

SCHEDULE 'C'

(For the Six Months ended June 30, 2003)

MANAGEMENT DISCUSSION AND ANALYSIS

Summary of Q2 2003 Operating Results

	Q2 2003	Q2 2002
Petroleum and natural gas revenue	\$303,089	\$193,661
Net income (loss)	\$3,301	\$(46,725)
Net income per common share	\$0.00	\$(0.01)
Natural gas selling price (\$/mcf)	\$6.63	\$4.19
Production (BOE/d)	90	105

Petroleum and natural gas sales was \$303,089 for the second quarter of 2003 compared to \$193,661 during the comparable period of 2002. The average daily production was 90 BOE/day for the quarter (105 BOE/day in the 2002 period). General and Administrative expenditures for the quarter were \$165,434 compared to \$193,661 for the same period in 2002.

Commodity Prices

Natural gas prices in the second quarter of 2003 were significantly higher than the prices in the same quarter last year. Higher prices in the second quarter were the result of higher than normal demand for storage injections.

Q2 2003 Highlights

For the three months ending June 30, 2003 the highlights are as follows:

- Appointed Gibson C. Scott as a member of the Board of Directors. Mr. Scott has an impressive track record with more than 29 years of global industry experience with Sperry-Sun Drilling Services.
- Completed Private Placement financing of 500,000 common shares at a price of \$0.25 per share, for aggregate consideration of \$125,000.
- Completed related-party acquisition of 40 oil-producing wells located in South Texas. The wells are targeted to be used for LDD test-bed activities.
- Seismic currently being processed and evaluated on company lands in East Central Alberta.
- Engaged Union Securities Ltd. to assist the Company in its financing activities through the end of this current year.

Research and Development efforts continue to increase as we strive to commercialize our down-hole tool set.

Our E&P efforts will continue to focus on the low-risk, solid-return fundamentals that shape our business model. With the anticipated development funding in place by year-end, we expect greater production growth by the 1st quarter of 2004.

On behalf of the Board of Directors

Shelby D. Beattie
President