Endeavour Energy UK Limited

Directors' report and financial statements

Registered number 05030838

31 December 2007

Contents

Directors' report

The directors present their report and the audited financial statements for the period 1 May 2007 to 31 December 2007 The company has changed its accounting reference date to 31 December The comparative figures therefore refer to the period 1 May 2006 to 30 April 2007

Principal activities

The company was incorporated on 30 January 2004 The principal activities of the company have focused on the acquisition, exploration and development of energy reserves in the North Sea

Business review

The Board of Directors and management evaluate the results of the company based on various non-financial measures, such as success in licensing rounds, drilling results, return on the capital program and completion of acquisitions

In December 2005, the company entered into a definitive agreement with Petro-Canada UK Limited to purchase an eight percent interest in the Enoch Field in the North Sea for approximately $11 6 million The transaction closed during May 2006 Development drilling and production facilities were completed in April 2007 with production commencing in May 2007

In October 2006, the company entered into an agreement in with Apache Corporation ("Apache") to participate in two exploratory wells to be drilled by Apache during the fourth quarter of 2006 as part of its ongoing exploration campaign in the North Sea The farm-in arrangement with Apache called for the company to provide Apache the second slot of its two-well drilling commitment for a semi-submersible rig in return for an option to purchase a 10 percent working interest in the Howgate prospect in Block 9/4a in the event of a discovery The company has chosen not to elect this option to purchase an interest in the Howgate prospect

Also as part of the arrangement, the company purchased a 10 percent working interest in the Bacchus prospect in the northern part of block 22/6a in the Central Graben region The Bacchus prospect was drilled in late 2006 to test the commercial potential of an oil discovery well that was drilled in 2005 and flowed oil from an Upper Jurassic sandstone The appraisal well was determined to be dry, however, evaluations are continuing to determine the commerciality of the field

In October 2006, the company entered into an agreement with EOG Resources United Kingdom Limited ("EOG") for the drilling of the Columbus exploratory prospect on Block 23/16f in the Central Graben region of the North Sea The company served as operator of the well, which began drilling in late October 2006 and was announced as a successful well in December 2006

In November 2006, the company completed its acquisition of all of the outstanding shares of Talisman Expro Limited, renamed Endeavour North Sea Limited ("ENSL"), for US $366 million, after preliminary purchase price adjustments, and including a note receivable of $173 million from ENSL (the "UK Acquisition") As a result of the UK Acquisition, the company acquired interests in eight fields in the United Kingdom sector of the North Sea The note receivable was sold simultaneously to the immediate parent company, Endeavour International Holding BV, for face value

In November 2006, the company funded the UK Acquisition through the issuance of a $225 million senior bank facility, subject to a borrowing base limitation, and funds received from the parent company The initial borrowing base is $185 million and is subject to redetermination every six months With the UK Acquisition, the company utilized $150 million of the borrowing base The remaining funding for the UK Acquisition was provided by the immediate parent company, Endeavour International Holding BV, and other subsidiaries of the ultimate parent company, Endeavour International Corporation

In February 2007, the company was awarded interests in eight licenses in the UK and will serve as operator on four of those licenses

On 31 March 2007, the company entered into an agreement with ENSL, whereby the company would purchase ENSL's oil and gas interests in the Goldeneye, Bittern, Alba and Caledonia fields The completion of the purchase of Goldeneye and Bittern occurred on 31 March 2007 and the completion of the purchase of Alba and Caledonia occurred on 1 May 2007 With the purchase of the Goldeneye and Bittern fields, the company had its first production and revenue Revenue for the eight months ended 31 December 2007 was $78,751,000 (year ended 30 April 2007 $5,723,000)

During 2006, one of the partners in the Goldeneye field initiated a redetermination procedure for equity interests of the partners in accordance with that party's rights as outlined in the joint venture operating agreements for this unitized field The redetermination procedure was finalized in the first quarter of 2007 prior to the company's purchase of the field As a result of the redetermination, the company has 18 months from the finalization of the redetermination to adjust entitled production to repay the imbalance created by the reduction of the working interest, estimated to be 7,497,000 therms of natural gas and 32,500 barrels of condensate

Capital expenditures for the eight months ended 31 December 2007 have been focused on the following projects

- appraisal drilling at last year's Columbus discovery (25% working interest),
- exploration drilling at the Acer prospect (5% working interest),
- exploration drilling at the Balgownie prospect (45% working interest), and
- exploration drilling at the Emu prospect (well operator with a 25% working interest)

The exploration prospects for Acer, Balgownie and Emu were plugged and abandoned

The Columbus appraisal well began drilling in late September 2007 and is located approximately three kilometres north of the discovery well that was drilled in late 2006 In November 2007, we announced that the appraisal well and its sidetrack effectively confirmed the presence of gas/condensate bearing sands The well is now suspended for possible use in the development of the field

Post balance sheet events

On 30 June 2008, the company purchased all the existing oil and gas interests of its subsidiary, Endeavour North Sea Limited, at market value These fields had a market value of approximately $28 million upon acquisition In connection with these transactions, all commodity derivatives were also transferred to Endeavour Energy UK Limited

In October 2008, we filed a field development plan for the Columbus project First production is forecast to begin in the third quarter of 2010

Subsequent to 31 December 2007, we executed three costless oil collars based on Dated Brent and five natural gas collars, based on Heren NBP, all of which are effective from 1 January 2009 through 31 December 2009 The first oil contract is for 100,008 barrels, with a ceiling price of $124 00 per barrel and a floor price of $100 00 per barrel, the second contract is for 100,008 barrels, with a ceiling price of $122 00 per barrel and a floor price of $100 00 per barrel, and the third contract is for 200,004 barrels, with a ceiling price of $120 75 per barrel, and a floor price of $100 00 per barrel

