

Ridgeway Petroleum Corp.

**CONSOLIDATED
FINANCIAL STATEMENTS**
December 31, 2005

REPORT OF MANAGEMENT

The accompanying Consolidated Financial Statements of Ridgeway Petroleum Corp. are the responsibility of Management.

Management has prepared the Consolidated Financial Statements in accordance with accounting principles generally accepted in Canada. If alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgements. Management has ensured that the Consolidated Financial Statements are presented fairly in all material respects. Management has also prepared the financial information presented elsewhere in this report and ensured that it is consistent with information in the Consolidated Financial Statements.

Ridgeway Petroleum Corp. maintains internal accounting and administrative controls designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for reviewing and approving the Consolidated Financial Statements and Management's Discussion and Analysis and, primarily through its Audit Committee, ensures that management fulfils its responsibilities for financial reporting.

The Audit Committee is appointed by the Board and is composed of a majority of Directors who are independent of the Company. The Audit Committee meets regularly with management, and periodically with the external auditors, to discuss internal controls and reporting issues and to satisfy itself that each party is properly discharging its responsibilities. It reviews the Consolidated Financial Statements and the external auditors' report. The Audit Committee also considers, for review by the Board and approval by the shareholders, the engagement or reappointment of the external auditors.

PricewaterhouseCoopers LLP, the external auditors, have audited the Consolidated Financial Statements in accordance with auditing standards generally accepted in Canada on behalf of the shareholders. PricewaterhouseCoopers LLP have full and free access to the Audit Committee.

Signed

“Barry D. Lasker”
President and Chief Executive Officer

“J. Bruce Petrie”
Chief Financial Officer

April 21, 2006

April 17, 2006

Auditors' Report

To the Shareholders of Ridgeway Petroleum Corp.

We have audited the consolidated balance sheets of **Ridgeway Petroleum Corp.** as at December 31, 2005 and 2004 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Calgary, Alberta

RIDGEWAY PETROLEUM CORP.**CONSOLIDATED BALANCE SHEET**

	December 31	
	2005	2004
Assets		
Current assets		
Cash and cash equivalents	\$ 2,353,764	\$ 22,286
Accounts receivable	2,224	3,032
Prepaid expenses and deposits	140,831	151,292
	<hr/> 2,496,819	176,610
Deferred charges, net (Note 9)	128,563	-
Office furniture, equipment and automotive, net	42,943	50,298
Resource properties, net (Note 3)	41,552,614	40,841,853
	<hr/> \$ 44,220,939	\$ 41,068,761
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 360,746	\$ 237,561
Secured Note/Promissory Note (Note 9)	2,757,500	-
	<hr/> 3,118,246	237,561
Asset retirement obligation (Note 4)	227,311	208,543
Future income tax liability (Note 6)	8,396,456	8,396,456
Shareholders' Equity		
Equity instruments (Note 5)	66,532,693	64,326,966
Contributed surplus (Note 5)	3,670,805	3,129,868
Deficit	(37,556,167)	(35,062,228)
Common shares acquired, at cost (Note 5)	(168,405)	(168,405)
	<hr/> 32,478,926	32,226,201
	<hr/> \$ 44,220,939	\$ 41,068,761

Ability to continue operations (Note 1)

Approved by the Board “K. B. Sparks” Director “B. D. Lasker” Director
K. B. Sparks B. D. Lasker

RIDGEWAY PETROLEUM CORP.**CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT**

