



2010: A Year of Growth

SOLID OIL FOUNDATION AND
LONG-TERM GAS RESOURCE
POTENTIAL

February 2011

 **rockenergy**



Forward-Looking Statements

All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements include forecasts for production, cash flow, capital expenditures and debt levels and are based on estimates for commodity prices, reservoir performance, drilling performance and industry conditions including availability of services and weather. These statements involve known and unknown risks, uncertainties, assumptions and other factors, some of which are beyond Rock Energy's control, that may cause actual results to differ materially from a conclusion, forecast or projection in such forward-looking statements. Rock Energy believes that the expectations reflected in those forward-looking statements are reasonable at the time made but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference into, this presentation should not be unduly relied upon. These statements speak only as of the date of such information, as the case may be, and may be superseded by subsequent events. Rock Energy does not intend, and does not assume any obligation, to update these forward-looking statements whether as a result of information, future events or otherwise.



A Summary of Rock Energy

Rock is an oil company with two core areas:

Plains

- Heavy oil
- Build production and prospect inventory
- Prove up enhanced recovery techniques
- 170 drilling locations
- 40-50 recompletion candidates

West Central Alberta

- Deep Basin multi-zone stacked natural gas
- Emerging Montney resource play at Elmworth
- Drilling 4 vertical test wells to confirm the extent of the play in the next 12-18 months
- A significant inventory of potential horizontal drilling locations
- 1-2 horizontal drilling locations in the next 12 to 18 months

Corporate Profile

Stock exchange: TSE – Symbol RE
 Current stock price trading range \$4.70-4.90/share

Capital structure:	Common stock (basic)	32.7 MM
	(fully diluted)	34.8 MM
	Market capitalization	\$160 MM
	Net debt (Sept 30/10)	\$35.9 MM
	(Proforma)	\$26.6MM
	Total bank lines available	\$50.0 MM

Production (boe/d, 66% oil)	(Q4/2010)	3,472
	Current	3,800

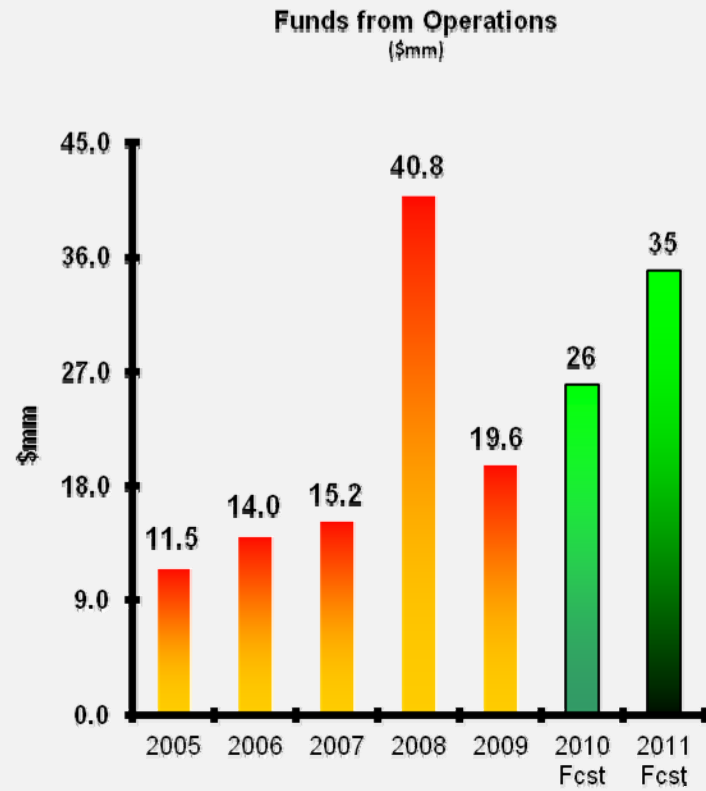
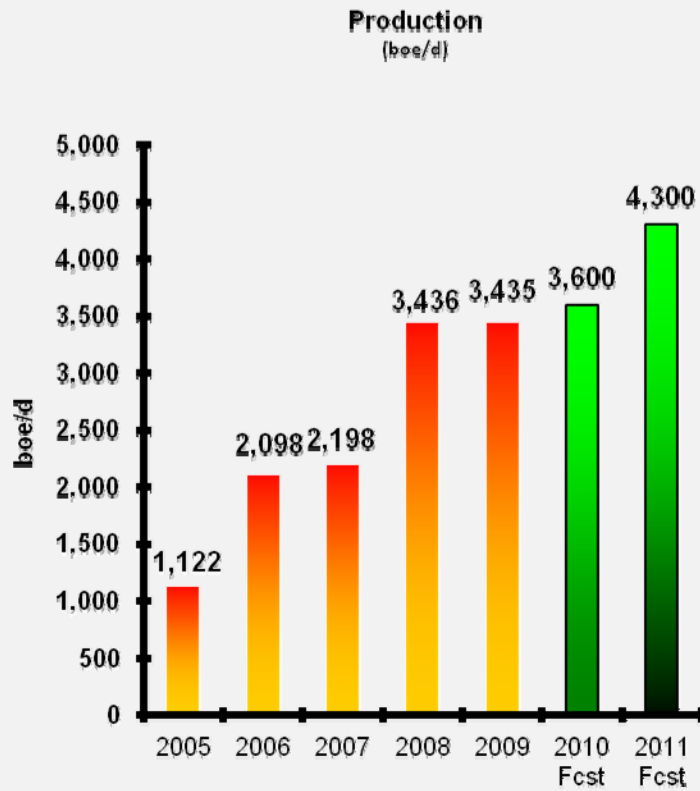
Reserves (P+P, 55% oil)	(Dec. 31/09)	10.7 MMBOE
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Land @ Jan 31/11	(gross undeveloped acres)	148,000
	(net undeveloped acres)	101,000

Tax pools	(Sept 30/10)	\$127MM
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Historical Performance





What's new at Rock

Heavy Oil

- Drilled 2 heavy oil wells and one water disposal well so far in 2011
- Acquired 250 boepd of 99% WI operated oil production at Onward for \$13.4 million
- Acquired 3.25 sections of land in our Neilburg area

Deep Basin Natural Gas

- Drilled and tested vertical well at 6-6 discovering 4 pay zones, and flowing back the Montney B at 0.6 mmcf/d.
- Acquired 16 sections of land in Elmworth offsetting 6-6 discovery
- Drilled a horizontal well at 13-7 and encountered 34 metres of Montney B and 27 metres of Montney C pay. Well was completed horizontally in the Montney B, will be tested in the first quarter, and is expected to be tied in and on production in the second quarter.
- Drilled successful natural gas well at Saxon that is expected to be tied in during second quarter.
- Sold 250 boepd of low WI non-operated natural gas production for \$11.0 million



What's new at Rock

Rock's asset rationalization strategy is to divest of our low working interest assets to finance the acquisition of high working interest assets in our Plains and Elmworth core areas.

