

Rocksource Group Annual Statement of Reserves 2007

Classification of Reserves and Contingent Resources

The volumes reported in this document include both reserves and contingent resources classified in accordance with the SPE/AAPG/WPG guidelines. The use of this system is approved by the Oslo Stock Exchange as stated in the Circular 2/2007 “Guidelines for the disclosure of hydrocarbon reserves, contingent resources and results from exploration”. Rocksource also reports reserves locally in the US using the SEC scheme.

All reserves and contingent resources are held by 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 New Ace, Drews Landing and Edny Duke fields described below, and has 63 – 75% Net Revenue Interest in any production from these fields. All quoted volumes are 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 31st December 2007. Rocksource conducted two drilling campaigns between late 2006 and early 2008. A total of nine wells were drilled which tested multiple stratigraphic intervals in a series of fault blocks, primarily in the newly discovered Drews Landing Field with one penetration in the New Ace Field. All of these wells have been completed and are currently producing. Production and reserves updates have been issued through regular stock exchange notices through the year (see www.rocksource.com for more information). Production rates increased significantly from <100 boepd at year end 2006 to just under 2000 boepd by 31st December 2007. Total net production through the year was 239,274 boe net to Rocksource.

Reserves and Resources at 31st December 2007 are summarized in Table 1.

Reserves

Rocksource, through its US subsidiaries owns and operates the New Ace and Drews Landing Fields in Texas. The New Ace Field was originally discovered in 1948 and has been through several life cycles, it is now considered to be in late stage decline. Both oil and gas are produced from numerous intervals, all of which lie within the prolific, Eocene aged, Wilcox Fm. The Drews Landing Field lies to the north of New Ace and occupies the same stratigraphic interval. Drews Landing was discovered in the 1980’s and was original considered to be part of the New Ace Field. Recent seismic mapping has revealed that it’s a separate structure.

At the end of 2007 New Ace contained 1P of 0.33 mmmboe, down from 0.37 mmmboe reported in 2006, which reflects the produced volumes. Drilling of the West 9A well (completed early 2008) has highlighted significant undrained volumes which has increased the 2P from 0.27 mmmboe to 0.932 mmmboe.

Significant volumes have been added through the drilling of wells in Drews Landing. The 1P volumes have increased from 0.09 to 2.4 mmboe. The 2P volumes have decreased from 1.6 mmboe to 1.19 as more of the inplace volumes have been accessed. The total 1P+2P has increased to 4.85 mmboe.

Contingent Resources

Contingent Resources include volumes of gas that occur in the low permeability intervals in the Lower Wilcox in New Ace and Drews Landing; bypassed oil in the upper part of New Ace and undeveloped resources in Edny Duke. This are subdivided as follows: Lower Wilcox in New Ace, 3.0 mmboe; Lower Wilcox in Drews Landing, 2.1 mmboe; bypassed oil in New Ace, 1.7 mmboe and undeveloped resources in Edny Duke 1.3 mmboe. The P50 for the Contingent Resources is 8.1 mmboe. This is an increase from 3.7 mmboe as of December 31st 2006. Key uncertainty is the producibility of the lower Wilcox intervals and the timing of the redevelopments of New Ace and Edny Duke. A pilot water flood study is planned to assess the accessibility of the oil in New Ace. All field are situated in the centre of infra-structure, including a new gathering station built by Rocksource in 2007. Therefore there is no perceived infra-structure problems associated with the redevelopments. Once drilled and tested wells can be hooked up to production facilities within a matter of weeks.

Migration of reserves and resources

The addition of reserves and resources is a direct consequence of the wells drilled by Rocksource during 2 drilling campaigns in 2007. Much of the contingent resource described in Drews Landing in 2006 has now been converted to reserves. Additional resources have been added by mapping of the larger volumes in the lower Wilcox, the recognition of a bypassed oil zone in New Ace and the remapping of Edny Duke with new seismic data. Wells are being planned for 2008 to convert these to reserves.

Management Discussion and Analysis

Evaluation of reserves was performed internally by Rocksource's staff. Input has also come from staff of Rocksource's subsidiaries who operate the field. The results of this analysis are consistent with an audit carried out by a US based consultant, although that consultant was following SEC rather than SPE guidelines.

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 recognized 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 80 USD per barrel/7.5 USD per mcf and a conversion factor of 1boe = 5.6 mcf has been used where appropriate.

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