	Year ended December 31	
	2005	2004
Revenues		
Proceeds received on settlement of legal matters	\$ -	\$ 100,000
Interest and other income	7,248	10,876
	7,248	110,876
Expenses		
Accounting and audit	44,500	30,752
Accretion of asset retirement obligation (Note 4)	18,768	19,785
Consulting fees	565,799	616,537
Depreciation	11,143	14,586
Foreign currency translation (gain), realized and unrealized	3,842	(56,486)
Insurance	36,026	41,045
Interest and financing (Note 9)	144,553	-
Land management services	27,746	32,404
Legal	308,382	112,473
Office and equipment	166,717	175,458
Other	20,683	10,608
Promotion	23,964	58,951
Reclamation loss	27,200	-
Stock-based compensation (Note 5)	511,020	798,100
Transfer agent and stock exchange fees	55,290	54,566
Travel	39,052	19,063
Wages and salaries	496,502	361,575
	2,501,187	2,289,417
Loss for the year before income taxes	(2,493,939)	(2,178,541)
Income taxes-future income tax provision (Note 6)	-	-
Net loss for the year	(2,493,939)	(2,178,541)
Deficit, beginning of year	(35,062,228)	(32,883,687)
Deficit, end of year	\$(37,556,167)	\$(35,062,228)
Loss per share-basic and diluted	\$ (0.06)	\$ (0.05)

Ability to continue operations (Note 1)

RIDGEWAY PETROLEUM CORP.**CONSOLIDATED STATEMENT OF CASH FLOWS**

	Year ended December 31	
	2005	2004
Cash (used in) provided by operating activities		
Net loss for the year	\$ (2,493,939)	\$ (2,178,541)
Items not affecting cash		
Accretion of asset retirement obligation	18,768	19,785
Amortization of debenture discount	100,000	-
Stock-based compensation	511,020	798,100
Depreciation	11,143	14,586
Unrealized foreign exchange gain	(20,000)	-
	(1,873,008)	(1,346,070)
Asset retirement obligation settlement	-	(113,635)
Changes in non-cash working capital	170,912	99,696
Cash (used in) provided by operating activities	(1,702,096)	(1,360,009)
Cash provided by (used in) investing activities		
Property expenditures	(710,761)	(2,368,446)
Purchase of office furniture and equipment	(3,788)	-
Changes in non-cash working capital	(156,021)	161,253
Cash provided by (used in) investing activities	(870,570)	(2,207,193)
Cash provided by (used in) financing activities		
Issuance of equity instruments for cash, net of issue expenses	1,976,644	2,038,520
Issuance of short term borrowings	3,307,937	-
Repayment of short term borrowings	(500,000)	-
Changes in non-cash working capital	119,563	-
Cash provided by (used in) financing activities	4,904,144	2,038,520
Increase (decrease) in cash	2,331,478	(1,528,682)
Cash and cash equivalents, beginning of year	22,286	1,550,968
Cash and cash equivalents, end of year	\$ 2,353,764	\$ 22,286

Ability to continue operations (Note 1)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2005

1 Ability to continue operations

The Company operates in Canada and the United States and is engaged in the business of development of its helium and carbon dioxide project in eastern Arizona and western New Mexico. The Company has spent approximately \$41,499,800 to date in acquiring, exploring and developing the project. As disclosed in the Consolidated Statements of Operations and Deficit and Cash Flows respectively, the net loss for the year ended December 31, 2005 was \$2,493,939 and the cash used in operating activities was \$1,702,096. The working capital deficit was \$621,427 at December 31, 2005. Continuation of operations and realization of the capitalized cost of resource properties are dependent upon the Company obtaining long term contracts for carbon dioxide, constructing the appropriate facilities and obtaining additional external financing and achieving profitable operations. Management is focussed on the activities necessary to achieve these objectives including the holding of a number of meetings with key potential users of carbon dioxide for enhanced oil recovery purposes, primarily in California. The securing of long term contracts for carbon dioxide is the critical step in this process. If these contracts are not obtained, the Company may not be able to fully realize its assets.

In response to the measurement uncertainty surrounding the carrying value of the Company's resource properties, management performed a comprehensive impairment review. As part of this review, independent professional reservoir engineers were engaged to evaluate the resource properties and to compute various estimated cash flow scenarios. As a result of this impairment review, the Company concluded that the carrying value of the resource properties is recoverable and that no impairment existed.

