



CESSFORD, ALBERTA ASSET DISPOSITION



INTRODUCTION



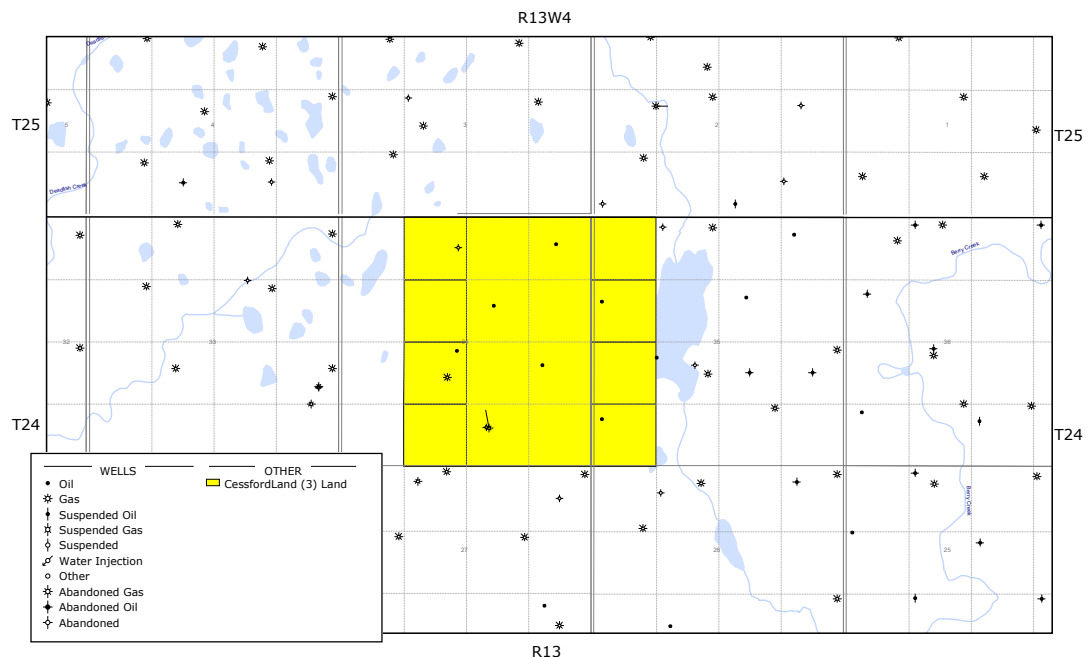
Convega Energy Ltd. wishes to sell 100% operated working interest in its Cessford property. Cessford is located approximately 200 km east of Calgary, Alberta. The property consists of 640 acres with rights from surface to base Mannville excl. NG in the Colorado and Blairmore Formations. There are seven wells on the property four of which produce 20 bopd of 30 degree API oil and 80 mcf/d solution gas from the Mannville Formation. The wells produce at a 1% watercut.

In May of 2015, Convega as operator of a lower Mannville oil pool in sections 34 and 35-024-13 W4 in the Cessford field, submitted an application to have the pool designated as a separate pool from the current Cessford Commingled Pool 002. The application was approved.

The LLR asset value is \$1,085,283 with an LLR liability value of \$437,451. Property LLR ratio 2.48.

HIGHLIGHTS

- » 100% working interest in the Cessford Mannville T13T pool, Crown P&NG rights, no overrides.
- » 7 wells total, 4 producing, 1 reactivation potential, 1 water injection potential, 1 water source potential.
- » All wells flow-lined to a proration battery on LSD 8-34-24-13 W4. Battery equipped with 1000 bbl oil sales tank, 1000 bbl emulsion tank, 400 bbl water tank, treater, group separator and test separator. 3 producing wells equipped with casing gas compressors.
- » Solution gas gathered to CNRL Cessford 2-8-24-12 W4 processing facility through new tie-in at LSD 7-26-24-13 W4.
- » Recent toluene/dispersant squeezes on the 8-34, 10-34 & 12-35 wells.
- » Recent overhauls on two casing gas compressors and two pump motors.
- » Clean oil sold to Trafigura through IPL Hamilton Lake pipeline at Throne Truck Terminal.
- » 6 un-booked drilling locations on 16 Ha spacing.