The first natural gas contract covers 700 MMcf, with a ceiling price of $18 03 per Mcf and a floor price of $12 54 per Mcf The second natural gas contract covers 100 MMcf, with a ceiling price of $16 96 and a floor price of $12 54, the third natural gas collar covers 150 MMcf, with a ceiling price of $17 91 and a floor price of $12 54, the fourth collar covers 250 MMcf, with a ceiling price of $18 21 and a floor price of $12 94, and the fifth collar covers 200 MMcf, with a ceiling price of $18 51 and a floor price of $13 13

Derivatives

From time to time, the company may utilize derivative financial instruments to hedge cash flows from operations or to hedge the fair value of financial instruments The company may use derivative financial instruments with respect to a portion of oil and gas production or a portion of variable rate debt to achieve a more predictable cash flow by reducing the company's exposure to price fluctuations These transactions are likely to be swaps, collars or options and to be entered into with major financial institutions or commodities trading institutions Derivative financial instruments are intended to reduce the company's exposure to declines in the market prices of crude oil and natural gas that the company produces and sells, to increases in interest rates and to manage cash flows in support of the company's annual capital expenditure budget

Results and dividends

The company generated pre-tax losses of $5,262,000 (year ended 30 April 2007 pre-tax loss of $11,160,000) and generated post-tax loss of $9,266,000 (year ended 30 April 2007 profit of $10,908,000) No dividend was declared by the Directors

Principal Risks and Uncertainties

Competitive Risks

The company operates in a highly competitive environment for reviewing prospects, acquiring properties, marketing oil and gas and securing trained personnel Many of the company's competitors are major oil and gas companies that possess and employ superior financial resources which allow them to obtain substantially greater technical and personnel resources and better enable them to acquire and develop prospects Competitors may also be able to pay more for productive oil and gas properties and exploratory prospects than the company is able or willing to pay If the company is unable to compete successfully in these areas in the future, its future revenues and growth may be diminished or restricted

Legislative Risks

Oil and gas exploration, development and production are subject to various types of regulation by governmental authorities Regulations and laws affecting the oil and gas industry are comprehensive and under constant review for amendment and expansion These regulations and laws carry substantial penalties for failure to comply The regulatory burden on the oil and gas industry increases the company's cost of doing business and therefore could adversely affect its profitability

Environmental Risks

The company's operations are subject to a variety of laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection Failure to comply with the law and regulations can result in the imposition of substantial fines and penalties as well as potential orders suspending or terminating the company's operation rights Also, the company may be subject to claims alleging personal injury or property damage as a result of alleged exposure to hazardous substances

Use of derivatives

See "Derivatives" above

Derivative contracts may expose the company to the risk of financial loss in certain circumstances, including instances in which its production is less than expected, the counterparties to its contracts fail to perform under the contracts, or a sudden, unexpected event materially impacts oil or gas prices or interest rates

Market Risk

Market fluctuations in the prices of oil and gas could adversely affect the price at which the company can sell oil or gas discovered on its properties, and lower oil and gas prices may cause the company to record write-downs

Operational Risk

The company's future oil and gas production is highly dependent upon its level of success in finding or acquiring additional reserves In general, the volume of production from oil and gas properties declines as reserves are depleted The decline rates depend on reservoir characteristics Reserves will decline unless the company acquires properties with proved reserves or conducts successful development and exploration drilling activities The use of 3-D seismic is only an interpretive tool and the company may be unable to recognize significant geological features due to errors in analysis of data, processing limitations or other factors The use of seismic information does not guarantee that the wells the company drills will encounter hydrocarbons, or if hydrocarbons are encountered, that they will be present in commercial quantities

Directors

The directors who held office during the period or subsequent to period end were as follows

J W Munns
L Gilliland (resigned 22 June 2007)
R F T Fitzpatrick
D J Griffiths (appointed 23 August 2006, resigned 30 January 2008)

As Mr Gilliland was an employee of the ultimate parent company, the company paid no remuneration to them In June 2007, Mr Gilliland ceased to be an employee of the ultimate parent company In January 2008, Mr Griffiths ceased to be an employee or director of the company

Certain directors benefited from qualifying third party indemnity provisions in place during the period ended 31 December 2007 and at the date of this report The company provided qualifying third party indemnity provisions to certain directors of associated companies during the period ended 31 December 2007 and at the date of this report

Political and charitable contributions

The company made no political contributions during the period (year ended 30 April 2007 nil) The company made no significant charitable contributions during the period (year ended 30 April 2007 nil)

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

During 2004, the company appointed KPMG LLP as auditors Pursuant to a shareholder's resolution, the company is not obliged to reappoint its auditors annually and KPMG LLP will therefore continue in office

By order of the board

Director
Robert Fitzpatrick

One Ropemaker Street, London EC2Y 9UE
30 October 2008

Statement of directors' responsibilities in respect of the Directors' Reports and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

KPMG LLP
8 Salisbury Square
London
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United Kingdom

Independent auditors' report to the members of Endeavour Energy UK Limited

We have audited the financial statements of Endeavour Energy UK Limited for the period ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, Reconciliation of Movements in Shareholders' Funds and the related notes These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 7

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements

In addition, we report to you if in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its loss for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor
London

30 October 2008

Profit and loss account

for the period 1 May 2007 through 31 December 2007

	Note	Year Ended 30 April 2007 US$000	Period 1 May 2007 to 31 December 2007 US$000
Turnover		$ 5,723	$ 78,751
Operating income (expenses)		201	(7,336)
Depreciation	*3, 7*	(4,219)	(57,450)
Administrative expenses		(5,550)	(4,970)
Operating profit (loss)		(3,845)	8,995
Interest income		337	1,236
Interest expense	*20*	(7,442)	(15,775)
Other finance (costs) income		(210)	282
Loss from ordinary activities before taxation	*3*	(11,160)	(5,262)
Tax (charge) credit on loss from ordinary activities	*6*	22,068	(4,004)
Retained profit (loss) for the period		$ 10,908	$ (9,266)