These financial statements have been prepared on the going concern assumption, which, in the opinion of management, is appropriate. The assumption underlying the preparation of financial statements in accordance with generally accepted accounting principles is that the enterprise will be able to realize assets and discharge liabilities in the normal course of business for the foreseeable future and do not reflect the adjustments that would otherwise be necessary if the going concern assumption was not appropriate.

The objectivity and integrity of data in these financial statements, including estimates and judgements relating to matters not concluded by year end, are the responsibility of management of the Company. In management's opinion, the financial statements have been properly prepared and are within the framework of the Company's accounting policies.

2 Summary of significant accounting policies

These financial statements are presented in Canadian dollars unless otherwise stated and are prepared in accordance with Canadian generally accepted accounting principles. The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements, and revenues and expenses during the reporting period. Specific estimates made by management include asset retirement obligations, fair values of equity instruments and the resource property impairment review. Actual results could differ from those estimated.

RIDGEWAY PETROLEUM CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Principles of consolidation

The consolidated financial statements of the Company include the accounts of Ridgeway Petroleum Corp. and its wholly-owned subsidiary Ridgeway Petroleum (Florida), Inc. ("RF").

The consolidated financial statements of RF include the results of its wholly-owned subsidiary, Arizona Resources Industries, Inc. and its wholly-owned subsidiaries, Ridgeway Arizona Oil Corp. and Ridgeway Industries, Inc.

Foreign currency translation

The operations of the Company's foreign subsidiaries are classified as fully integrated. Assets and liabilities are translated into Canadian dollars at exchange rates prevailing at the balance sheet date for monetary items and at exchange rates prevailing at the transaction dates for non-monetary items. Expenses are translated at average exchange rates prevailing during the period with the exception of write-downs, which are translated at historical rates. Exchange gains or losses are included in earnings.

Depreciation

Office furniture and equipment are depreciated using the declining balance method at a rate of 20% per year. Automotive is depreciated using the declining balance method at a rate of 30% per year.

Revenue recognition

Revenue from the production of crude carbon dioxide is recognized at the time title passes to the purchaser.

Cash and cash equivalents

Cash and cash equivalents include short-term investments with a maturity of three months or less when purchased.

Resource properties

Direct expenditures are initially capitalized, net of recoveries, and written off if no reserves are found. Other costs are expensed until development commences. The carrying value of the Company's resource properties is subject to an annual assessment for potential impairment (see Note 1).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2005

Asset retirement obligation

The Company provides for asset retirement obligations. Liabilities are recognized for retirement obligations associated with tangible long-lived assets, such as well sites. The obligations within the scope of this standard are those for which the Company faces a legal obligation for settlement (or has made promissory estoppel). The initial measurement of the asset retirement obligation is at fair value, defined as "the price that an entity would have to pay a willing third party of comparable credit rating to assume the liability in a current transaction other than in a forced or liquidation sale." The asset retirement cost, equal to the estimated fair value of the asset retirement obligation, is capitalized as part of the cost of the related long-lived asset. Amortization of asset retirement costs is included in depletion expense on the consolidated statement of operations. Increases in the asset retirement obligation resulting from the passage of time are recorded as accretion of asset retirement obligation in the consolidated statement of operations. Actual expenditures incurred are charged against the accumulated obligation.

Income taxes

Income taxes are recorded using the liability method of accounting. Under this method, future income tax liabilities are determined by applying the tax rate at the end of the accounting period to the temporary differences between the accounting and tax bases of the Company's assets and liabilities. The future benefit of current and past tax losses is recognized whenever it is more likely than not that the Company will be able to generate sufficient future taxable income to utilize the tax losses before they expire.

Stock-based compensation

The Company periodically grants stock options to directors and employees of the Company. The Company records compensation expense in the Consolidated Financial Statements for stock options granted to directors and employees using the fair value method. Fair values are determined using the Black-Scholes option pricing model (see Note 5).

