

Zargon Oil & Gas Ltd. (the "Company" or "Zargon") (TSX:ZAR) (TSX:ZAR.DB) provides a Little Bow Alkaline Surfactant Polymer ("ASP") tertiary oil recovery project update, revises 2015 capital budget and updates the 2015 production guidance. Zargon intends to release its Q1 2015 financial results on May 13, 2015, after market close.

#### LITTLE BOW ASP PROJECT UPDATE:

- In March 2014, Zargon commenced injection of large volumes of dilute chemical solution into the partially depleted Little Bow Mannville I pool to recover substantial incremental oil reserves. To date, 3.9 million barrels of ASP solution has been injected into the first phase of the project. This injection volume is equal to about 12 percent of the targeted reservoir pore volume, and represents 17 percent of the total chemical bank (ASP and polymer only) scheduled to be injected in the phase 1 operation.
- Although the production ramp-up has been slower than anticipated, we continue to be encouraged by the flood's production response, which shows improving oil cuts in 11 of the 16 producers and provides definitive evidence of oil banking in both the southeast and northwest areas of the project. Furthermore, there has been no indication of excessive polymer break through, which would suggest reduced conformance and reduced oil recovery. Our analysis continues to point to a 12 percent (or better) incremental oil recovery.
- Following a difficult January and February, when total fluid (oil and water) production volumes were reduced due to a combination of ASP plant retrofits/maintenance and both producer and injector workovers, March data has demonstrated a resumption of the desired oil banking trends. Furthermore, early April data has shown oil production rates in excess of 325 barrels of oil per day, which compares to the McDaniel base waterflood estimate rate of 210 barrels of oil per day (refer to table below).

Month	Oil (bbl/d)	Fluid Production (thousand bbl/d)	Oil Cut (%)
Oct. 2014	209	15.5	1.33
Nov. 2014	223	15.1	1.45
Dec. 2014	244	15.9	1.52
Jan. 2015	259	13.4	1.90
Feb. 2015	244	14.0	1.71
Mar. 2015	288	14.3	1.98

- Due to the slower than anticipated production ramp-up, Zargon undertook and has now completed a comprehensive project review and has prepared an action plan to accelerate the oil recoveries. Minor ASP plant retrofit/maintenance issues and wellbore pumping upgrades have now been completed. Four injector well interventions have also been completed in order to improve specific reservoir conformance issues. Finally, in order to accelerate recoveries in the central area of the project, we are planning to convert one producer into an ASP injector and drill two additional producers in Q3 2015. The total 2015 cost for these remedial and optimization activities is expected to be \$5 million. With these expenditures, we are revising our ASP production ramp forecast to levels approximately midway between our prior forecast and the more conservative year end 2014 McDaniel proved and probable production forecast. (For additional details, please refer to our updated corporate presentation available on the Company's website.)

#### 2015 CAPITAL BUDGET REDUCED

- Last December, Zargon provided an updated 2015 capital budget of \$32 million, which allocated \$20 million to ASP related expenditures and \$12 million to conventional capital expenditures. Recognizing the continuing challenges presented by the 2015 oil price environment, we have completed a capital budget reassessment and have reduced the total 2015 capital budget from \$32 million to \$25 million. Specifically, Zargon's conventional projects are more price dependent and consequently, the 2015 conventional capital budget has been decreased from \$12 million to \$8 million and will focus on projects related to waterflood expansions and modifications plus operating cost reductions.
- Our analysis continues to show strong returns and recycle rates for ASP chemical injections at current and lower oil prices. Consequently, the 2015 phase 1 ASP budget has now been set at \$17 million and is comprised of \$12 million of chemical costs and the above mentioned \$5 million of remedial and optimization costs. Phase 2 construction costs of \$12 million have been deferred by six months and are projected to commence in early 2016.

