

# Spartan Oil Corp. Announces Current Production in Excess of 4,000 boepd and Record Third Quarter Cash Flow of \$12.9 Million

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CALGARY, ALBERTA -- (Marketwire - Nov. 14, 2012) - [Spartan Oil Corp.](#) ("Spartan" or the "Company") (TSX:STO), is pleased to report its financial and operating results for the three and nine months ended September 30, 2012 along with this operational update. Selected financial and operational information is outlined below and should be read in conjunction with Spartan's interim financial statements and the related management discussion and analysis which are available for review at [www.sedar.com](http://www.sedar.com) or on the Company's website at [www.spartanoil.ca](http://www.spartanoil.ca).

## CURRENT OPERATIONAL HIGHLIGHTS

- Current production is in excess of 4,000 barrels of oil equivalent ("boepd"), based on field estimates.
- An additional 13.9 net wells are expected to be brought on production prior to the end of the calendar year, all of which are already drilled and behind pipe.
- Spartan expects to drill another 4.9 net wells prior to the end of 2012.
- The Company has continued to reduce its drilling costs at Keystone. The average on-stream costs for the Company's Cardium horizontal wells is approximately \$2.3 million (\$2.0 million drill and complete).

## THIRD QUARTER FINANCIAL AND OPERATIONAL HIGHLIGHTS

Highlights for the third quarter include:

- Achieved average daily production of 2,505 boepd (80% oil and liquids), an increase of 277% from an average of 664 boepd in the third quarter of 2011.
- Drilled 20 (18.4 net) wells in Spartan's Keystone core area, with a 100% success rate.
- Achieved record quarterly cash flow from operations of \$12.9 million, an increase of 486% from \$2.2 million in the third quarter of 2011.
- Achieved net earnings of \$4.7 million; Spartan's sixth consecutive quarter of positive earnings.

## FINANCIAL AND OPERATING SUMMARY

	Three Months Ended September 30, 2011	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2012
<b>Financial</b>				
Total revenue	\$3,899,578	\$15,594,248	\$46,122,988	\$155,812,311
Net earnings	\$561,273	\$4,720,189	\$14,085,766	\$45,812,311
per share - basic	\$0.01	\$0.06	\$0.18	\$0.57
per share - diluted	\$0.01	\$0.05	\$0.16	\$0.51
Cash flow from operations (1)	\$2,182,552	\$12,863,385	\$39,863,385	\$128,863,385
per share - basic	\$0.04	\$0.15	\$0.44	\$1.44
per share - diluted	\$0.04	\$0.14	\$0.41	\$1.37
Capital expenditures	\$17,011,585	\$44,668,510	\$98,987,310	\$248,987,310
Working capital surplus	\$5,967,910	\$20,885,910	\$20,885,910	\$20,885,910
Bank loan	\$2,180,000	\$nil	\$nil	\$nil
Bank facility	\$18,500,000	\$50,000,000	\$50,000,000	\$50,000,000
Weighted average shares outstanding				
Basic	59,070,801	83,352,129	80,073,493	80,073,493
Diluted	59,108,929	88,943,094	85,760,574	85,760,574
<b>Operating</b>				
<b>Oil equivalent (6:1)</b>				
Barrels of oil equivalent (000's)		61.1	230.4	653.1
Barrels of oil equivalent per day		664	2,505	2,333
Average selling price (\$CDN per boe)		\$63.18	\$66.98	\$66.98
Interest income (\$CDN per boe)		\$1.15	\$0.71	\$0.80
Royalties	\$10.94	\$6.03	\$6.24	\$6.24
Transportation costs (per boe)		\$0.23	\$0.22	\$0.22
Operating costs (per boe)	\$13.56	\$8.32	\$8.59	\$8.59
Operating netback	\$39.07	\$53.12	\$55.49	\$55.49
G&A (cash - per boe)	\$4.51	\$1.27	\$1.32	\$1.32
Interest expense (\$ - per boe)		\$(1.15)	\$0.05	\$0.05
Corporate netback	\$35.71	\$51.80	\$54.07	\$54.07
<b>Oil production</b>				
Barrels (000's)	32.6	170.6	501.1	1,501.1
Barrels per day	354	1,855	1,829	1,829
Average selling price (\$CDN per barrel)		\$81.77	\$80.75	\$80.75
<b>Gas production</b>				
Thousand cubic feet (000's)	104.5	278.0	715.9	2,115.9
Thousand cubic feet per day (mcf/d)		1,135	3,022	2,613
Average selling price (\$CDN per mcf)		\$4.28	\$2.62	\$2.42
<b>NGL production</b>				
Barrels (000's)	11.1	13.4	33.5	100.5
Barrels per day	121	146	122	146
Average selling price (\$CDN per barrel)		\$67.35	\$68.74	\$68.74