Per share data

The diluted per share information is calculated using the treasury stock method. The treasury stock method assumes the notional exercise of all in-the-money stock options and warrants and that all notional proceeds to the Company are used to repurchase the Company's common shares at the average market price during the period. No adjustment to diluted earnings per share is made if the result of this calculation is anti-dilutive. The weighted average number of shares outstanding during the year, which was used for purposes of the computation of per share data, was 42,722,700 (2004-39,915,600).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2005

3 Resource properties, net

	December 31	
	2005	2004
Balance, beginning of year	\$40,841,853	\$38,389,475
Add: Expenditures	710,761	2,368,446
Revision of asset retirement obligation estimate	-	83,932
Balance, end of year	\$41,552,614	\$40,841,853

Resource property expenditures were incurred on the Company's Arizona and New Mexico leases. Of the expenditures, approximately \$20 million comprise resource property costs which are without tax basis. The balance of the expenditures comprises primarily drilling costs and include approximately \$6,087,000 of lease acquisition and rental costs (2004 - 5,490,000). Also included in resource property costs are asset retirement costs of \$214,193 (2004--\$214,193).

4 Asset retirement obligation

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the obligation associated with the retirement of resource properties.

	December 31	
	2005	2004
Balance, beginning of year	\$ 208,543	\$ 218,461
Add: Accretion expense	18,768	19,785
Revision of asset retirement obligation estimate	-	83,932
Deduct: Liabilities settled	-	(113,635)
Balance, end of year	\$ 227,311	\$ 208,543

The total undiscounted amount of estimated cash flows required to settle the obligations is \$903,896 (2004--\$903,896), which has been discounted using a credit-adjusted risk free rate of 9%. Most of these obligations are expected to be settled over the next twenty years and will be funded from general Company resources at the time of retirement.

RIDGEWAY PETROLEUM CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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5 Equity instruments

- (a) Authorized
 25,000,000 preference shares of no par value
 100,000,000 common shares of no par value

- (b) Issued and outstanding

	December 31, 2005		December 31, 2004	
	Number	Amount	Number	Amount
Common shares				
Balance, beginning of year	41,175,855	\$ 64,222,051	39,444,901	\$ 62,255,279
Issued				
Warrants--cash	10,000	10,000	65,000	152,750
--assigned value		500		3,250
Incentive stock options	-	-	166,000	292,300
Private Placements, net	2,191,138	1,940,774	1,499,954	1,518,472
Bonus shares--Debenture (Note 9)	125,000	100,000	-	-
Balance, end of year	43,501,993	66,273,325	41,175,855	64,222,051
Warrants				
Balance, beginning of year	2,098,286	104,915	943,332	47,167
Exercised	(10,000)	(500)	(65,000)	(3,250)
Expired (transferred to Contributed surplus)	(598,332)	(29,917)	(280,000)	(14,000)
Private Placements	928,220	25,870	1,499,954	74,998
Secured Note (Note 9)	1,060,000	159,000	-	-
Balance, end of year	3,478,174	259,368	2,098,286	104,915
Total equity instruments		\$ 66,532,693		\$ 64,326,966

At December 31, 2005, common share purchase warrants to purchase 3,478,174 common shares at exercise prices ranging from \$0.50 to \$2.00 were outstanding. These warrants expire in 2006. During the twelve months ended September 30, 2002, the Company acquired 85,200 of its common shares, pursuant to a normal course issuer bid, at a cost of \$168,405.

RIDGEWAY PETROLEUM CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(c) Stock options

The following tables summarize the information about currently exercisable stock options to purchase common shares at December 31, 2005:

	Stock Options	Weighted Average Exercise Price
Balance, beginning of year	4,015,000	\$1.96
Granted	1,110,000	0.92
Expired	(775,000)	2.86
Balance, end of year	4,350,000	\$1.53

Exercise Price (\$)	Outstanding Stock Options	
	Number of Options	Weighted Average Remaining Contractual Life (Months)
0.60	260,000	60
0.95	100,000	55
1.00	1,590,000	22
1.00	300,000	50
1.03	50,000	53
1.05	400,000	52
2.45	1,650,000	8
	4,350,000	24.6

RIDGEWAY PETROLEUM CORP.