All gains and losses arising during the period have been recognised in the profit and loss account and derive from continuing operations of the company

The notes on pages 13 to 35 form an integral part of these accounts

Balance sheet

at 30 April 2007 and 31 December 2007

	Note	30 April 2007 US $000	31 December 2007 US $000
Fixed assets			
Oil and gas assets	7	$ 188,161	$ 275,590
Other tangible assets	7	521	581
		188,682	276,171
Investment in subsidiary undertakings	8	192,968	192,968
		381,650	469,139
Current assets			
Cash		14,916	10,964
Crude oil inventory		481	1,142
Debtors			
Amounts falling due after one year	9	20,481	12,688
Amounts falling due within one year	9	41,212	48,509
		61,693	62,339
		77,090	73,303
Creditors: amounts falling due within one year	10	(310,077)	(18,282)
Net current assets (liabilities)		(232,987)	55,021
Total assets less current liabilities		148,663	524,160
Creditors amounts falling due after one year	11	(168,191)	(361,517)
Provisions for liabilities and charges	12	(5,146)	(84,861)
Net assets (liabilities)		$ (24,674)	$ 77,782
Shareholder's equity			
Called up share capital	13	$ -	$ -
Share premium	13	-	110,824
Profit and loss account	14	(24,674)	(33,042)
		$ (24,674)	$ 77,782

These financial statements were approved by the board of directors on 30 October 2008 and were signed on its behalf by:

The notes on pages 13 to 35 form an integral part of these accounts

Reconciliation of movements in shareholders' funds

for the perıod 1 May 2007 through 31 December 2007

	Year Ended 30 Aprıl 2007 US$000	Perıod 1 May 2007 to 31 December 2007 US$000
Openıng shareholders' funds, as prevıously reported	$ (35,790)	$ (24,674)
Profit (loss) for the financıal perıod	10,908	(9,266)
Accrued entıtlements for unvested employee share grants	208	898
Issuance of shares to Endeavour Internatıonal Holdıng B V	-	110,824
Closıng shareholders' funds	$ (24,674)	$ 77,782

The notes on pages 13 to 35 form an ıntegral part of these accounts

Notes

(forming part of the financial statements)

1. *Financing*

The company is dependant on financing from the ultimate parent, Endeavour International Corporation At 31 December 2007, the company has positive net assets of $77,782,000 (period ended 30 April 2007 negative net assets $24,674,000) and incurred pre-tax losses of $5,262,000 (period ended 30 April 2007 pre-tax loss of $11,160,000) and generated post-tax loss of $9,266,000 (period ended 30 April 2007 profit of $10,908,000) The company has received a letter from its ultimate parent which confirms that it will provide financial support to the company for a period of at least the twelve months following the date of signing of these financial statements As such the directors have prepared the financial statements using the going concern assumption

2. *Accounting policies*

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of preparation

The financial statements have been prepared using the going concern assumption, in accordance with applicable accounting standards, under the historical cost accounting rules and in accordance with the Statement of Recommended Practice Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities

The company is exempt by virtue of S228A of the Companies Act 1985 from the requirement to prepare group financial statements These financial statements present information about the company as an individual undertaking and not about its group

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements

As the company is a wholly owned subsidiary of Endeavour International Corporation, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties) The consolidated financial statements of Endeavour International Corporation, within which this company is included, can be obtained from Endeavour International Corporation, 1001 Fannin Street, Suite 1600, Houston, TX USA 77002

Joint arrangements

The company has certain contractual arrangements with other participants to engage in joint activities that do not create an entity carrying on a trade or business of its own The company includes its share of assets, liabilities and cash flows in joint arrangements, measured in accordance with the terms of each arrangement, which are usually pro rata to the company's interest in the joint arrangement

Oil and gas fixed assets

The company uses the full cost method of accounting for oil and gas assets Costs capitalized include property acquisition costs, geological and geophysical expenditures, costs of drilling productive and non-productive wells including asset retirement costs, together with overhead and interest directly related to exploration and development activities and lease and well equipment The recoverability of the amounts recorded for oil and natural gas properties are dependent on the existence of economically recoverable reserves and future production from the properties Under this method all expenditures in connection with the acquisition, exploration, appraisal and development of oil and gas assets, including interest and exchange differences incurred on borrowing in respect of development projects and direct overheads are capitalised and accumulated in full cost pools on a geographical basis As all of the company's operations are located in the United Kingdom, the company has a single full cost pool

When the properties are brought into commercial production, the costs capitalized will be depleted and depreciated using the unit-of-production method by cost pool based on commercial oil and gas proved reserves as determined by independent engineers For the purpose of this calculation, production and reserves of oil and natural gas are converted to equivalent units based on the relative energy content, whereby one barrel of oil is equivalent to six thousand cubic feet of natural gas

The costs of undeveloped acreage and exploration assets are excluded from the capitalised cost pool to be depleted, pending determination of the recoverable reserves attributable to such assets Costs related to major development projects are excluded from costs subject to depletion and depreciation until the earlier of production capability occurs, development activity ceases or impairment occurs Impairment arises as unproved properties are abandoned or when cost exceeds net recoverable value Any impairment in value of the cost pool is charged through the profit and loss account as additional depletion where it is considered that an impairment in value of the asset has occurred Once the exploration of the areas associated with a full cost pool has been completed and its results evaluated, then a commercial discovery is made, or if not, impairment is assessed