Land Schedule

Agreement #	Location	Rights	% WI	Burdens
Crown 049012A253	24-13W4 E34 24-13W4, LSD 3,6,11,14 Sec. 34	All P&NG to base Mannville excl. NG in Colorado & Blairmore	100	Crown SS

Well List

Location	Status	Pool Name	Oil Curr (BBLD)	Gas Curr (MCFD)	Oil Cum (MMBL)	Gas Cum (MMCF)
02/06-34-024-13W4/00	SUSPENDED OIL	Glauconite	0	0.8	40.4	65.8
00/08-34-024-13W4/00	PUMP CR OIL	MANNVILLE T13T	5	46.7	114.6	1570.9
00/10-34-024-13W4/00	PUMP CR OIL	MANNVILLE T13T	4.9	23.6	130.8	732.3
00/16-34-024-13W4/00	SUSPENDED OIL	MANNVILLE T13T			45.8	284.7
00/04-35-024-13W4/00	PUMP CR OIL	MANNVILLE T13T	0.3	5.3	40.3	201.4
03/06-35-024-13W4/00	SUSPENDED OIL	MANNVILLE T13T			22.8	76.1
00/12-35-024-13W4/00	PUMP CR OIL	MANNVILLE T13T	6.5	21.8	123.9	603.2

Original oil in place of 5,280 mstb, 518 mstb primary production to date (10 % current recovery). 107 mstb remaining oil reserves on primary recovery, 390 mstb waterflood recoverable reserves (conservative).

Reserves Evaluation

	OIL (mstb)	GAS (mmcf)	Discounted Cash Flow \$M		
			10%	15%	20%
Proved Producing	107	225	\$2,814	\$2,230	\$1,836
Probable Waterflood	390	19.5	\$10,771	\$8,165	\$6,331

In-house evaluation using Sproule pricing



Geological & Reservoir Discussion

This Cessford area oil pool was on production in 1990 and is developed with 7 producing wells. There are currently 4 active oil wells producing at a combined rate of 4.0 m³/day oil, 3.1 10³m³/day gas and 0.04 m³/day water. From structure and net pay mapping, a volumetric initial oil in place of 907,000 m³ was established. Material balance reserves calculated at the current reservoir pressure indicate initial oil in place of 839,000 m³. The material balance reserves conservatively support the volumetric estimate for the pool.

The pool drive is solution gas, ultimate primary production of the 876 kg/m³ density oil is estimated from decline analysis at 96,935 m³ or 12% of the original oil in place. This would be an average primary recovery for a solution gas drive pool.

Pool History

Production from this pool began in June 1990 with the drilling and completion of the well 100/08-34-024-13 W4, over the following two year period six additional wells 100/16-34, 102/06-34, 100/04-35, 100/12-35, 100/10-34 and 103/06-35-024-13 W4 were drilled, completed and placed on production. Peak production from this pool reached 45.0 m³/day oil, 32.0 10³m³/day gas and 0.3 m³/day water in early 1992.

There is a central oil proration battery located on lsd 08-34 and the producing wells are flowlined to this facility. Each well is tested weekly, clean crude oil is trucked to pipeline, gas is gathered and processed at the Conoco Cessford 02-08-024-12 W4 facility and all produced water is trucked for disposal.