Acquisitions

Acquired 250 boed of 99% WI operated heavy oil production for \$13.4 million

Reserves : 734 M boe TP, 993 M boe PP

5-10 drilling locations

Water-flood opportunity to significantly increase recovery factor and reserves

Dispositions

Sold 250 boed of low WI non-operated natural gas production for \$11.0 million

Reserves : 363 M boe TP, 493 M boe PP

Low liquids production



Two Key Points

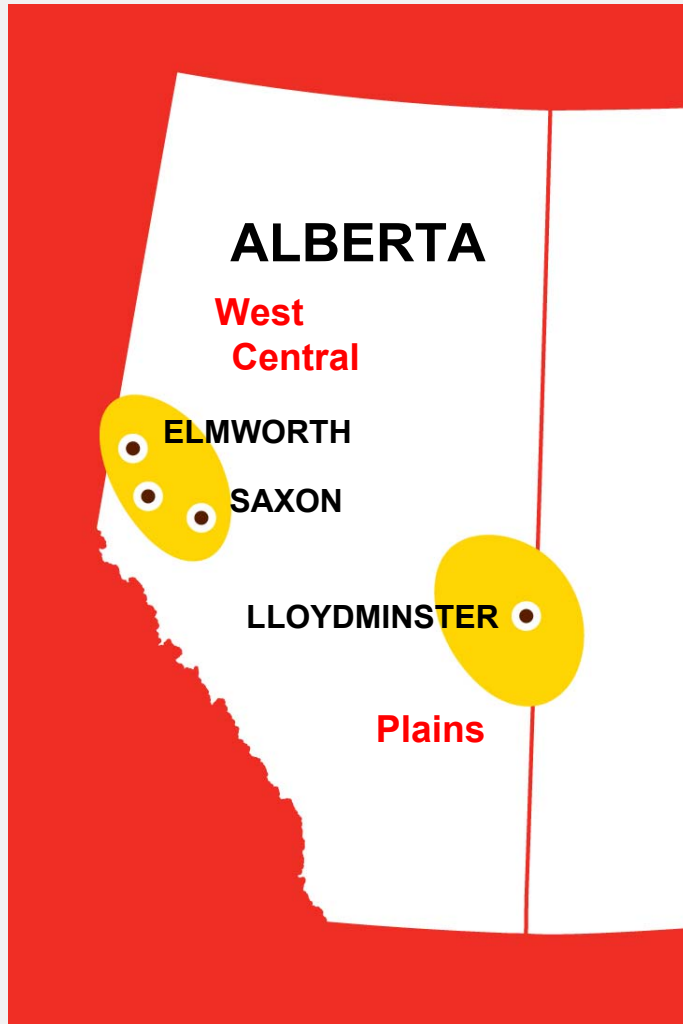
Heavy Oil

- Current prices are generating a field netback of over \$28.00/boe.
- Rock continues to make progress in improving recovery factors with new drilling and completion techniques that could significantly increase reserves.
- Rock has 170 drilling locations and 40-50 recompletion candidates.
- Rock expects to grow heavy oil production to over 3,300 bpd by the end of 2011.

Emerging Elmworth Resource Play

- Rock has developed a significant land position at Elmworth with 62 net sections of Montney rights and 58 net sections of Nikanassin rights.
- Industry players are drilling horizontal test wells adjacent to Rock's lands.
- Rock has drilled three vertical test wells whose results have met or exceeded expectations confirming the existence of commercial Montney natural gas on Company lands.
- Rock has drilled and completed its first horizontal well at 13-7 and encountered 34 metres of Montney B and 27 metres of Montney C pay.
- Rock will drill up to 3 more vertical test wells and 1 to 2 horizontal wells during the next 12 to 18 months to further prove up the play.

Areas of Operations



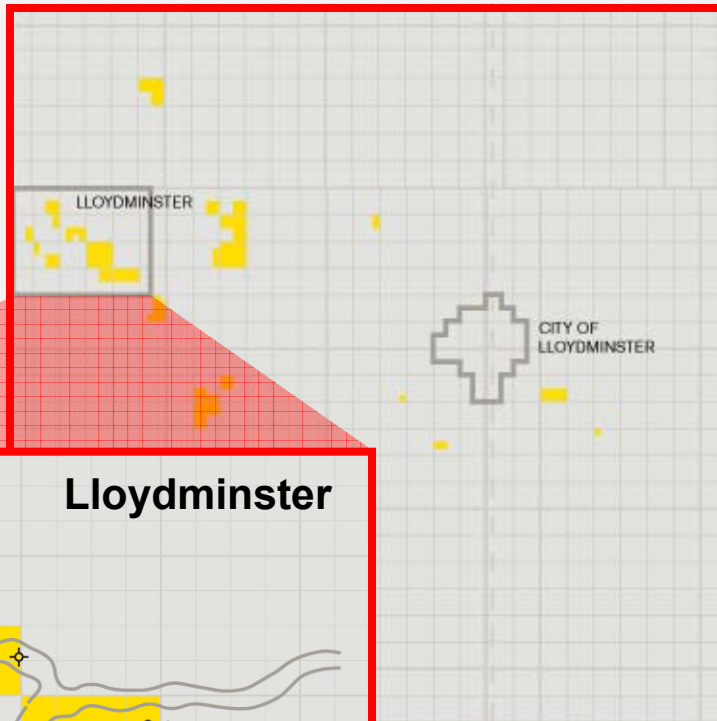
Plains

- Heavy oil
- Mannville Group
- 500-1,000 meters deep
- 170 drilling locations
- 40-50 recompletion candidates

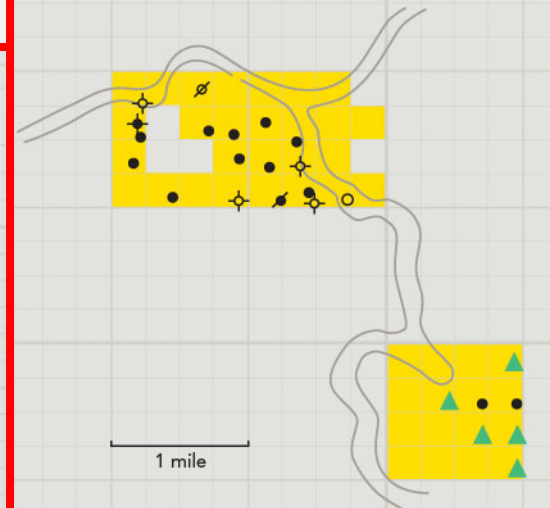
Heavy Oil Drilling Opportunities

Primary Zones

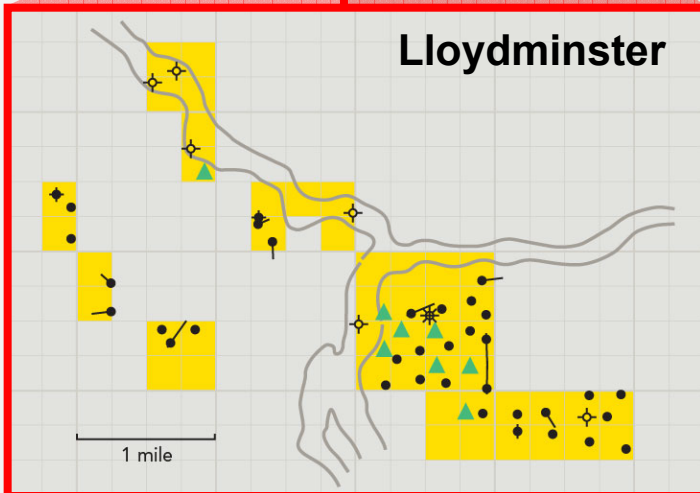
Colony
McLaren
Waseca
Sparky
GP



Neilburg



Lloydminster



- Rock Lands
- Proposed Drilling Location
- Vertical Producing Well
- Directional Producing Well
- Disposal Well

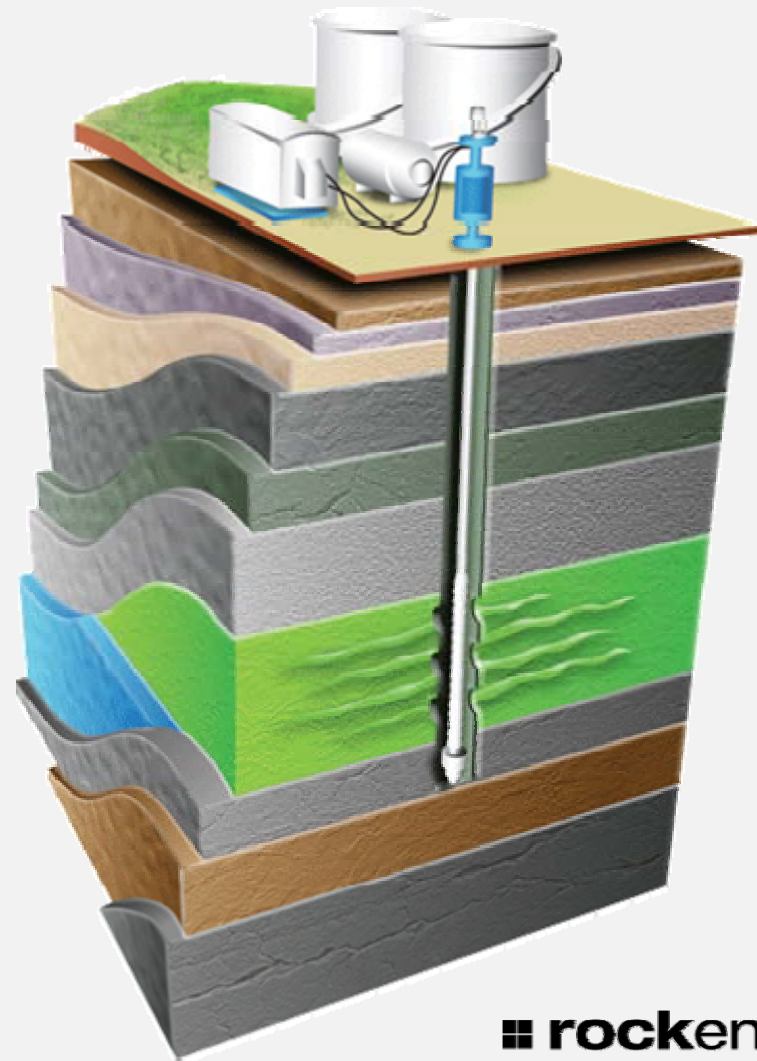
170 drilling locations

40-50 recompletion candidates

Heavy Oil Completion Techniques

Cold Flow Production

- Progressive cavity pumps
- Worm holes
- High initial sand production
- Increased recovery factor