Other tangible fixed assets

Depreciation on other tangible fixed assets is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives of two to three years

Ceiling tests

On an annual basis or where there is an indication that the value of an oil and gas cost pool may be impaired, the net amount at which the pool is recorded is assessed for recoverability against the discounted future estimated net cash flows expected to be generated from the estimated remaining commercial reserve This assessment is made on the basis of future oil and gas prices, exchange rates and cost levels as forecast at the balance sheet date When an impairment is identified, a provision is made, by way of an additional depreciation charge, to reduce the value of the cost pool to the greater of the discounted future cash flows of the cost pool, or its fair market value, less disposal costs

Inventories

Materials and supplies and oil inventories are valued at the lower of cost or market value (net realizable value)

Use of estimates

The preparation of the financial statements in accordance with accounting principles in force requires that the Company's Board of Directors makes estimates as of the date of the financial statements about the value of certain assets and liabilities, including contingent liabilities, as well as the amounts of certain earnings and expenses recorded during the period The actual value of transactions and balances subject to these estimates may differ from the estimated amounts

Turnover

Turnover includes production on an entitlement basis, reflecting the sales value of the company's share of oil and gas produced in the year including royalties Turnover is stated net of value added tax

Decommissioning

Provision for future decommissioning costs is made when the underlying assets to be decommissioned are first available for or placed in service or when the assets are first acquired, if later The provision for future decommissioning is calculated before corporate tax, based on future cash flows discounted at rates to reflect risks specific to the costs An amount equivalent to the initial provision for decommissioning costs is capitalised and amortised over the life of the underlying asset on a unit of production basis over proven and probable reserves Changes to the provision other than unwinding of the discount are taken into account prospectively

Unwinding of the discount of future decommissioning provisions is included as a separate financial item in the profit and loss account under the other financing costs heading

Corporate and deferred taxation

The charge for taxation is based on the result for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognized, without discounting, in respect of all timing differences between the treatment of items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by Financial Reporting Standard 19 Deferred Tax (FRS 19)

Foreign currencies

The functional and reporting currency of the company is the United States dollar Transactions in other currencies are recorded using the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in other currencies are translated using the contracted rate or retranslated at the rate of exchange ruling at each balance sheet date with the gains or losses on translation are included in the profit and loss account

Post-retirement benefits

The company operates a defined contribution pension scheme The assets of the scheme are held separately from those of the company in an independently administered fund The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period

Employee share schemes

The employee share scheme allows employees to acquire shares of the parent company The fair value of awards is measured at grant date and spread over the period during which the employees become unconditionally entitled to the awards The fair value of options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted The amount recognised as an expense is adjusted to reflect the actual number of share options that vest

Financial instruments

Financial assets

The company's financial assets are all highly liquid instruments with an original maturity of 90 days or less at the time of purchase

Financial liabilities

Financial instruments issued by the company are treated as equity (i e forming part of shareholders' funds) only to the extent that they meet the following two conditions

- they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company, and
- where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

Finance payments associated with financial liabilities are dealt with as part of interest expense Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds

Derivatives

The Company may utilize derivative financial instruments with respect to a portion of its oil and gas production or a portion of its debt, to achieve a more predictable cash flow by reducing its exposure to price and interest rate fluctuations These transactions are likely to be swaps, collars or options and to be entered into with major financial institutions or commodities trading institutions Gains and losses on instruments used for commodity hedging are not recognised until the exposure that is being hedged is itself recognised Gains and losses on instruments used for commodity hedging are recorded in turnover while gains and losses on instruments used for interest rate hedging are recorded in interest expense

3. *Loss on ordinary activities before taxation*

	Year Ended 30 April 2007 US$000	Period 1 May 2007 to 31 December 2007 US$000
Loss on ordinary activities before taxation is stated after charging		
Auditors' remuneration		
Audit	$ 129	$ 289
Tax and other matters	167	202
Depreciation and other amounts written off tangible fixed assets		
Owned	4,219	57,450

4. *Remuneration of directors*

	Year Ended 30 April 2007 US$000	Period 1 May 2007 to 31 December 2007 US$000
Directors' emoluments	$ 865	$ 417
Amounts receivable under long term incentive schemes	535	33
	$ 1,400	$ 450

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was $598,000 and $164,000 for the year ended 30 April 2007 and the period 1 May 2007 to 31 December 2007, respectively During the period, the highest paid director received shares and options to purchase shares in Endeavour International Corporation under a long term incentive scheme

	Number of directors	
	30 April 2007	31 December 2007
The number of directors in respect of whose services shares were received or receivable under long term incentive schemes was	3	3

5. *Staff numbers and costs*

The average number of persons employed by the company (including directors) during the period, analysed by category, was as follows

	Number of employees	
	30 April 2007	31 December 2007
Management	3	3
Operations and administration	13	13
	16	16

The aggregate payroll costs of these persons were as follows

	Year Ended 30 April 2007 US$000	Period 1 May 2007 to 31 December 2007 US$000
Wages and salaries	$ 2,756	$ 1,258
Share based payments (see note 17)	1,136	898
Social security costs	343	182
Pension costs (see note 16)	117	104
Other payroll costs	650	-
	$ 5,002	$ 2,442

6. *Taxation*

Due to the fact that for UK tax purposes trading had not yet begun, there was no current corporation tax charge arising from the company's activities for the period 1 January 2006 to 30 April 2006 and all prior periods No corporation tax charge arose from the company's activities for the financial year ended 30 April 2007, however, trading commenced for UK tax purposes and the supplementary charge of 20% was triggered with the acquisition of the Enoch Field in May 2006 Further, the transfer of the Goldeneye and Bittern Fields from Endeavour North Sea Ltd, in April 2007 as well as the subsequent transfer of the Alba Field in May 2007 enabled EEUK to recognize a deferred tax asset for the current period loss as well as for all previously unrecognized pre-trading losses for the company's activities prior to the financial year ended 30 April 2007