(1) Cash flow from operations is a non-GAAP measurement. See MD&A.

(2) All barrels of oil equivalent conversions use 6 mcf to 1 barrel of oil.

Emphasizing the quality of the Company's asset base and the efficiency of its operations, Spartan continued to enjoy strong netbacks during the third quarter ended September 30, 2012. Operating netbacks averaged \$53.12 during the quarter and corporate netbacks averaged \$51.80. These netbacks propelled the Company to record cash flow during the third quarter of \$12.9 million and net earnings of \$4.7 million. Production averaged 2,505 boepd, an increase of 277% over the comparable period in 2011.

West Texas Intermediate (WTI) crude oil pricing was relatively stable in the third quarter of 2012, trading in the range of US\$87.93 to US\$95.34 per barrel. Average WTI pricing for the quarter was US\$92.47, as compared to US\$89.76 during the third quarter of 2011.

Edmonton Par pricing experienced greater volatility, trading in the range of \$75.98 to \$91.14 per barrel during the most recent quarter ended September 30, 2012. Average Edmonton Par pricing during the quarter was \$84.62 per barrel. The volatility in Edmonton Par pricing was largely due to the impact of differentials on Canadian light oil that continued to negatively impact pricing during the third quarter. Differentials ranged from a high of \$13.17 in July to a low of \$1.84 in September, with an average differential on Canadian light

oil of \$7.23 during the quarter.

For the nine months ended September 30, 2012, Edmonton Par crude prices have averaged \$87.01 per barrel, as compared to an average price of US\$96.53 for WTI crude during the same period.

Net capital expenditures (excluding non cash items and capitalized G&A) during the second quarter of 2012 were \$42.6 million. Of this amount, the Company spent \$34.9 million on drilling and completions, \$7.5 million on equipping, tie-ins, pipelines and facilities and \$0.14 million on land, seismic and other capital expenditures.

## OPERATIONS UPDATE

Spartan drilled or participated in 20 (18.4 net) horizontal wells in Pembina during the third quarter of 2012. From June, 2011 to September, 2012, Spartan has drilled a total of 53 (48.6 net) horizontal wells and participated in an additional 6 (1.8 net) horizontal wells targeting Cardium light oil at Spartan's Keystone property with a 100% success rate.

Spartan has worked hard to become the most efficient Cardium driller in Pembina. The average time from spud to rig release for the Company's horizontal wells is 7 days. Costs have continued to improve to the point where Spartan is now experiencing average on-stream costs for its Cardium horizontal wells of approximately \$2.3 million (\$2.0 million drill and complete). This has a material impact on the economics of the Company's Cardium wells.

Spartan is encouraged by the drilling results in Keystone and initial rates continue to meet or exceed Spartan's internal type curve. Production results are a testament to the quality of the Keystone asset. The Company now has a total of 39 horizontal wells at Keystone that have at least 30 days of production. The average IP30 oil rate for these wells is 158 barrels per day ("bbl/d"). Included in this number are 23 wells that the Company drilled in the interior of the main pool which have achieved an average IP30 oil rate of 123 bbl/d. A summary of results for the Cardium horizontal wells that Spartan has drilled or has otherwise participated in at Keystone is as follows:

Days on Production (bbl/d)	Spartan Internal Unrisked Type Curve (bbl/d)	Average Rate of STO Interest Wells	Number of Wells
1 - 30	120	158	39
31 - 60	99	141	34
61 - 90	84	127	29
91 - 120	72	111	29
121 - 150	64	101	29
151 - 180	57	87	29
181 - 210	52	84	26
211 - 240	47	70	21
241 - 270	43	59	18
271 - 300	40	57	15
301 - 330	37	53	11
331 - 360	35	53	9

Spartan uses a risked type curve for budgeting purposes that has an IP30 rate of 108 bbl/d.