Increasing Oil Recovery Factors

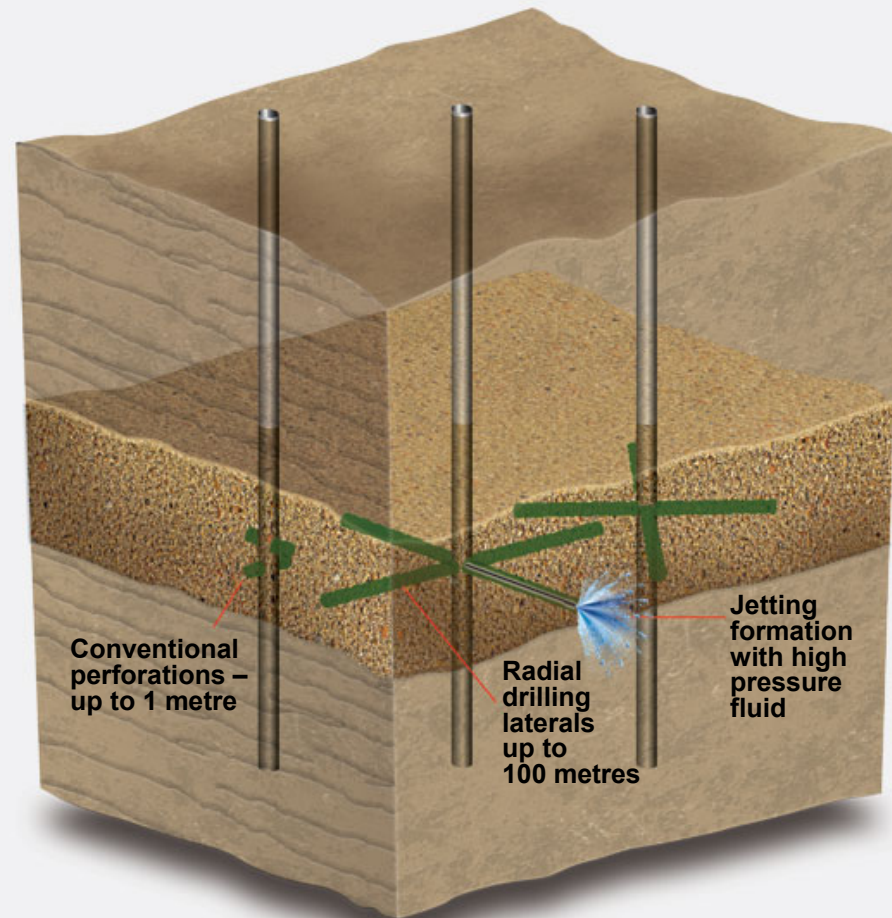
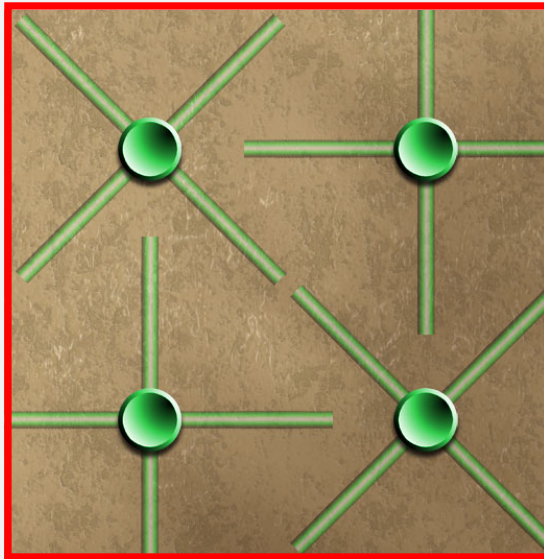
- Heavy oil wells on 40-acre spacing have 1.0 million boe of TPIIP
- Current recovery factor is 6-8%
- Rock is exploring the next step-change in technology to increase the production efficiency for these wells to more effectively recover the oil-in-place
 - Production techniques
 - Pump systems
 - Completion techniques
 - Radial Drilling
 - Foam Stimulation
 - Drilling techniques
 - External Casing Packers
 - Secondary floods
 - Water floods
 - Steam Pulse

Total Petroleum Initially in Place (TPIIP) is defined as the quantity of hydrocarbons that are estimated to be in place within a known accumulation, plus those estimated quantities in accumulations yet to be discovered. There is no certainty that it will be economically viable or technically feasible to produce any portion of this TPIIP except for those identified as proved or probable reserves.

Heavy Oil Completion Techniques

Radial Drilling

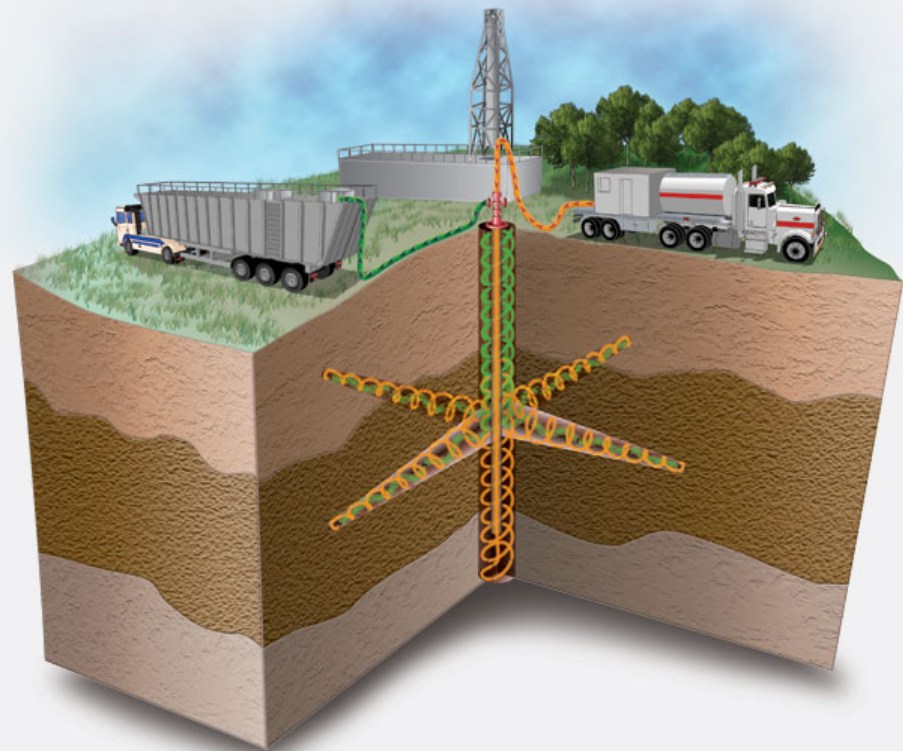
- Hydraulically jets a 2.5-cm-diameter horizontal leg up to 100 metres from wellbore in four or more directions
- Acts as controlled worm hole
- Cost: \$100,000-130,000 per well
- Preliminary results show an average of 15-20 bpd of incremental production and potentially 15,000 to 20,000 boe of reserves



Heavy Oil Completion Techniques

Foam Stimulation

- Restores and improves production levels
- Surfactant foam injected into reservoir through worm holes; surfactant can reduce relative viscosity of heavy oil near the wellbore and assists in recovering and lifting sand and other debris from wellbore
- Cost: \$25,000-\$50,000 per well