		Year Ended 30 April 2007 US$000		Period 1 May 2007 to 31 December 2007 US$000
Current tax				
UK corporation tax charge (credit)on profit/(loss) for period	$	-	$	-
PRT tax charge		-		901
Total current tax		-		901
Deferred tax				
Origination/reversal of timing differences		(1,823)		3,103
Adjustment in respect of previous periods relating to recoverability of previously unrecognized deferred tax assets		(20,245)		-
Total deferred tax		(22,068)		3,103
Tax charge/(credit)on profit/(loss) on ordinary activities	$	(22,068)	$	4,004

The current tax charge/(credit) for the period is lower than the standard rate of corporation tax in the UK (30%) and the supplementary charge of 20% The differences are explained below

		Year Ended 30 April 2007 US$000		Period 1 May 2007 to 31 December 2007 US$000
Current tax reconciliation				
Loss on ordinary activities before tax	$	(11,160)	$	(5,262)
Current tax credit at corporation tax of 30%		(3,348)		(1,579)
Effects of				
Expenses not deductible for tax purposes (permanent differences)		32		207
PRT – net of current tax benefit		-		632
Unrecognized non-trading losses		2,131		2,541
Depreciation for the year in excess of capital allowances		(11,479)		3,894
Valuation for employee stock options		305		269
Decommissioning		-		94
Ring Fence loss carried forward		12,359		(5,157)
Total current tax charge/(credit) (see above)	$	-	$	901

The components of the deferred corporation tax asset at 31 December 2007 were

		30 April 2007 US$000		31 December 2007 US$000
Deferred taxation				
Deferred compensation	$	892	$	1,341
Ring Fence loss brought forward		43,701		18,369
PRT		-		(4,717)
Decommissioning		13		169
Depreciation in excess of capital allowances		(29,592)		(91,049)
Net deferred tax asset (liability)		15,014		(75,887)
Non-ring fence trading debits (not recognized)	$	2,131	$	4,672

No deferred tax asset has been recognized for non-ring fence trading debits amounting to $2,541,000 (year ended 30 April 2007 nil), as the realisibility of the deferred tax asset is not considered likely

7. *Tangible fixed assets*

The property costs accumulated during the period 1 May 2007 to 31 December 2007, analysed by category, were as follows

	Oil and gas properties US$000	Other tangible assets US$000	Total US$000
Cost			
At beginning of period	$ 220,066	$ 960	$ 221,026
Additions	43,801	242	44,043
Acquisitions	100,897	-	100,897
At end of period	$ 364,764	$ 1,202	$ 365,966
Amortisation			
At beginning period	$ (31,905)	$ (439)	$ (32,344)
Charged in period	(57,269)	(182)	(57,450)
At end of period	$ (89,174)	$ (621)	$ (89,795)
Net book value			
At 31 December 2007	$ 275,590	$ 581	$ 276,171

Oil and gas fixed assets are included at cost Other tangible fixed assets, consisting of office equipment, are included at cost

Finance costs have been capitalized into tangible fixed assets at a rate of 8 1% (Year ended 30 April 2007 7 5% nil)

The property costs accumulated during the period 1 May 2006 to 30 April 2007, analysed by category, were as follows

		Oil and gas properties US$000		Other tangible assets US$000		Total US$000
Cost						
At beginning of period	$	49,289	$	651	$	49,940
Additions		39,536		309		39,845
Acquisitions		131,241		-		131,241
At end of period	$	220,066	$	960	$	221,026
Amortisation						
At beginning period	$	(27,915)	$	(210)	$	(28,125)
Charged in period		(3,990)		(229)		(4,219)
At end of period	$	(31,905)	$	(439)	$	(32,344)
Net book value						
At 30 April 2007	$	188,161	$	521	$	188,682

In December 2005, the company entered into a definitive agreement with Petro-Canada UK Limited to purchase an eight percent interest in the Enoch Field in the North Sea for approximately $11 6 million The transaction closed during May 2006.

In October 2006, the company purchased a 10 percent working interest in the Bacchus prospect in the northern part of block 22/6a in the Central Graben region for approximately $1 7 million

On 31 March 2007, the company entered into an agreement with ENSL, whereby the company would purchase ENSL's oil and gas interests in the Goldeneye, Bittern, Alba and Caledonia fields The completion of the acquisition of Goldeneye and Bittern occurred on 31 March 2007 for approximately $118 million and the completion of the purchase of Alba and Caledonia occurred on 1 May 2007 for approximately $52 million, net of liabilities assumed

8. *Investment in subsidiary undertakings*

	30 April 2007 US$000	31 December 2007 US$000
At the beginning of the period	$ -	$ 192,968
Additions	192,968	-
At the end of the period	$ 192,968	$ 192,968

On 1 November 2006, the company completed its acquisition of all of the outstanding ordinary shares (which represents 100% of the issued capital) of Talisman Expro Limited, incorporated in England and Wales, for US $366 million cash, after preliminary purchase price adjustments, and a note receivable of $173 million from ENSL (the "UK Acquisition") As a result of the UK Acquisition, the company acquired interests in eight fields in the United Kingdom sector of the North Sea Talisman Expro Limited was renamed Endeavour North Sea Limited ("ENSL") The fiscal year of ENSL is 1 January to 31 December 2007 The note receivable was immediately sold to the immediate parent company, Endeavour International Holding BV, for face value