#### PRODUCTION GUIDANCE REVISED

- Last December, Zargon provided first quarter 2015 and year average 2015 conventional (non-ASP) production guidance of 4,000 and 3,800 barrels of oil and liquids per day, respectively. With the reduced 2015 conventional capital budgets, these estimates are revised to average 3,900 and 3,700 barrels of oil and liquids per day in the 2015 first quarter and 2015 year average, respectively. Natural gas volumes were forecast to average 5.0 and 4.8 million cubic feet per day in the 2015 first quarter and 2015 year, respectively, and are now adjusted slightly to average 5.2 and 4.9 million cubic feet per day in the 2015 first quarter and 2015 year, respectively.
- Similarly, incremental Little Bow ASP production had been forecast to ramp-up in 2015 by producing 100, 250, 500 and 750 in the successive 2015 quarters with an average rate of 400 barrels of oil per day during the year. This forecast has now been revised to 30, 150, 330 and 520 in the successive 2015 quarters with an average rate of 260 barrels of oil per day during the year. For 2016, Little Bow phase 1 incremental ASP production is now forecast to average 975 barrels of oil per day.

**Forward-Looking Statements** - This press release contains forward-looking statements relating to our plans and operations as at April 16, 2015. Forward-looking statements typically use words such as "anticipate", "continue", "estimate", "expect", "forecast", "may", "will", "project", "should", "plan", "intend", "believe" and similar expressions (including the negatives thereof). In particular, this press release contains forward-looking statements relating, but not limited to: our business strategy, plans and management focus; the timing of release of our Q1 2015 financial results, plans with respect to our Little Bow ASP project, other costs associated with the ASP project and the anticipated results from this project, sources of funding for our conventional and ASP project capital expenditure program and 2015 and beyond conventional and ASP production volumes. In addition, all statements relating to reserves, including ASP reserves, in this press release are deemed to be forward-looking as they involve an implied assessment, based on certain assumptions and estimates, that the reserves described, can be properly produced in the future.

By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond our control, such as those relating to results of operations and financial condition, general economic conditions, industry conditions, changes in regulatory and taxation regimes, volatility of commodity prices, escalation of operating and capital costs, currency fluctuations, the availability of services, imprecision of reserve estimates, geological, technical, drilling and processing problems, environmental risks, weather, the lack of availability of qualified personnel or management, stock market volatility, the ability to access sufficient capital from internal and external sources and competition from other industry participants for, among other things, capital, services, acquisitions of reserves, undeveloped lands and skilled personnel. Risks are described in more detail in our Annual Information Form, which will be available on SEDAR and our website. Forward-looking statements are provided to allow investors to have a greater understanding of our business.

You are cautioned that the assumptions, including, among other things, future oil and natural gas prices; future capital expenditure levels; future production levels; future exchange rates; the cost of developing and expanding our assets; our ability to obtain equipment in a timely manner to carry out development activities; our ability to market our oil and natural gas successfully to current and new customers; the impact of increasing competition; our ability to obtain financing on acceptable terms; and our ability to add production and reserves through our development and acquisition activities used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Our actual results, performance, or achievement could differ materially from those expressed in, or implied by, these forward-looking statements. We can give no assurance that any of the events anticipated will transpire or occur or, if any of them do, what benefits we will derive from them. The forward-looking information contained in this document is expressly qualified by this cautionary statement. Our policy for updating forward-looking statements is that Zargon disclaims, except as required by law, any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

**Other Advisories** - Boe's may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In addition, given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion ratio on a 6:1 basis may be misleading as an indication of value. The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.

#### FURTHER INFORMATION:

Zargon Oil & Gas Ltd. is a Calgary based oil and natural gas company working in the Western Canadian and Williston sedimentary basins and is focused on oil exploitation projects (waterfloods and recently tertiary ASP) that profitably increase oil production and recovery factors from existing oil reservoirs. Ultimately, these projects will provide a long-life low-decline oil production that will support many years of stable dividends.

In order to learn more about Zargon, we encourage you to visit Zargon's website at [www.zargon.ca](http://www.zargon.ca) where you will find a current shareholder presentation, financial reports and historical news releases.

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