Heavy Oil Netbacks

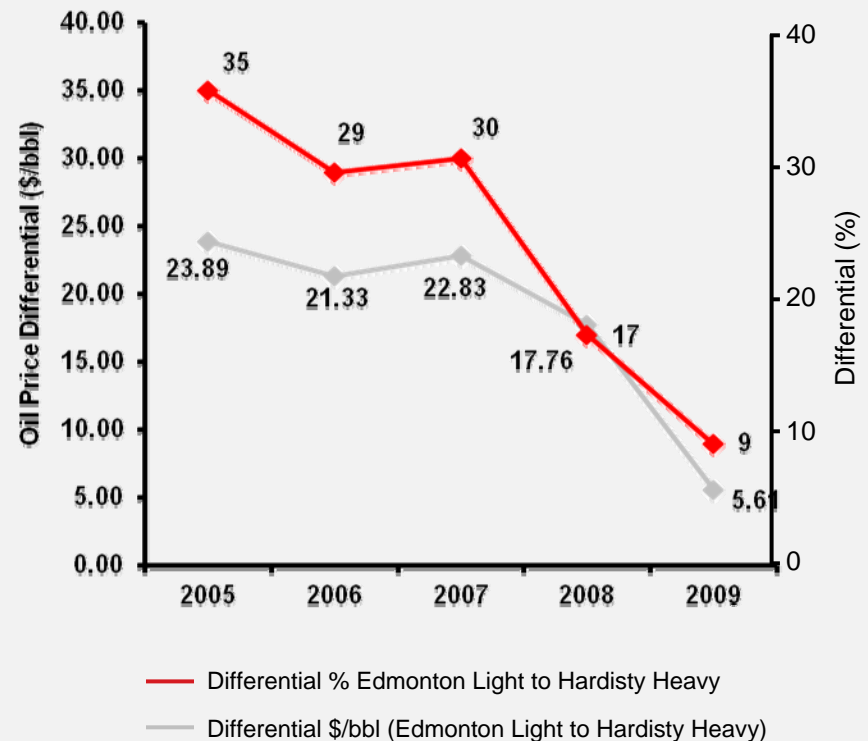
	2009	YTD 3Q/2010
Edmonton Par	\$65.90	\$76.56
Western Canada Select	\$58.66	\$67.02
Heavy oil wellhead price	\$53.31	\$58.92
Less		
Royalties	\$9.60	\$10.67
Operating costs	\$16.07	\$19.95
Netback field price	\$27.64	\$28.30
Historic F&D	\$12.55	\$12.55
Recycle ratio	2.2	2.3
F&D (Go Forward)	\$8.00-\$10.00	\$8.00-\$10.00
Recycle ratio	2.7-3.4	2.8-3.5

Heavy Oil Economics

We believe narrow differentials are here to stay:

- **Current pipeline disruptions are temporary**
- **Increased upgrading capacity in the refining complex**
- **Increased pipeline capacity accessing markets in USGC**
- **Declining production from Mexico and Venezuela**

Historical Crude Oil Differentials



Plains Core Area

Current production 2,400+ boepd

DCET cost \$550 thousand

Initial rate 30-50 boepd

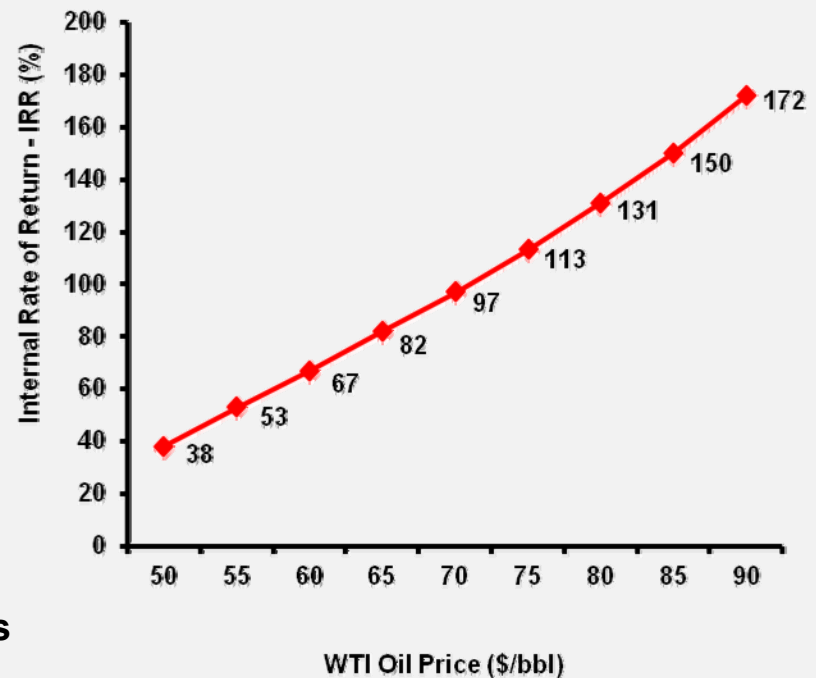
P+P reserves/well 50-70,000 boe

Payout 1 yr

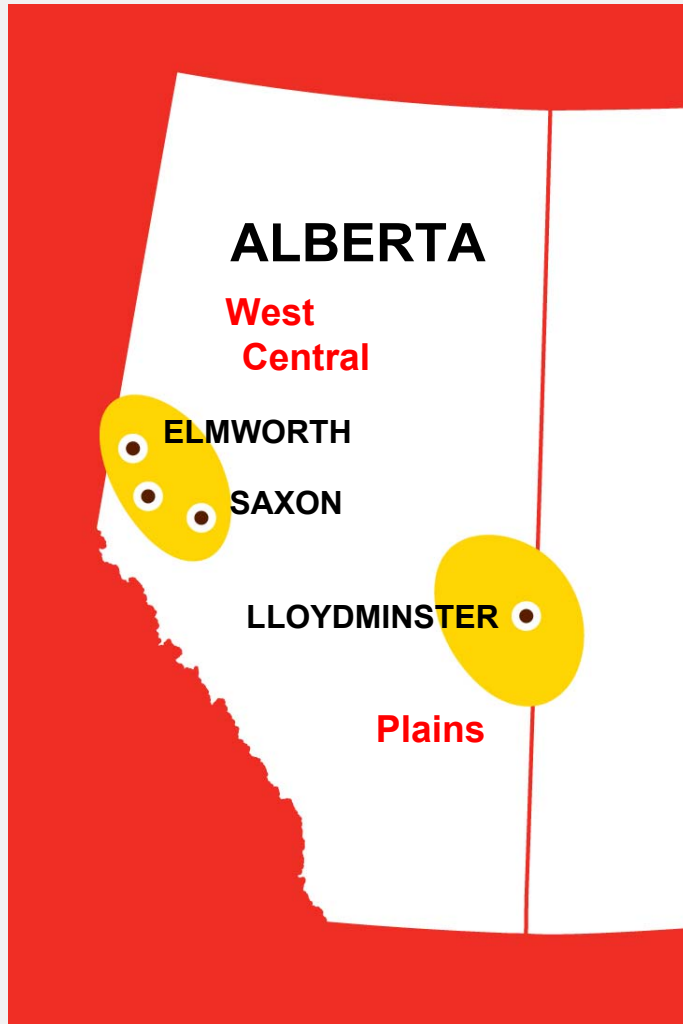
NPV (10%) per well \$1.1 million

2011 Plans

- Drill 40 wells
- Recomplete 15-20 wells
- Continue to build drilling inventory
- Explore enhanced recovery techniques