ENSL had profit on ordinary activities before taxation of $6,060,000 and profit after taxation of $1,233,000 for the period ended 31 December 2007 ENSL had capital and reserves of $102,889,000 at 31 December 2007

9. *Debtors*

	30 April 2007 US$000	31 December 2007 US$000
Amounts falling due within one year		
Non-corporate taxes	$ 196	$ 355
Receivables from third parties	14,672	22,112
Deferred derivative costs	1,923	2,007
Restricted cash in escrow	21,963	22,000
Prepayments	2,458	1,253
Other current assets	-	782
Amounts falling due with in one year	$ 41,212	$ 48,509

	30 April 2007 US$000	31 December 2007 US$000
Amounts falling due after one year		
Deferred corporate tax assets	$ 15,014	$ -
Deferred financing costs	2,885	2,500
Amounts owed to group undertakings	-	8,831
Deferred derivative costs	2,516	1,291
Deposits	66	66
Amounts falling due after one year	$ 20,481	$ 12,688

In connection with the UK Acquisition, the company entered into various oil and gas derivative instruments to stabilize cash flows from the assets acquired The fair values of the derivatives held at the 31 December, 2007 balance sheet date, determined by reference to their fair market values was $38 3 million At 31 December 2007, the company had the following derivative instruments outstanding

	2008	2009	2010	2011
Oil				
Fixed Price Swap (Mbbl) – Platt's Dated Brent	659	611	573	487
Weighted Average Price ($/Barrel)	70 33	69 66	68 39	66 01
Gas [(1)]				
Fixed Price Swap (MMcf) – Heren National Balancing Point	2,676	1,387	1,032	627
Weighted Average Price (£/Mcf)	5 81	5 58	5 35	5 13
Costless Collar (MMcf)	1,200	-	-	-
Weighted Average Ceiling Price (£/Mcf)	£4 53	-	-	-
Weighted Average Floor Price (£/Mcf)	£3 53	-	-	-

[(1)] Gas derivative contracts are designated in therms and have been converted to Mcf at a rate of 10 therm to 1 Mcf The exchange rate at 31 December 2007 $1 98 to £1 00

10. *Creditors: amounts falling due within one year*

		30 April 2007 US$000		31 December 2007 US$000
Trade creditors	$	11,472	$	13,375
Amounts owed to group undertakings		292,220		-
Accrued interest		1,738		1,003
Joint interest payable		2,200		-
Corporate tax payable		-		884
VAT tax payable		2,447		3,020
	$	310,077	$	18,282

11. *Creditors: amounts falling due after one year*

		30 April 2007 US$000		31 December 2007 US$000
Loans due 2011	$	110,000	$	110,000
Amounts owed to parent due 2011		58,191		251,517
	$	168,191	$	361,517

Loans

In November 2006, the company funded the UK Acquisition through the issuance of a $225 million senior bank facility, subject to a borrowing base limitation, and funds received from the parent company The initial borrowing base is $185 million and is subject to redetermination every six months with an independent reserve report required every 12 months With the UK Acquisition, the company utilized $150 million of the borrowing base The senior bank facility also provides for issuances of letters of credit of up to an aggregate $60 million While all letters of credit issued under the senior bank facility will reduce the total amount available for drawing under the senior bank facility, letters of credit issued to secure abandonment liabilities in respect of borrowing base assets will not reduce the amount available under the borrowing base

Indebtedness under the facility is secured by cross guarantees from all of the ultimate parent company's subsidiaries, share pledges from all of the ultimate parent company's subsidiaries, floating charges over the operating assets held in the United Kingdom and a receivables pledge for the ultimate parent company's Norwegian subsidiary Borrowings under the senior bank facility will bear interest at LIBOR plus 1 3% for the first $168 million of availability, and LIBOR plus 1 7% for up to an additional $18 million of availability

The senior bank facility contains customary covenants, which limit the company's ability to incur indebtedness, pledge assets, dispose of assets and make exploration and appraisal expenditures In addition, the senior bank facility contains various financial and technical covenants for the ultimate parent company

The final maturity is the earlier of five years and the reserve tail date, being the date when the remaining borrowing base reserves are projected to be 20% or less of the initially approved borrowing base reserves The senior bank facility is subject to mandatory prepayment in the event of a change of control of any obligor under the senior bank facility agreement It is prepayable at the company's option at any time without penalty (aside from standard broken funding costs)

Amounts due to parent

In order to fund oil and gas property development expenditures, the company entered into a $100 million unsecured Revolving Loan Facility Agreement with Endeavour Operating Corporation ("EOC"), the parent company of Endeavour International Holding BV, in January 2007 The company may borrow up to the maximum principal amount of the facility, at the discretion of EOC

Subject to EOC's approval, the company may repay the loan at any time prior to its maturity No portion of the loan is to be repaid via set-off claims held by the company against EOC

Interest will be paid at an agreed upon rate, and will accrue daily The company has the option to capitalize interest payable, based on prior approval from EOC Capitalised interest will be added to the principal amount of the borrowing and shall be compounded annually If the company does not elect interest capitalization, the interest will be payable in arrears at agreed upon dates

Interest shall accrue at a rate of 2% above initial interest amounts on any outstanding portion of a borrowing not repaid on maturity date The final maturity date is 31 December 2011 for all borrowings under the facility

During 2007, the amounts owed to the parent due in 2011 increased $193 7 million This increase resulted primarily from the company's assumption of inter-company long-term debt from ENSL in the form of a loan with EIHBV for $179 9 million This assumption of long-term debt corresponds with the purchase of assets from ENSL to the company The remainder of the increase resulted from the recording of accrued interest on the loan balances due to the parent

Interest rate swap

During February 2007, the company entered into an interest rate swap for a notional amount of $37 5 million whereby the company pays a fixed rate of 5 05% and receives LIBOR through November 2009

