Artek Exploration Ltd. Announces First Quarter 2013 Financial Results and Updates Operations

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CALGARY, ALBERTA -- (Marketwired - May 14, 2013) - Artek Exploration Ltd. (TSX:RTK) of Calgary, Alberta ("Artek" or the "Company") is pleased to provide this summary of its financial and operating results for the quarter ended March 31, 2013. A complete copy of the Company's comparative financial statements for the quarter ended March 31, 2013, along with management's discussion and analysis in respect thereof will be filed on SEDAR and on the Company's website at www.artekexploration.com.

HIGHLIGHTS

Three Months Ended March 31,	2013	2012	Change
(000s, except per share amounts)	($)	($)	(%)
Financial			
Petroleum and natural gas revenues	14,449	9,787	
Funds flow from operations (1)	6,919	3,399	104
Per share - basic	0.13	0.08	63
- diluted	0.13	0.08	63
Cash from operating activities	7,488	4,514	66
Net earnings	1,460	8,106	(82)
Per share - basic	0.03	0.19	(84)
- diluted	0.03	0.18	(83)
Capital expenditures	20,687	13,860	49
Dispositions	--	19,444	--
Net debt (2)	(25,845)	(39,753)	(35)
Shareholders' equity	152,603	102,491	49
(000s)	(#)	(#)	(%)
Share Data			
At period-end			
Basic	62,471	43,433	44
Options	4,001	3,480	15
Weighted average			
Basic	51,983	43,433	20
Diluted	53,648	44,104	22
			(%)
Operating			
Production			
Natural gas (mcf/d)	12,675	9,328	36
Crude oil (bbls/d)	1,134	836	36
NGLs (bbls/d)	357	130	175
Total (boe/d)(3)	3,603	2,520	43
Average wellhead prices (4)			
Natural gas ($/mcf)	3.58	2.28	57
Crude oil ($/bbl)	84.25	83.96	--
NGLs ($/bbl)	52.96	71.41	(26)
Total ($/boe)(5)	44.55	40.40	10
Royalties ($/boe)	(8.13)	(8.20)	(1)
Operating cost ($/boe)	(9.53)	(11.24)	(15)
Transportation cost ($/boe)	(1.88)	(1.43)	31
Operating netback ($/boe)(6)	25.00	19.53	28
Drilling activity - gross (net)			
Development (#)	6 (3.0)	3 (2.6)	
Exploration (#)	1 (0.6)	-- (--)	
Total (#)	7 (3.6)	3 (2.6)	
Average working interest (%)	51	85	
Success rate (%)	100	100	

(1) Funds flow from operations is calculated using cash from operating activities, as presented in the

statement of cash flows, before changes in non-cash working capital and settlement of decommissioning costs. Funds flow from operations is used to analyze the Company's operating performance and leverage. Funds flow from operations does not have a standardized measure prescribed by International Financial Reporting Standards ("IFRS"), and therefore, may not be comparable with the calculations of similar measures for other companies.
(2) Current assets less current liabilities, excluding fair value of derivative instruments.
(3) For a description of the boe conversion ratio, refer to the advisories contained herein.
(4) Product prices include realized gains/losses from financial derivative contracts.
(5) Oil equivalent price includes minor sulphur sales revenue.
(6) Operating netback equals petroleum and natural gas revenues plus realized gains/losses on financial derivatives less royalties, transportation and operating costs calculated on a per boe basis. Operating netback does not have a standardized measure prescribed by IFRS, and therefore, may not be comparable with the calculations of similar measures for other companies.

First Quarter Financial and Operating Highlights

- Increased average production to 3,603 boe/d, up 43% from the first quarter of 2012 and 8% from the fourth quarter of 2012.

- Improved crude oil and liquids volumes 54% to a record level of 1,491 bbls/d, of which 76% was oil and condensate, representing 41% of total production.

- Increased funds flow from operations 104% to $6.9 million and 63% on a per share basis to $0.13 per share.

- Improved operating netbacks 28% to $25.00/boe.

- Reduced operating costs 15% to $9.53/boe.

- Drilled 7 (3.6 net) wells (100% success rate), including 4 (2.4 net) wells at Inga, British Columbia and 3 (1.2 net) wells at Leduc Woodbend, Alberta.

- Invested $20.7 million in capital expenditures, including $1.4 million on undeveloped land acquisitions in our core operating areas and $1.0 million on expansion of the Company's Inga natural gas facility.

- Closed a bought deal equity financing where Artek issued 8.7 million common shares at a price of $3.45 per share and 2.15 million flow-through shares at a price of $4.20 per share for aggregate gross proceeds of $39.0 million.