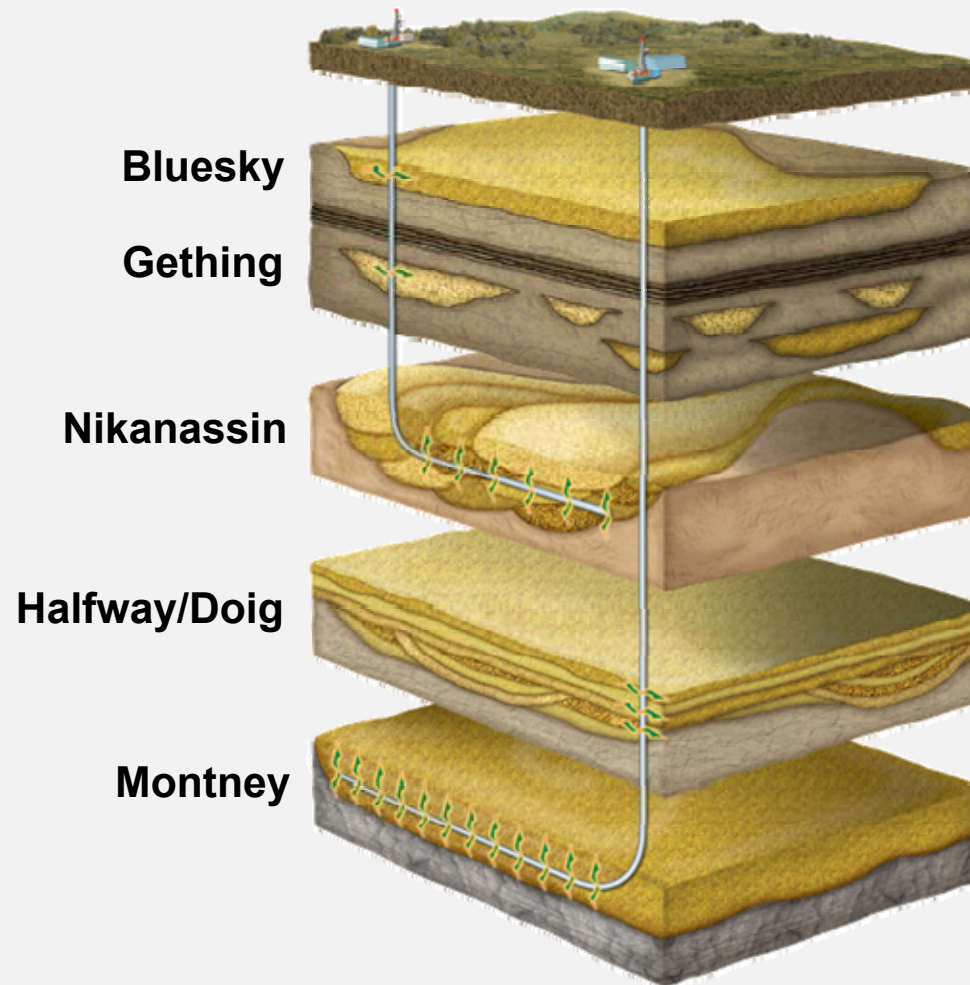
Areas of Operations



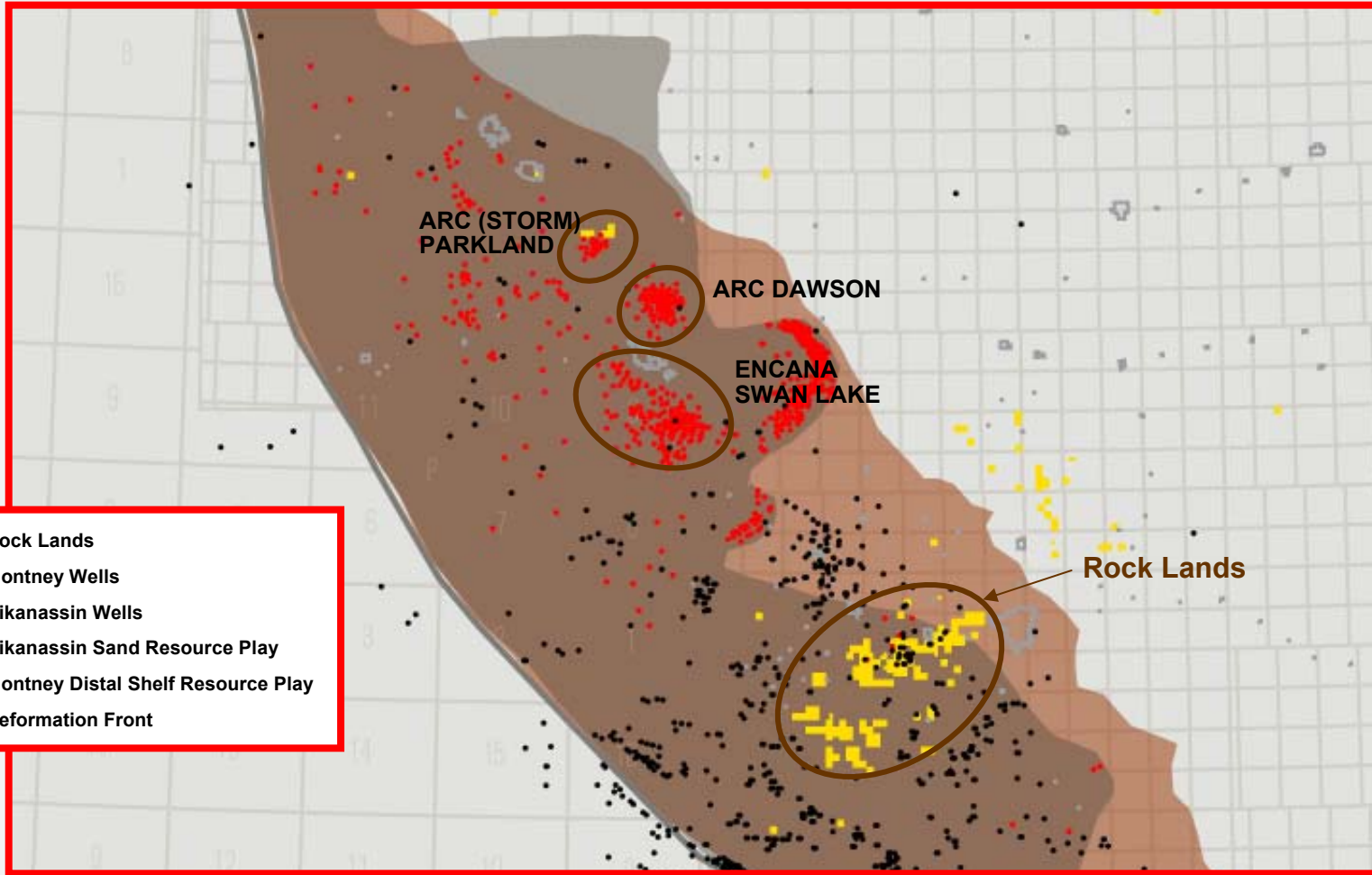
West Central

- Multi-zone stacked natural gas in the Deep Basin
- Main focus in 2011 is to extend the Elmworth resource play:
 - Drill 1-2 horizontal wells and 4 vertical wells in the next 12 to 18 months
 - An expanded inventory of potential horizontal drilling locations