12. Provisions

		Deferred Taxes US$000		Decommissioning US$000
At 1 May 2007	$	(15,014)	$	5,146
Acquisitions of assets		75,028		3,525
Charge to the profit and loss for the period (Note 6)		3,103		26
Intercompany group relief surrendered		12,770		-
Unwinding of discount		-		277
At 31 December 2007	$	75,887	$	8,974

The decommissioning expenditure is expected to be incurred between 2013 and 2015, however this is dependent on future production levels and the discovery of additional reserves The major estimates applied to this calculation are at a discount rate of 4 5% and the estimated costs of abandonment provided by the field operators

13. Called up share capital

		30 April 2007 GBP		31 December 2007 GBP
Authorised				
Equity 1,000 Ordinary shares of £1 00 each	£	1,000	£	1,000
	£	1,000	£	1,000

		30 April 2007 US$		31 Dec 2007 US$
Allotted, called up and fully paid				
Equity 100 Ordinary shares of £1 00 each (30 April 07 – 1 Ordinary share of £1 00)	$	2	$	200

	30 April 2007 US$000	31 Dec 2007 US$000
Share Premium		
Issuance of shares to Endeavour International Holding B V	-	110,824

In June 2007, Endeavour International Holding B V , the immediate parent company, issued and allotted 99 ordinary shares of £1 00 each at a premium of USD$110,824,000 in exchange of assuming the company's amount due to Endeavour Operating Corporation, a subsidiary undertaking of Endeavour International Corporation

14. *Profit and loss account*

The activity in the profit and loss accounts for the periods shown is as follows

	30 April 2007 US$000	31 Dec 2007 US$000
At beginning of period	(35,820)	(24,674)
Accrued entitlements for unvested employee share grants	208	898
Retained profit (loss) for the year/period	10,908	(9,266)
At end of period	(24,674)	(33,042)

15. *Commitments and Guarantees*

Commitments

Commitments at the end of the financial year, for which no provision has been made, are as follows

		30 April 2007 US$000	31 December 2007 US$000
Capital	$	66,000	48,510
Office lease		789	671

Capital commitments at 31 December 2007 represent commitments for exploration expenditures arising from exploration licenses granted, the Enoch field and drilling rig contracts During the second quarter of 2006, the company entered into a rig commitment for 220 days beginning in May 2007 for the UK sector of the North Sea The value of this contract is approximately $66 million A $22 million escrow payment was made under the rig commitment and is included in debtors amounts falling due with in one year, restricted cash During the second quarter of 2007, the company utilized 73 days of this rig commitment to drill the Balgownie and Emu prospects Endeavour expects to utilize the remaining 147 days of this commitment in 2008

Capital commitments at 31 December 2007 represent commitments for exploration expenditures arising from exploration licenses granted, the Enoch field and drilling rig contracts The company has a commitment for drilling services with a semi-submersible drilling rig, for two wells in the last half of 2006 for approximately $13 5 million In October 2006, the company entered into an agreement with Apache Corporation As part of this agreement, Apache Corporation assumed the commitment for the second well

The commitment for office lease represents total amount due for the remaining term of the company's lease for office space The lease expires 12 December 2012

Guarantees

As part of the financing for the UK Acquisition and in November 2006, the immediate parent company, Endeavour International Holding BV, entered into a $75 million second lien term loan Indebtedness under the loan is secured by cross guarantees from all of the ultimate parent company's subsidiaries and a second ranking interest in the security package provided under the senior bank facility The second lien term loan contains customary covenants, which limit the company's ability to incur indebtedness, pledge assets, dispose of assets and make exploration and other capital expenditures In addition, the second lien term loan contains various financial covenants for the ultimate parent company

The second lien term loan matures in five years and is subject to mandatory prepayment related to specified percentages for the ultimate parent company of excess cash flow, proceeds of asset sales and proceeds of issuance of debt and equity securities The second lien term loan may be prepaid at any time at a premium, which premium starts at 3% in the first year and decreases 1% per year until no premium is payable (in addition to standard broken funding costs in the event of prepayment other than on the last day of an interest period)

16. Pension scheme

The company contributes to a defined contribution pension scheme The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to $104,000 for the 2007 financial year (at year ended 30 April 2007 $117,000)

17. Share-based payments

The ultimate parent company grants restricted stock and stock options of the ultimate parent company, including notional restricted stock and options, to employees and directors as incentive compensation The notional restricted stock and options may be settled in cash or stock upon vesting, at the company's option, however it has been the company's practice to settle in stock The restricted stock and options generally vest over a three year service period and the options have a five year expiration The vesting of these shares and options is dependent upon the continued service of the grantees to the company Upon the occurrence of a change in control, each share of restricted stock and stock option outstanding on the date on which the change in control occurs will vest immediately

The fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model Expected volatility is based on the historical volatility of the ultimate parent company for the length of the expected term The expected term is the average of the vesting date and the expiration of the option The company uses historical data to estimate option exercises and employee terminations within the valuation model The risk-free rate for periods within the contractual life of the option is based on the U S treasury yield curve in effect at the time of grant

Share options are granted under a service condition, however no market-based performance conditions are included in their terms There is a mechanism in place whereby the ultimate parent company recharges the company for the cost of awards issued by the ultimate parent company to employees of the company This recharge is accounted for in the amounts owed to ultimate parent

The estimated fair value of each option granted was calculated using the Black-Scholes Method The following summarizes the weighted average of the assumptions used in the method

	30 April 2007	31 December 2007
Weighted average share price on the day of grant	$3 12	$3 69
Risk free rate	4%	4%
Expected years until exercise	4	4
Expected stock volatility	39%	40%
Dividend yield	-	-

