50	1P / P90	2P / P50	1P / P90	2P / P50
	mmboe	mmboe	mmboe	mmboe	mmboe	mmboe
Reserves pr. 31.12.2009	0.45	0.56	0.49	0.82	0.92	1.38
2010 Production		-0.30				-0.30
Revision of reserves	-0.19	0.26	-0.41	-0.62	-0.58	-0.36
Reserves pr. 31.12.2010	0.26	0.52	0.08	0.20	0.34	0.72

Table 2. Reserves Development 2009-2010