- Exited the period with a working capital deficiency of $25.8 million, down 35% from year-end, resulting in a healthy net debt to annualized first quarter funds flow ratio of 0.9.

- Increased operating bank line from $65.0 million to $75.0 million.

FINANCIAL SUMMARY

Artek's average production for the three-month period ending March 31, 2013 was 3,603 boe/d (41% liquids), up 43% from the previous year and up 8% from the 2012 fourth quarter, despite shut-ins related to pad drilling at Inga. Liquids production increased to a record level of 1,491 boe/d in the quarter. First quarter funds flow increased 104% to $6.9 million and 63% on a per share basis to $0.13 per share from the same period of 2012. Operating costs per boe dropped 15% to $9.53/boe primarily as a result of increasing production volumes from the Inga property, which had operating costs of approximately $7.70/boe. The Company's operating netback was $25.00/boe in the first quarter, up 28% from the 2012 first quarter, while general and administrative costs and interest expenses fell approximately 22% on a boe basis to $3.67/boe from the previous year.

On March 28, 2013, Artek closed a bought deal equity financing where Artek issued 8.7 million common shares at a price of $3.45 per share and 2.15 million flow-through shares at a price of $4.20 per share for aggregate gross proceeds of $39.0 million. Consequently, the Company's working capital deficiency of $25.8 million at March 31, 2013 was down 35% from year-end.

Artek has entered into several commodity hedges to protect its cash flow for the remainder of the year. The Company has put a floor price of $3.00/GJ on 6,000 mmbtu/d of natural gas production for the period April to October 2013. As part of the same transaction for the same period, Artek gave up a call on 600 bbls/d of crude oil production at an average price of CDN$101.37 WTI. The Company has also entered into natural gas production swaps on 2,000 mmbtu/d from April to December 2013 at a fixed price of $3.27/GJ and 1,000 mmbtu/d at a fixed price of $3.41/GJ from April to October 2013. Lastly, 200 bbls/d of crude oil production has been fixed at CDN$96.00 WTI for the period June to December 2013.

Following the Company's semi-annual credit review, Artek's lender has increased our $65.0 million operating line to $75.0 million. The next scheduled review of the credit facilities is September 2013.

Operations Review - Liquids Focus

Artek invested $20.7 million in total capital during the first quarter, including $1.4 million on undeveloped land and approximately $1.0 million of an estimated $3.0 million net planned for 2013 to expand the Company's operated facility at Inga. The remaining capital was directed towards operations and the drilling of 7 (3.6 net) wells, including 4 (2.4 net) at Inga and 3 (1.2 net) at Leduc Woodbend.

In the first quarter, Artek drilled three Doig horizontal wells extending the boundaries of its Inga gas and condensate pool to the north and an exploration horizontal well targeting the liquids rich Montney formation. The Company's first well was a Doig test at 16-10-88-23W6 that was brought on production in March and has produced at an average rate of 1,103 boe/d over its first 30 days of production, which was in line with management's expectations and average IP30 rates of between 1,100 and 1,200 boe/d on Artek's first 11 horizontals at Inga. The Company also drilled a Montney exploration well that was completed through the end of the quarter and turned over to production in the third week of April. In the second quarter, Artek is currently drilling its second horizontal well into the Montney that is scheduled for completion in late May to early June. Management expects it may take many weeks of cleanup and production history to understand the results of its first two exploration wells testing the Montney and the potential implications for the play and anticipates providing an update on the wells possibly in mid to late summer. In addition, two pool-extending horizontal Doig wells were drilled at the end of the quarter from a common pad at 7-14-88-23 W6M. The wells have been completed and are flowing back on test with encouraging early results. A proprietary 3-D seismic program was also acquired during the quarter that Artek believes further extends the boundaries for its Doig reservoir trend. Artek was an active acquirer of lands early in 2013 increasing holdings in the area to 69,195 gross (41,054 net) acres, of which 53,017 gross acres (approximately 78 gross sections) contain Doig rights and 57,310 gross acres (approximately 85 gross sections) are Montney rights. As a result of this activity, Artek has increased its undrilled Doig inventory to approximately 63 Doig horizontal locations in the greater Inga/Fireweed region. Expansion of the Artek's operated facility is underway and is expected to increase gross capacity to approximately 28 to 30 mmcf/d upon completion in late June. In conjunction with this expansion, Artek is reviewing options to build on the liquids recovery optimization initiated in 2012. At a heat value content of over 45 MJ/m3, Artek's Doig natural gas is some of the richest in the Basin.