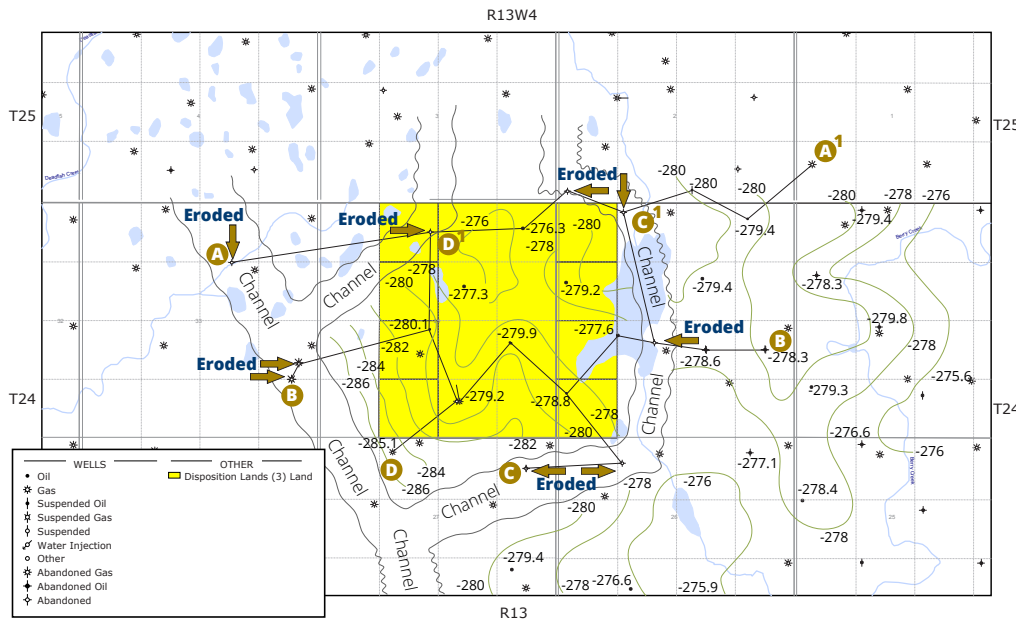
Geological Description

Sandstone 100%, fine to medium grain, moderately well sorted, well rounded to sub-angular, loose silica cemented quartz grains, clear to opaque. Porosity to 24%. Medium brown oil stain, bright yellow fluorescence, instant yellow streaming cut. Lamina of bitumen near bottom of sandstone (1m). Trace of Glauconite.

Net Pay:	9 feet
Average Permeability (horiz.):	147 md
Average Permeability (vert.):	32 md
Average Porosity:	23 percent
Average Oil Saturation:	15 percent
Average Water Saturation:	17 percent



With reference to the enclosed structural and net oil pay map the oil trap is a stratigraphic type with evidence of non-deposition of the sand to all quadrants. The reservoir is overall structurally flat with a slight dip to the south-southeast.



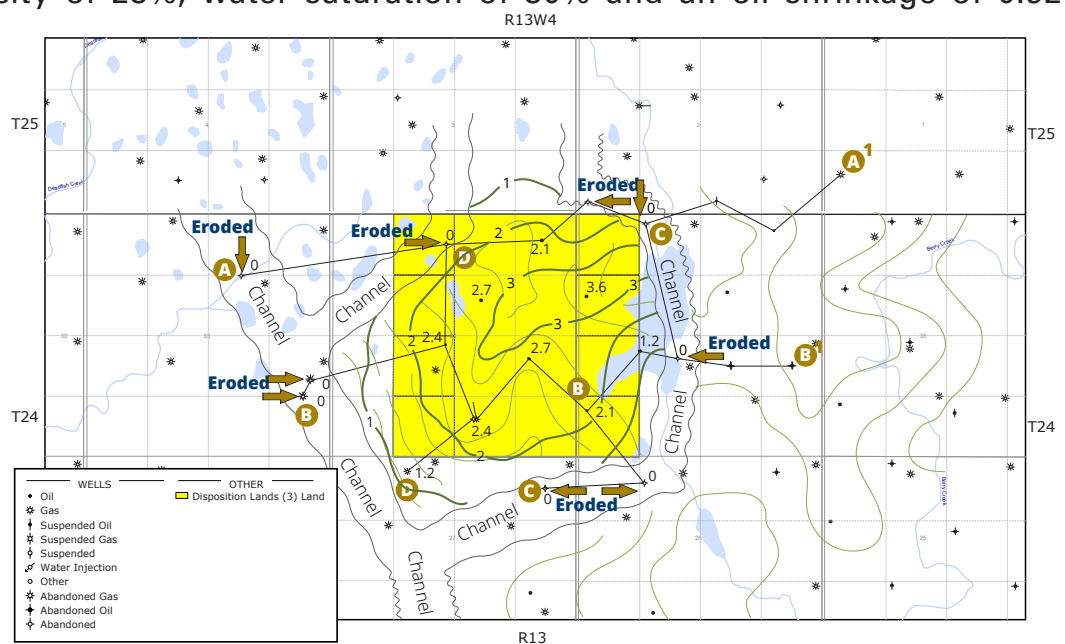
*Structure Contour Map:
Top Lower Glauconite Sandstone
Contour Interval: 2 Metres*