## OUTLOOK - LOW RISK REPEATABLE DRILLING INVENTORY

Continued drilling success in Keystone has highlighted the repeatable, low risk nature of the Company's asset base. In approximately 15 months, Keystone has transformed the Company from a start-up with approximately 600 boepd to a high growth company with current production in excess of 4,000 boepd based on field estimates. This has been achieved entirely through the drill bit. Spartan expects to bring on an additional 14 (13.9 net) wells prior to December 31, all of which are already drilled and behind pipe and to drill an additional 5 (4.9 net) wells prior to the end of the year.

Spartan's Keystone property is a high netback, light oil asset characterized by significant original oil in place, a low recovery factor and year-round access. Spartan has a multi-year, low risk drilling inventory at Keystone. It is expected that the Keystone property will generate considerable free cash flow in 2013 above and beyond maintenance capital required to keep production flat. Based on management's current modeling,

the Company will be required to spend approximately \$62 million in 2013 to maintain production at the forecast 2012 exit level of 4,500 boepd.<sup>1</sup> At that production rate, management's internal forecast for 2013 cash flow is \$92 million, leaving significant free cash flow to fund future growth.<sup>2</sup>

Spartan continues to enjoy one of the strongest balance sheets in the junior oil and gas peer group. As at September 30, 2012, the Company had positive working capital of \$20.9 million and no debt. Spartan is actively looking for additional drilling and acquisition opportunities that will enable Spartan to use its balance sheet to the advantage of its shareholders.

Spartan expects to release its 2013 capital budget in January.

Management is committed to delivering top quartile performance and creating value for shareholders by growing reserves, cash flow and production on a per share basis.

1 Assumes production additions at an IP30 rate of 108 bbl/d and full year average rate of 69 bbl/d (Spartan internal risked type well).

2 Assumes Cdn. \$83.00 realized pricing on oil volumes.

## **READER ADVISORY**

This press release contains certain forward-looking statements (forecasts) under applicable securities laws relating to future events or future performance. Forward-looking statements are necessarily based upon assumptions and judgements with respect to the future including, but not limited to, the outlook for commodity markets and capital markets, the performance of producing wells and reservoirs, well development and operating performance, general economic and business conditions, weather, the regulatory and legal environment and other risks associated with oil and gas operations. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "projects", "plans", "anticipates" and similar expressions. These statements represent management's expectations or beliefs concerning, among other things, future operating results and various components thereof affecting the economic performance of Spartan. Undue reliance should not be placed on these forward-looking statements which are based upon management's assumptions and are subject to known and unknown risks and uncertainties, including the business risks discussed above, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted.

In the interest of providing Spartan shareholders and potential investors with information regarding the Company, including management's assessment of Spartan's future plans and operation, certain statements throughout this press release constitute forward looking statements. All forward-looking statements are based on the Company's beliefs and assumptions based on information available at the time the assumption was made. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward looking statements. By its nature, such forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward looking statements. Spartan believes the expectations reflected in those forward looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward looking statements contained throughout this press release should not be unduly relied upon. These statements speak only as of the date specified in the statements.

The Company's actual results could differ materially from those anticipated in the forward looking statements contained throughout this press release.

Except as required by law, Spartan does not undertake any obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events or otherwise.

Barrels of oil equivalent (boe) may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet (mcf) of natural gas to one barrel (bbl) of oil is based on an energy conversion method primarily applicable at the burner tip and is not intended to represent a value equivalency at the wellhead. All boe conversions in this press release are derived by converting natural gas to oil in the ratio of six thousand cubic feet of natural gas to one barrel of oil.

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