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The following table summarizes the information about currently exercisable stock options to purchase common shares at December 31, 2004:

	Stock Options	Weighted Average Exercise Price
Balance, beginning of year	3,800,000	\$2.31
Granted	1,895,000	1.30
Exercised	(166,000)	1.76
Expired	(1,514,000)	2.04
Balance, end of year	4,015,000	\$1.96

As described in Note 2, the Company records stock-based compensation expense in the consolidated financial statements for stock options granted to directors and employees using the fair value method. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model.

The grant-date fair value of the options granted during the quarter ended March 31, 2005 was \$0.52 per option with the following assumptions: risk free interest rate--3.1%, expected lives (years)--3.0, expected volatility--0.724. The average grant-date fair value of the options granted during the quarter ended June 30, 2005 was \$0.52 per option with the following assumptions: risk free interest rate--3.1%, expected lives (years) --3.0, expected volatility--0.74. The grant-date fair value of the options granted during the quarter ended September 30, 2005 was \$0.44 per option with the following assumptions: risk free interest rate--3.2%, expected lives (years)--3.0, expected volatility--0.69. The grant-date fair value of options granted during the quarter ended December 31, 2005 was \$0.29 per option with the following assumptions: risk free interest rate--3.8%, expected lives (years)--3.0, expected volatility--0.68.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2005

6 Income taxes

At December 31, 2005, the Company and its subsidiaries has unrecognized future tax deductions aggregating approximately \$17.4 million (of which approximately \$5.6 million relates to U.S. subsidiaries). The potential benefit of these deductions has not been recognized in these financial statements. The Canadian non-capital losses of approximately \$9.3 million expire over various years up to 2015; the losses of the U.S. subsidiaries are available to be utilized over the next twenty years, and the oil and gas tax deductions have unlimited carryforwards. Substantially all of the Company's future income tax liability is related to temporary differences between the accounting and tax bases of the Company's resource properties.

The provision for income taxes reflects an effective rate which differs for the expected income tax rate of 35.73% (2004--36.07%). The primary differences are as follows:

	December 31	
	2005	2004
Loss for the year before income taxes	\$ (2,493,939)	\$ (2,178,541)
Expected tax at combined federal, provincial and state rates	\$ (891,084)	\$ (785,800)
Stock-based compensation	182,587	287,875
Tax benefit of accounting losses not recognized	682,108	517,432
Other	26,389	(19,507)
Provision per financial statements	\$ -	\$ -

RIDGEWAY PETROLEUM CORP.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****December 31, 2005****7 Segmented information**

The Company operates in Canada and the United States and is engaged in the business of development of its helium and carbon dioxide project in eastern Arizona and western New Mexico.

For the year ended December 31, 2005, the Company had a net loss of \$2,493,939. Approximately \$617,936 of this net loss pertains to the U.S. operations.

	December 31, 2005		
	Canada	U.S.A.	Total
Office furniture, equipment and automotive	\$ 75,813	\$ 100,561	\$ 176,374
Less: Accumulated depreciation	(64,646)	(68,785)	(133,431)
Resource properties	-	41,714,175	41,714,175
Less: Accumulated depletion	-	(161,561)	(161,561)
Corporate assets	2,374,731	122,088	2,496,819
Deferred charges, net	128,563	-	128,563
Total assets	\$ 2,514,461	\$ 41,706,478	\$ 44,220,939
Capital expenditures	\$ 3,788	\$ 710,761	\$ 714,549

For the year ended December 31, 2004, the Company had a net loss of \$2,178,541. Approximately \$590,649 of this net loss pertains to the U.S. operations.