Information relating to stock options, including notional stock options, is summarized as follows

	Year Ended 30 April 2007		Period from 1 May 2007 to 31 December 2007	
	Number of Shares	Weighted Average Exercise Price per Share	Number of Shares	Weighted Average Exercise Price per Share
Balance outstanding – beginning of period	347,202	$3 45	407,200	$3 35
Granted	85,000	2 77	-	-
Exercised	(16,667)	2 00	-	-
Canceled	(8,335)	4 20	(5,000)	3 51
Balance outstanding – end of period	407,200	$3 35	402,200	3 35
Currently exercisable – end of period	162,471	$3 29	178,471	3 32

No stock options were exercised during the period 1 May 2007 to 31 December 2007 The options outstanding at 31 December 2007 have an exercise price of $3 35 and a weighted average contractual life of 2 0 years The weighted average grant-date fair value of options granted during the eight month periods ended 31 December 2007 and the year ended 30 April 2007 was nil and $1 00, respectively

At 31 December 2007, our employees and directors held 821,551 restricted shares of the common stock of the ultimate parent company that vest over the service period of up to three years The restricted stock awards were valued based on the closing price of the ultimate parent company's common stock on the measurement date, typically the date of grant, and compensation expense is recorded on a straight-line basis over the restricted share vesting period

Status of the restricted shares and the changes during the period 1 May 2007 to 31 December 2007 are presented below

	Year Ended 30 April 2007		Period from 1 May 2007 to 31 December 2007	
	Number of Shares	Weighted Average Grant Date Fair Value per Share	Number of Shares	Weighted Average Grant Date Fair Value per Share
Balance outstanding – beginning of period	567,534	$ 3 47	837,551	$ 3 03
Granted	359,239	$ 2 44	10,000	$ 1 06
Vested	(84,222)	$ 3 38	(17,667)	$ 3 34
Forfeited	(5,000)	$ 3 51	(8,333)	$ 2 78
Balance outstanding – end of period	837,551	$ 3 03	821,551	$ 3 01

The total expense recognised for the period arising from share-based payments is $898,000 (Year ended 30 April 2007 $ 1,136,000) All share-based payments are treated as "equity settled "

18. Costs incurred

Pre-production costs incurred or provided in oil and gas exploration and production activities for the year ended 31 December 2007 are as follows

	30 April2007 US$000	31 December 2007 US$000
Acquisition of properties		
Proved	$ 83,803	$ 92,010
Unproved	45,738	5,361
	129,541	97,371
Exploration costs	28,902	42,669
Development costs	11,751	1,132
Decommissioning costs	583	3,526
Total costs	$ 170,777	$ 144,698

19. Ultimate controlling party

The company is a subsidiary undertaking of Endeavour International Corporation incorporated in the United States of America and the Directors regard Endeavour International Corporation as the ultimate parent and controlling party The company is a wholly owned subsidiary of Endeavour International Holding BV, a company incorporated in the Netherlands which is the immediate parent company

The largest group in which the results of the company are consolidated is that headed by Endeavour International Corporation The smallest group in which the results of the company are consolidated is that headed by Endeavour International Holding BV, incorporated in the Netherlands Copies of the consolidated financial statements are available from Endeavour International Corporation, 1001 Fannin Street, Suite 1600 Houston, TX USA 77002

20. Interest

	30 April 2007 US$000	31 December 2007 US$000
Payable on bank loans and overdrafts	(5,202)	(5,776)
Payable on inter-company loans	(3,090)	(12,043)
Capitalized interest	1,195	2,990
Other	(345)	(946)
	(7,442)	(15,775)

21. Post balance sheet events

On 30 June 2008, the company purchased all the existing oil and gas interests of its subsidiary, Endeavour North Sea Limited, at market value These fields had a market value of approximately $28 million upon acquisition In connection with these transactions, all commodity derivatives were also transferred to Endeavour Energy UK Limited

In October 2008, we filed a field development plan for the Columbus project First production is forecast to begin in the third quarter of 2010

Subsequent to 31 December 2007, we executed three costless oil collars based on Dated Brent and five natural gas collars, based on Heren NBP, all of which are effective from 1 January 2009 through 31 December 2009 The first oil contract is for 100,008 barrels, with a ceiling price of $124 00 per barrel and a floor price of $100 00 per barrel, the second contract is for 100,008 barrels, with a ceiling price of $122 00 per barrel and a floor price of $100 00 per barrel, and the third contract is for 200,004 barrels, with a ceiling price of $120 75 per barrel, and a floor price of $100 00 per barrel

The first natural gas contract covers 700 MMcf, with a ceiling price of $18 03 per Mcf and a floor price of $12 54 per Mcf The second natural gas contract covers 100 MMcf, with a ceiling price of $16 96 and a floor price of $12 54, the third natural gas collar covers 150 MMcf, with a ceiling price of $17 91 and a floor price of $12 54, the fourth collar covers 250 MMcf, with a ceiling price of $18 21 and a floor price of $12 94, and the fifth collar covers 200 MMcf, with a ceiling price of $18 51 and a floor price of $13 13

Net commercial oil and gas reserve quantities for the year ended 31 December 2007 are as follows

	Oil (Mbbl)	Gas (MMcf)
Net commercial reserves, beginning of year		
Commercial developed reserves	859	10,357
Commercial undeveloped reserves	362	4,000
	1,221	14,357
Changes during the year		
Purchases of reserves-in-place	1,830	-
Revisions of previous estimates	(19)	3,027
Production	(657)	(5,573)
Net commercial reserves, end of year		
Commercial developed reserves	1,636	8,417
Commercial undeveloped reserves	740	3,394
	2,376	11,811