

RESERVES COMMITTEE

The Reserves Committee is responsible for:

- reviewing and recommending to the Board the approval of annual and periodic reserves evaluations, the related disclosure to the public and regulatory authorities and the engagement of the PEI's Reserves Evaluator;
- annually reviewing the Reserves Committee mandate and recommending any changes to the Compensation and Corporate Governance Committee;
- supplying for the purposes of this Manual, in consultation with corporate counsel, a list of the laws, rules and regulations that pertain to the operation of the Committee;
- communicating directly with the Reserves Evaluator;
- reviewing programs and policies regarding the effectiveness of internal control over the Corporation's in-house staff, estimated future net revenues, future development costs and timing, remaining tax pools and price and cost estimates used; and,
- liaising with the Audit Committee on matters relating to reserve valuations which impact the financial statements.

Purpose

The Reserves Committee's purpose is to provide assistance to the Board with respect to PEI's:

- selection and remuneration of the Reserves Evaluator;
- establishment of processes and procedures to ensure flow of relevant information to the Reserves Evaluator;
- review of the annual and periodic independent engineering reports;
- compliance with regulatory requirements;
- disclosure of reserves information;
- review of the externally disclosed oil and gas reserves data of PEI; and
- review of the reserves data of the Reserves Evaluator charged with evaluating the PEI's reserves.

Composition, Procedures and Organization

1. The Reserves Committee will be comprised of three or more directors as determined from time to time by resolution of the Board.
2. Each member of the Reserves Committee must be independent and as such must be free from any material relationship that may interfere with the exercise of his or her independent judgment as a member of the Reserves Committee.
3. Consistent with the appointment of other Board committees, the members of the Reserves Committee will be appointed by the Board at the first meeting of the Board following each AGM or at such other time as may be determined by the Board.
4. The Committee will designate the Chairman of the Reserves Committee by majority vote. The presence in person or by telephone of a majority of the Reserves Committee's members constitutes a quorum for any meeting.
5. All actions of the Reserves Committee will require a vote of the majority of its members present at a meeting of such committee at which a quorum is present.

6. All members of the Reserves Committee must be familiar with oil and gas evaluation procedures and processes at the time of their appointment or become so within a reasonable period of time following such appointment. The competence of the members of the Reserves Committee in this regard will be determined by the Board in the exercise of its business judgment.
7. At least one member of the Reserves Committee must have expertise in oil and gas evaluation processes and procedures as such qualification may be determined in the business judgment of the Board.

Accountability and Reporting

The Reserves Committee is accountable to the Board. The Reserves Committee must provide the Board with a summary of all meetings and its recommendations together with a copy of the minutes of each such meeting. If applicable, the Chairman will provide oral reports as requested.

All information reviewed and discussed by the Reserves Committee at any meeting must be retained and made available for examination by the Board. The Reserves Committee will review its mandate annually, and will forward to the Compensation and Corporate Governance Committee any recommended alterations to that mandate.

Meetings

The committee will meet with such frequency and at such intervals as it determines necessary to carry out its duties and responsibilities.

Generally the Reserves Committee will meet at least three times annually, once prior to the selection of the Reserves Evaluator, once after the report is in final draft form and once prior to public release of the annual reserve estimates. The Committee may choose or be directed by the Board to meet more frequently as circumstances warrant.

The Chairman of the Reserves Committee will appoint a Director, Officer or employee of PEI to act as secretary for the purposes of recording the minutes of each meeting.

Reserves Responsibilities

The Reserves Committee must:

- annually review with management of PEI the selection or retention, as the case may be, of a recognized Reserves Evaluator that is qualified to prepare an evaluation of the oil and gas reserves of PEI in a manner consistent with industry and regulatory standards and requirements and, in the case of any proposed change in the Reserves Evaluator, to determine the reasons for the proposal and whether there have been any disputes between the Reserves Evaluator and management of the Corporation;
- annually review and approve the expected fees of the Reserves Evaluator;
- receive the annual independent evaluation of the oil and gas reserves of PEI and review the scope of work, the reserve estimates and any material changes to PEI's reserves;

- consider and review the input of management into the independent evaluation, the processes for providing information and the key assumptions used therein and review PEI’s procedures relating to disclosure of information with respect to oil and gas activities, including its procedures for complying with the disclosure requirements of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* (“NI 51-101”);
- annually review the procedures for providing information to the Reserves Evaluator;
- meet with representatives of the Reserves Evaluator, to consider and review the overall preparation of the evaluation including:
 - the independence of the Reserves Evaluator;
 - the scope of the engagement;
 - details of arrangements, if any, between PEI and the Reserves Evaluator;
 - sources of information used in preparing the evaluation;
 - access to information;
 - production estimates;
 - price forecasts;
 - sales contracts;
 - operating and capital cost estimates;
 - ownership interests;
 - royalty burdens;
 - reconciliation of reserve additions and revisions;
 - results of field inspections, if any; and
 - matters that would have an effect on the quantity of reserves, production profile or estimated cash flow from the oil and gas assets;
- review compliance with applicable regulations and policies, including NI 51-101, and, in particular, before filing the reserves data and the report of the Reserves Evaluator referred to in Section 2.1 of NI 51-101, meet with management and the Reserves Evaluator to (i) determine whether any restrictions affect the ability of the Reserves Evaluator to report on the reserves data without reservation; (ii) review the reserves data and the report of the Reserves Evaluator; and (iii) review and approve the content and filing of Forms 51-101F1 *Statement of Reserves Data and other Oil and Gas Information* and 51-101F3 *Report of Management and Directors on Oil and Gas Disclosure* and the filing of Form 51-101F2 *Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor*;

- review and ensure compliance with the Sarbanes-Oxley Reserves Process that PEI has established to describe the controls related to the management of reserves;
- review of the annual and periodic independent engineering reports;
- review of the externally disclosed oil and gas reserves data of PEI; and
- present reports to the Board for consideration where necessary.