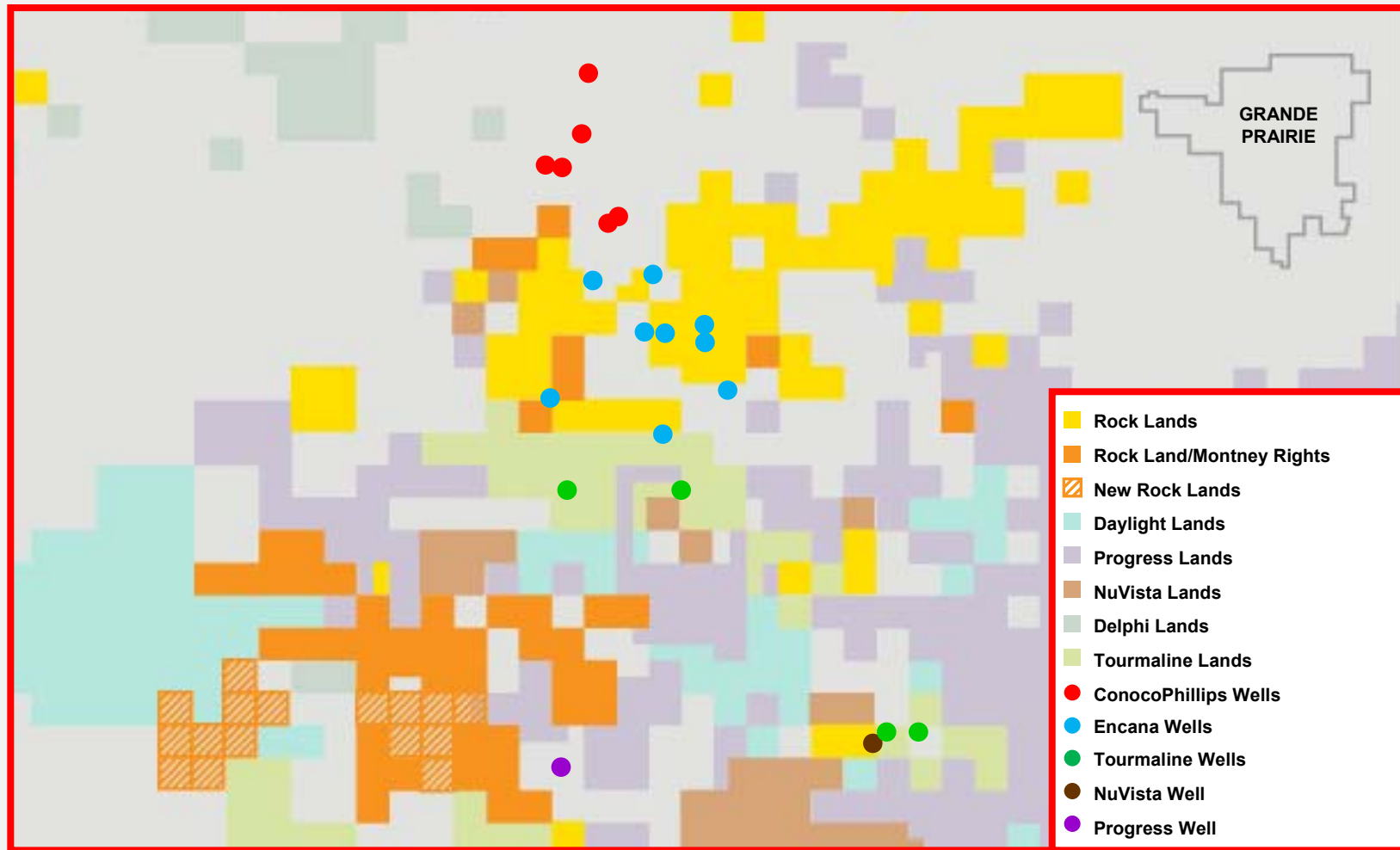
Elmworth Geology



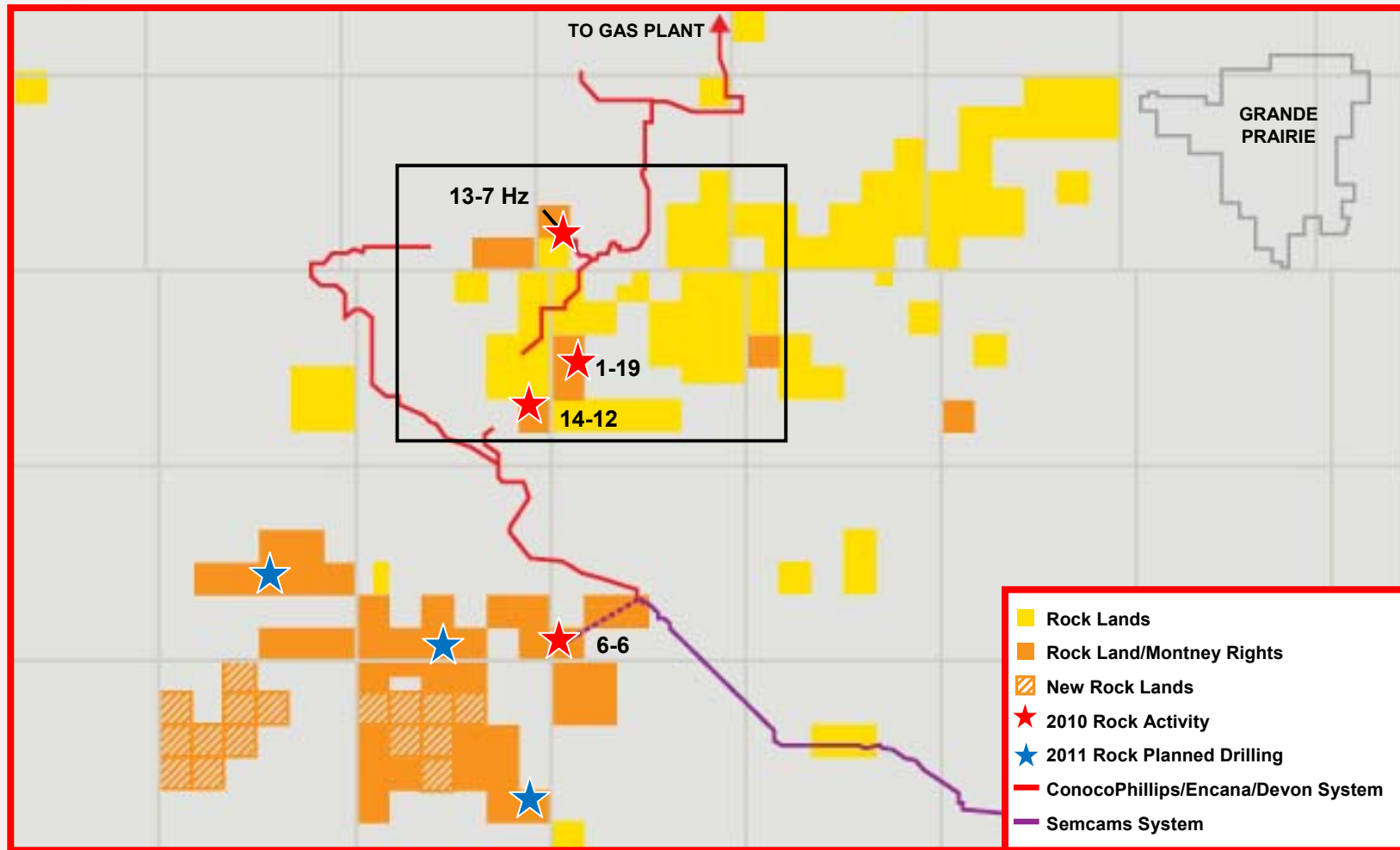
Elmworth Resource Play Fairway



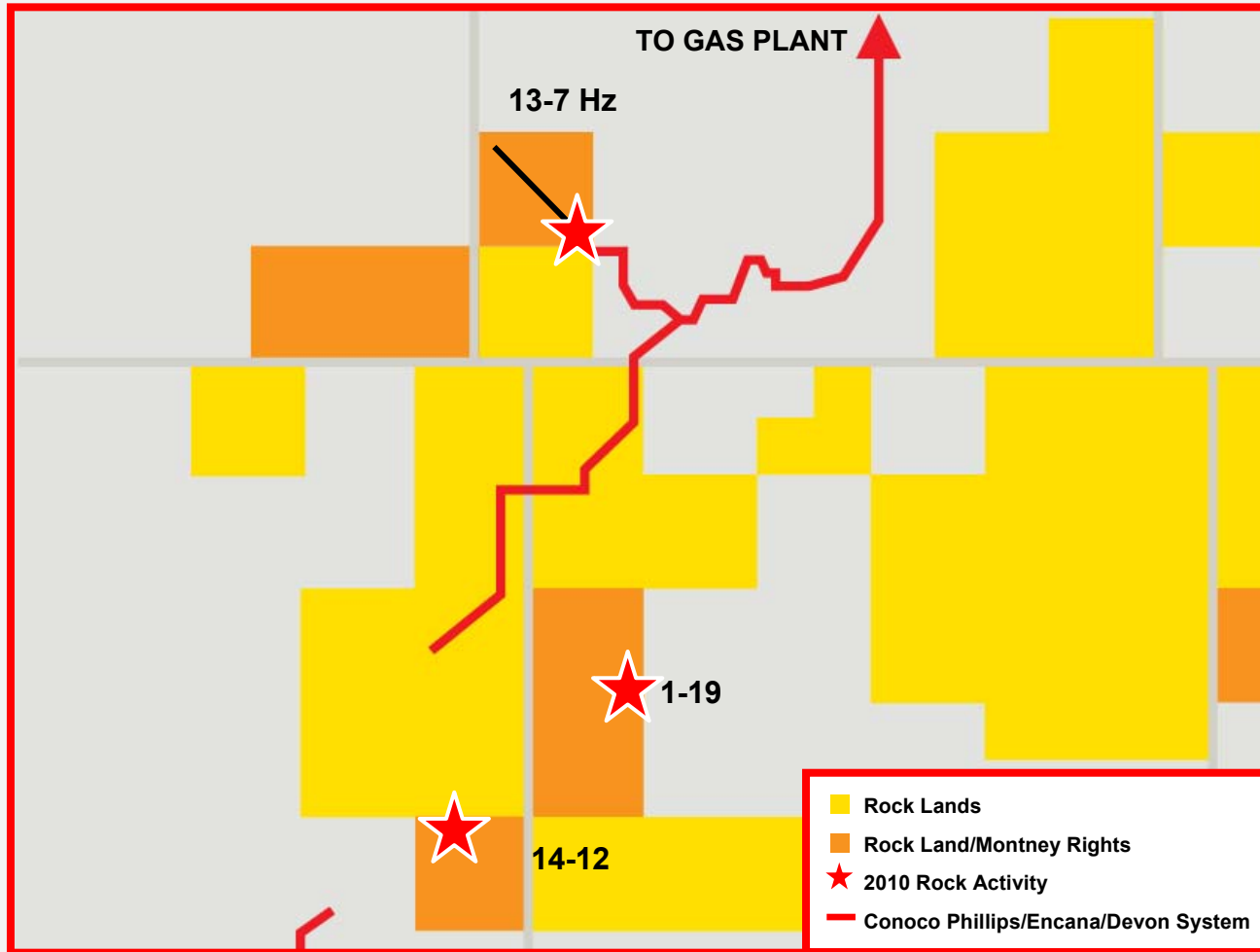
Elmworth: A Beehive of Competitor Activity