	December 31, 2004		
	Canada	U.S.A.	Total
Office furniture, equipment and automotive	\$ 72,025	\$ 100,561	\$ 172,586
Less: Accumulated depreciation	(62,326)	(59,962)	(122,288)
Resource properties	-	41,003,414	41,003,414
Less: Accumulated depletion	-	(161,561)	(161,561)
Corporate assets	6,682	169,928	176,610
Total assets	\$ 16,381	\$ 41,052,380	\$ 41,068,761
Capital expenditures	\$ -	\$ 2,368,446	\$ 2,368,446

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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8 Financial instruments

The Company's financial assets and liabilities that are included in the consolidated balance sheet comprise cash and cash equivalents, accounts receivable and current liabilities. The fair values of the financial assets and liabilities that are included in the consolidated balance sheet approximate their carrying amount.

9 Secured note/Promissory note/Debenture

	December 31 2005
Promissory note (U.S.\$500,000) (a)	\$ 581,500
Secured note (U.S.\$2,000,000) (b)	2,326,000
Note discount	(150,000)
Balance, end of year	\$ 2,757,500

During the first quarter of 2005, the Company issued a \$500,000 debenture bearing interest at 12% per annum with a maturity date of June 30, 2005. The debenture was secured by a floating charge on the assets of the Company. A debenture discount, reflecting the 125,000 bonus shares issued in connection with the placement and having an estimated fair value of \$100,000, was amortized over the four month term of the debenture. The amortized amount is included in interest and financing expense.

(a) During the third quarter of 2005, the Company issued a U.S.\$500,000 unsecured promissory note bearing interest at 10% per annum due March 31, 2006. By agreement dated March 31, 2006, the due date has been extended for a period of up to three months and will require three monthly payments of U.S.\$166,667 by June 30, 2006.

(b) During the fourth quarter of 2005, the Company issued a senior secured note placement of US\$2,000,000. The note bears interest at 1 1/2% per month, has a twelve month term and matures on December 23, 2006. The note is secured by a floating charge on the assets of a wholly-owned subsidiary. The Company has the right to repay the note prior to maturity without penalty. 1,000,000 non-transferable warrants of the Company ("Warrants") were granted to the lender. Each Warrant entitles the holder to purchase one share of the Company at a price of Cdn\$0.50 per share until the maturity date of the note. A note discount, reflecting the 1,000,000 warrants issued in connection with the placement and having an estimated fair value of \$150,000, is being amortized over the term of the note. The amortized amount is included in interest and financing expense.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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The Company also paid a finder's fee of US\$100,000 plus costs of US\$3,670 and 60,000 Warrants having an estimated fair value of \$9,000 in connection with this financing. The finder's fee and related costs are recorded as deferred charges. These deferred charges are being amortized over the term of the note and are included in interest and financing expense. The fair value of each warrant issued was estimated on the date of grant using the Black-Scholes pricing model. The fair value of the warrants issued was \$0.15 per warrant using the following assumptions: risk free interest rate--3.8%, expected life (years)--1.0, expected volatility--0.72.

10 Commitments

The Company has the following financial commitments for the rental of office space: 2006-\$37,026 and 2007--\$12,800.

11 Comparative amounts

Certain amounts relating to 2004 have been reclassified to conform with the presentation adopted in 2005.

12 Legal matters

The Company had been notified by Reliant Holdings, Ltd. of their intent to arbitrate a contractual dispute between the two organizations pursuant to which Reliant was claiming unliquidated damages. The Company believed this claim was without merit and had instructed its U.S. counsel to vigorously defend the matter. During April 2006, the parties negotiated an agreement whereby the Company has agreed to drill a new well, at a mutually agreed upon location, that could potentially be used as a replacement to the original well and be made available to Reliant to process the gas stream through the Reliant plant. This well will be owned by the Company. The final settlement documents are anticipated to be signed shortly.