Reservoir Description

From open-hole log evaluation net oil pay was determined using cut-off values of 15% density log porosity and a 50% log derived water saturation and ranges from 1.2 meter to 3.6 meters. From these cut-offs the net oil pay map was constructed.

The net oil pay map was planimetered and a reservoir volume of 659.6 Ha-m. was determined. Using an average porosity of 23%, water saturation of 30% and an oil shrinkage of 0.92 the volumetric initial oil in place calculated;
Volumetric Initial Oil in Place: 907,000 m³

*Net Oil Pay Map:
Lower Glauconite Sandstone
Contour Interval: 1 Metre*



EQUIPMENT LIST



WELL	
102/06-34-024-13 W4	Wellhead only, no tubing. 88.9mm steel flowline to battery (8300 kPa WP).
100/08-34-024-13 W4	Pumping wellhead. 73.03 mm tubing, 19.1mm sucker rods, 31.75mm insert pump Lufkin 114-64 pumpjack, Arrow C-46 gas engine 88.9mm steel flowline to battery (8300 kPa WP)
100/10-34-024-13 W4	Pumping wellhead 73.03 mm tubing, 19.1mm sucker rods, 31.75mm insert pump Lufkin 114-64 pumpjack, Lister HG2 gas engine 88.9mm steel flowline to battery (8300 kPa WP)
100/16-34-024-13 W4	Wellhead only, 73.03mm tubing 88.9mm steel flowline to battery (8300 kPa WP)
100/04-35-024-13 W4	Pumping wellhead 73.03 mm tubing, 19.1mm sucker rods, 31.75mm insert pump Lufkin 114-64 pumpjack, Arrow C-46 gas engine 88.9mm steel flowline to battery (8300 kPa WP)
103/06-35-024-13 W4	Wellhead only, no tubing 88.9mm steel flowline to battery (8300 kPa WP)
100/12-35-024-13 W4	Pumping wellhead 73.03 mm tubing, 19.1mm sucker rods, 31.75mm insert pump Lufkin 114-64 pumpjack, Arrow C-66 gas engine 88.9mm steel flowline to battery (8300 kPa WP)

BATTERY	
08-34-024-13 W4	<p>Natco 8' x 24' 50 psi Vertical Treater 20" x 7'-6" Group Separator 16" x 6' Test Separator 8 well header Oil recycle Pump Gas metering on group separator, test separator and treater</p> <p>750 Bbl Storage tank (not in use) 1000 Bbl Clean Oil Tank 1000 Bbl Emulsion Tank 400 Bbl Insulated/heated Produced Water Tank 100 Bbl Treater Pop Tank</p> <p>Solution Sales Gas Metering 88.9mm steel pipeline for solution gas to LSD 07-26-024-13W4 (tie-in to CNRL Cessford gas processing facility)</p>