Laying the Groundwork of Rock's Montney Play



Defining the Size of Rock's Montney Prize



Elmworth Summary

	<u>Nikanassin</u>	<u>Montney</u>
Land Position		
Gross sections	96.5	63.5
Net sections	58.0	62.0
Average WI%	60	98

Expected Horizontal Well Results

Initial Production Rate	3.0-6.0 mmcf
Liquid Yield	40-60 bbls/mmcf
Reserves	3-5 bcf
Costs	\$6-8 MM
Wells/Section	3-4

2010 Results

Drilled and tested 1-19 vertical well
Drill and tested 14-12 vertical well
Drilled 6-6 vertical well

2011 Results to Date

Completed and tested 6-6 vertical well
Drilled and completed 13-7 horizontal well

2011 Plans

Test 13-7 horizontal well in Q1
Drill and test 2 vertical exploration test wells in Q2-Q4

Results and Guidance

	2009 (12 months)	2010 (Forecast)	2011 (Forecast)
Production avg. (boepd)	3,435	3,600-3,700	4,200-4,400
Funds from operations (\$ MM)	19.6	26	35
Funds/share	0.73	0.84	1.08
Capital spending (\$ MM)	20.5	42	52
Debt (\$ MM)	25.3	32	50
WTI (US\$/bbl)	61.81	80.00*	82.00
AECO (CDN\$/mcf)	3.96	3.50*	4.00
F/X	0.88	0.97*	0.97

* October – December 2010

2011 Sensitivities: \$1.00 US/bbl Change in WTI = \$1.0 million change in annual cash flow

(Note: royalties not changed) \$.25 CDN/mcf change in AECO = \$0.3 million change in annual cash flow

Analyst Coverage

CompanyRating

FirstEnergy Capital Corp.	Market Perform
Wellington West Capital	Strong Buy
Dundee Securities	Buy
Acumen Capital	Buy
Mackie Research Capital Corporation	Buy
Cormark Securities	Buy
Stifel Nicolaus	Hold
Scotia Capital	Outperform
Salman Partners	Hold



Rock's Growth Strategy/Conclusion

Near Term - Build Heavy Oil Production and Natural Gas Reserves

Build Heavy Oil Production Base

- Rock has 170 drilling locations and 40-50 recompletion candidates
- Drill 40 wells in 2011
- Recomplete 15-20 wells in 2011
- Prove up enhanced recovery technology (radial drilling, foam, etc.)

Extend Elmworth resource natural gas play

- Drill vertical wells to establish the extent of the play and commission a "Resource Potential" study
- Drill up to two Horizontal wells in the next 12 to 18 months to further confirm production characteristics and position the Company for growth in 2012

Long Term

- Exploit the resource potential of the unconventional reserve base at Elmworth and in the Plains core area