At Leduc Woodbend, Artek successfully drilled 3 (1.2 net) development wells and conducted 2 workovers that resulted in area production reaching record levels of approximately 700 boe/d net (96% oil) during the quarter. Currently, production is approximately 650 boe/d and the Company's focus is on increasing water support in the pool (that has been under water flood since 2001) and potential additional drilling in the latter part of the year. Annual production declines for the pool continue to be low and the asset has outperformed expectations resulting in the proved plus probable value increasing to approximately $45 million (before tax NPV 10%) based upon the year-end Sproule evaluation effective December 31, 2012.

Outlook

Post breakup, Artek is planning to drill up to an additional five horizontal wells at Inga/Fireweed, including potentially two exploratory or step-out wells targeting the Doig formation and another exploratory well targeting the Montney. In addition, an exploratory horizontal well is planned for early summer in the Mulligan area of the Peace River Arch targeting Charlie Lake oil and potentially another development well at Leduc Woodbend targeting Glauconitic oil. With the Company currently flowing back its latest pad wells at Inga on clean up, production is expected to be in the 3,900 to 4,000 boe/d range but restricted by the capacity of the Inga facility until the expansion is completed in June. The Company's previously announced 2013 program contemplates a capital budget of approximately $58 million with production averaging 4,000 boe/d for the year (43% to 44% liquids) and exit production at 4,300 to 4,400 boe/d. With the Company's operating line increase and first quarter financing, Artek has significant financial flexibility with a net debt to annualized first quarter funds flow ratio of 0.9. The Company will continue to assess the merits of increasing its 2013 capital investment, which may include an increase to its operational capital, given that Artek posted top tier capital efficiencies last year of $10.96/boe for FD&A costs on proved plus probable reserves and a recycle ratio of 2.3 times, or potential strategic transactions in our core areas or a combination thereof.

ADVISORIES

Forward Looking Statements: This document contains forward-looking statements. Management's assessment of future plans and operations, future results from operations, production estimates including forecast 2012 average and exit rates, commodity mix, initial production rates, drilling plans, the volumes and estimated value of reserves, timing of drilling and tie-in of wells, number of potential drilling locations, productive capacity of new wells, estimates of shut-in production and the timing thereof, future oil and natural gas prices, capital expenditures and the nature and timing of these expenditures, potential increase in 2013 program, cash flow estimates and financial capacity to carry out its planned 2013 capital program may constitute forward-looking statements under applicable securities laws and necessarily involve risks including, without limitation, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, inability to retain drilling rigs and other services, incorrect assessment of the value of acquisitions, failure to realize the anticipated benefits of acquisitions, the inability to fully realize the benefits of the acquisitions, delays resulting from or inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources. As a consequence, the Company's actual results may differ materially from those expressed in, or implied by, the forward looking statements. Forward looking statements or information are based on a number of factors and assumptions which have been used to develop such statements and information but which may prove to be incorrect. Although Artek believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward looking statements because the Company can give no assurance that such expectations will prove to be correct.

In addition to other factors and assumptions which may be identified in this document and other documents filed by the Company, assumptions have been made regarding, among other things: the impact of increasing competition; the general stability of the economic and political environment in which Artek operates; the ability of the Company to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects which the Company has an interest in to operate the field in a safe, efficient and effective manner; Artek's ability to obtain financing on acceptable terms; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development or exploration; the timing and costs of pipeline, storage and facility construction and expansion; the ability of the Company to secure adequate product transportation; future oil and natural gas prices; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which the Company operates; and Artek's ability to successfully market its oil and natural gas products. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the Company's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com) or at the Company's website (www.artekexploration.com). Furthermore, the forward looking statements contained in this document are made as at the date of this document and the Company does not undertake any obligation to update publicly or to revise any of the included forward looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

BOE Conversions: Barrel of oil equivalent ("BOE") amounts may be misleading, particularly if used in isolation. A BOE conversion ratio has been calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel. This conversion ratio of six thousand cubic feet of natural gas to one barrel is based on an energy equivalent conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. 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.

Test results and initial production rates: the pressure transient analysis or well test interpretation has not been carried out and thus certain of the test results provided herein should be considered to be preliminary until such analysis or interpretation has been completed. Test results and initial production rates disclosed herein may not necessarily be indicative of long-term performance or of ultimate recovery.

Artek is a crude oil and natural gas exploration, development and production company headquartered in Calgary, Alberta, Canada. Artek's shares trade on the TSX under the symbol "RTK".

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