**2010:
A Year of Growth**

**Supplemental
Information**



Strong Management Team

Management Team

Allen J. Bey

John H. Van de Pol

Jeffrey G. Campbell

Bryan Dozzi

Bob Phelps

Terry Manery

**Chief Executive Officer and Director
President and Chief Financial Officer**

Senior Vice President and COO

VP Business Development

VP Exploration

VP and Controller

Directors

Stuart G. Clark – Chairman of the Board

Malcolm T.D. Adams

James K. Wilson

William H. (Bill) Slavin

Ken H. F. Severs

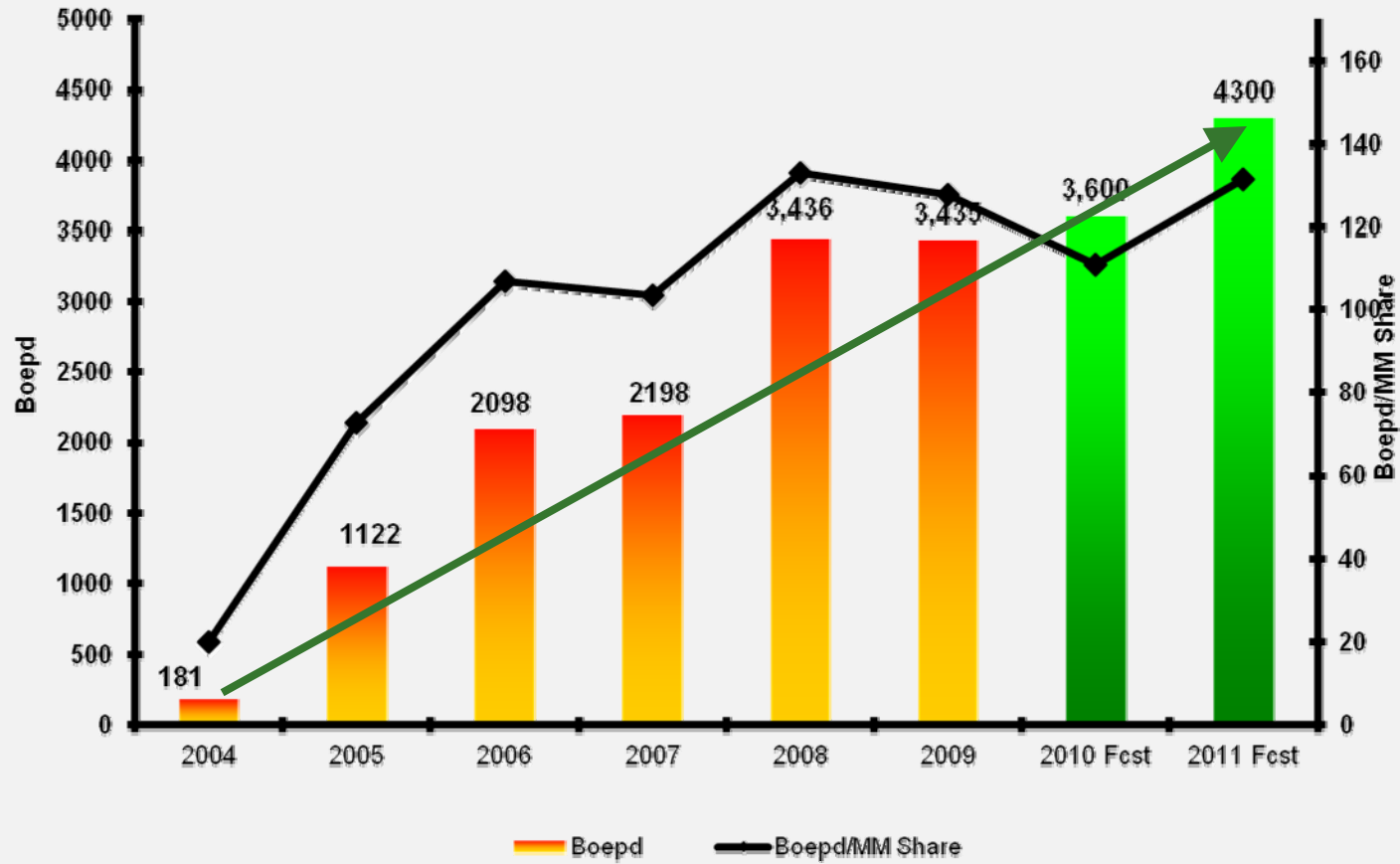
Allen J. Bey



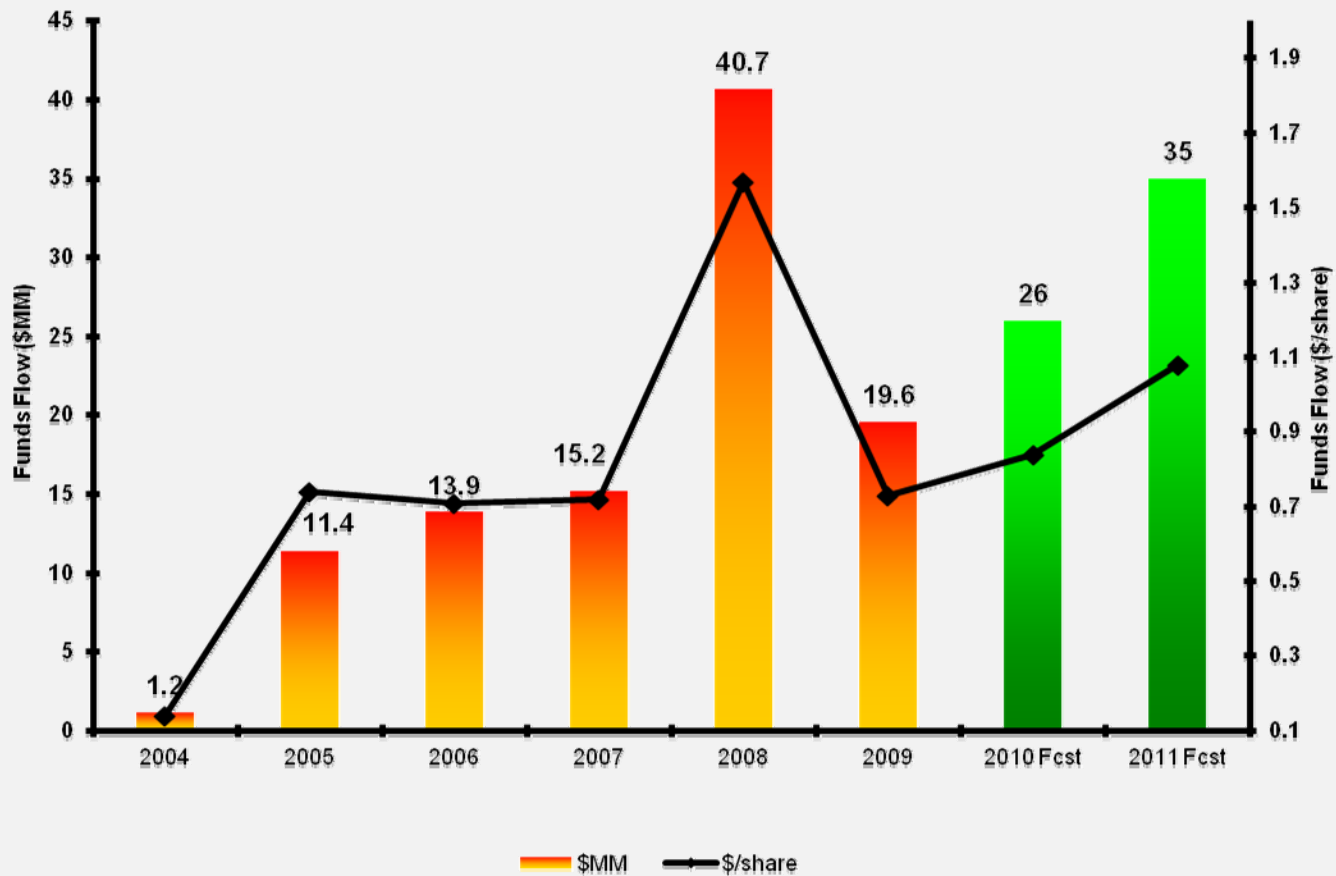
Market Profile

TSX stock symbol	RE	
Shares outstanding		
Basic	32.7 million	
Fully diluted	34.8 million	
Ownership	Basic	Fully Diluted
Management	7.6%	9.9%
ARC	21.8%	20.5%
Recent trading range	\$4.70–\$4.90	
Market capitalization	\$160 million	

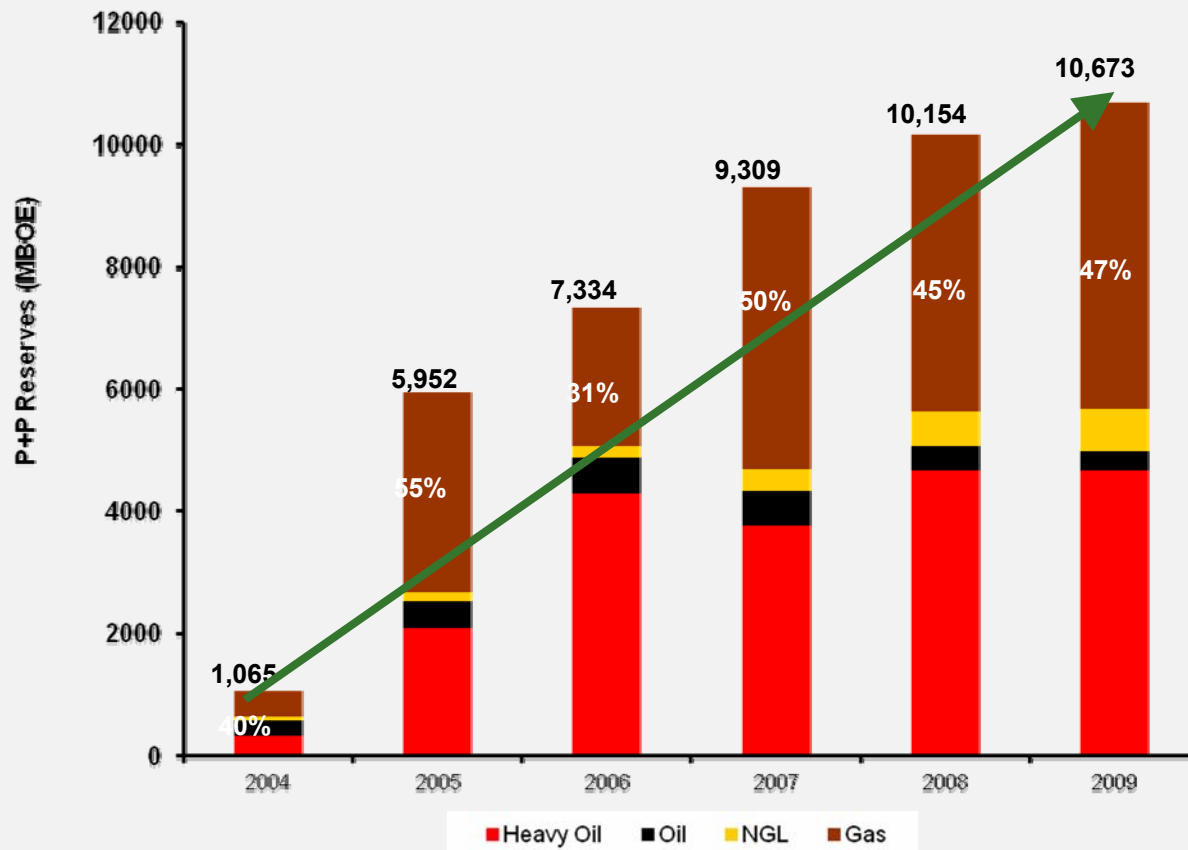
Production History



Funds from Operations



Reserves Growth





Drilling Results

	2007	2008	2009	2010
Heavy oil	8 (8.0 net)	18 (18.0 net)	20 (20.0 net)	31 (31.0 net)
Natural gas	6 (3.09 net)	14 (5.3 net)	4 (2.1 net)	7 (4.3 net)
D & A	2 (1.12 net)	1 (1.0 net)	Nil	1 (1.0 net)
Total	16 (12.21 net)	33 (24.3 net)	24 (22.1 net)	39 (36.3 net)
Casing Success Rate (net)	91%	96%	100%	97%