Santonia Energy Inc. Announces First Quarter 2013 Results

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CALGARY, ALBERTA -- (Marketwired - May 9, 2013) - Santonia (TSX:STE) is pleased to provide this summary of its financial and operating results for the first quarter of 2013. A complete copy of the Company's consolidated interim financial statements for the three months ended March 31, 2013, along with management's discussion and analysis in respect thereof will be filed on SEDAR and is available on the Company's website at www.santoniaenergy.com.

HIGHLIGHTS

Three months ended March 31,	2013	2012	Change
Financial ($thousands, except per share amounts)			
Petroleum and natural gas revenue	15,444	38,465	
Funds generated from operations (1)	7,527	18,062	
Per share - basic	$0.07	$0.18	(61%)
Per share - diluted	$0.07	$0.18	(61%)
Cash flow from operations (including changes in working capital) (1)	2,867	18,456	
Per share - basic	$0.03	$0.18	(83%)
Per share - diluted	$0.03	$0.18	(83%)
Profit (loss)	664	(7,240)	109%
Per share - basic	$0.01	$(0.07)	114%
Per share - diluted	$0.01	$(0.07)	114%
Exploration and development expenditures	14,925	41,577	
Proceeds from the sale of petroleum and natural gas properties		947	
Working capital deficit	4,352	32,902	(87%)
Bank indebtedness	19,474	253,541	(92%)
Total debt, including working capital	23,826	286,443	
Operations			
Average production			
Natural gas (Mcf per day)	19,436	76,821	
Crude oil (bbls per day)	856	1,860	(54%
Natural gas liquids (bbls per day)	375	886	
Sulphur (tonnes per day) (2)	51	46	11%
Total (BOE per day)	4,521	15,596	(71%)
Average sales price (3)			
Natural gas ($ per Mcf)	3.37	2.30	47%
Crude oil ($ per bbl)	93.66	91.73	2%
Natural gas liquids ($ per bbl)	48.81	72.62	
Sulphur ($ per tonne)	115.49	116.28	(1%
Netback per BOE ($ per BOE)			
Petroleum and natural gas sales (3)	37.96	26.80	
Royalties	(3.47)	(2.72)	28%
Operating expenses	(9.60)	(8.19)	17%
Transportation	(0.99)	(0.95)	4%
Operating netback	23.90	14.94	60%
Wells drilled (gross)	3	11	(73%)
Undeveloped land (net acres)	126,451	212,297	(4

(1) The calculation of funds generated from operations and cash flow from operations for the three months ended March 31, 2013 excludes $0.4 million (2012 - $2.7 million) of interest expense which is classified as finance expense.
(2) A BOE conversion ratio has been calculated using a conversion rate of one tonne of sulphur to one barrel.
(3) Excludes the change in fair value of derivatives.

2013 FIRST QUARTER HIGHLIGHTS

- In January 2013, the shareholders approved the Company's name change to Santonia Energy Inc., representing the final step of Santonia's restructuring process;
Average first quarter production was on target at 4,521 BOE per day (28% oil and NGL's)

- Production from the Tower Creek and Wild River properties was restricted by outages at third-party operated processing facilities, reducing first quarter production by approximately 100 BOE per day;

- First quarter drilling program included two (1.8 net) liquids rich natural gas wells on the Company's core Harlech property and one (0.8 net) Belly River oil well;

- Operating costs of $9.60 per BOE reflected the normalized average cost of Santonia's remaining properties;

- Operating netback of $23.90 per BOE was 60% higher than the prior year ($14.94 per BOE), reflecting the increase in natural gas prices and an increase in liquids percentage of overall production from 18% to 28%;

- Funds generated from operations of $7.5 million ($7.1 million after deducting interest expense) reflected strong operating netbacks but was reduced by $0.1 million of restructuring costs recorded in the quarter;

- Net debt of $23.8 million at March 31, 2013 was 92% lower than the prior year ($286.4 million);

- The Company received confirmation from its banking syndicate that its borrowing base was increased by $20 million to $100 million as a result of increased reserves, strong production and strengthened commodity prices;

- Natural gas hedges on average production of 6,748 Mcf per day are in place for the balance of 2013 at an average price of $3.46 per Mcf.

OPERATIONS: HARLECH AREA

Santonia's drilling activities in the first quarter of 2013 were focused on the Company's core Harlech property. The first well (1.0 net) was drilled targeting the liquids rich Viking and Gething Formations at 7-6-45-14W5. The multizone vertical well was brought on production in February 2013.

A second well (0.8 net), 12-30 -43-15W5, was drilled as a step out Cardium test to define additional horizontal development locations for the Company's Cardium Resource play. Drilling of this vertical well successfully validated 21 sections of land within the Company's economic contingent resource area. The Company currently has three horizontal Cardium wells on production with the fourth well awaiting further completion operations.

The third well (0.8 net) drilled in the first quarter targeted light oil in the Basal Belly River formation. The well was drilled as a horizontal test under a joint venture arrangement with an industry partner as a means to accelerate the development of this aerially extensive oil play in the Harlech area. The well was drilled, completed and placed on production in under 40 days. Additional locations are currently being licensed for development drilling in the third quarter.

In addition, a non-operated horizontal Wilrich well (0.3 net) was spudded late in the first quarter. Drilling operations have been temporarily suspended and will resume after spring break up. The well is expected to commence production during the third quarter of 2013.

OUTLOOK

Santonia is pleased with the financial results achieved in the first quarter of 2013 and the initial results from its first quarter 2013 drilling program. Supported by strengthening natural gas prices, the Company plans to finance its 2013 capital expenditure budget primarily with funds generated from operations. Drilling plans for the remainder of 2013 include 6.0 (3.6 net) wells focused on the core Harlech property, with a total remaining capital budget of $22 million. Production is anticipated to average 4,100 to 4,300 BOE per day for the second quarter (4,400 to 4,700 BOE per day before the impact of upcoming third party outages). The Company remains focused on maintaining its balance sheet strength and anticipates net debt of approximately $18 million by the end of the second quarter leaving $82 million of unutilized credit capacity.

Santonia is a crude oil and natural gas exploration, development and production company headquartered in

Calgary, Alberta, Canada. Santonia's common shares trade on the Toronto Stock Exchange under the symbol "STE".

FORWARD-LOOKING STATEMENTS

Certain information set forth in this press release, contain forward-looking statements including management's assessment of future plans and operations, expected activity levels, drilling plans, expected timing of commencement of production of new wells, 2013 capital expenditure budget and method of funding thereof and expected net debt at the end of the second quarter. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond Santonia's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, delays resulting from or the inability to obtain required regulatory approvals, inability to retain and delays in retaining drilling rigs and other services, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility, incorrect assessment of the value of acquisitions, failure to realize the anticipated benefits of acquisitions and ability to access sufficient capital from internal and external sources. The foregoing list is not exhaustive. Additional information on these and other risks that could affect Santonia'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 Santonia's website (www.santoniaenergy.com). Readers are cautioned that the assumptions 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. The actual results, performance or achievement of Santonia could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that Santonia will derive therefrom. Santonia disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws.

BARRELS OF OIL EQUIVALENCY

Natural gas volumes are converted to barrels of oil equivalent (BOE) on the basis of 6,000 cubic feet (Mcf) of gas for 1 barrel (Bbl) of oil. The term "barrels of oil equivalent" may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf to 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. 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 on a 6:1 basis may be misleading as an indication of value.

NON-GAAP AND ADDITIONAL GAAP MEASURES:

This document contains funds generated from operations which is an additional GAAP measure presented in the consolidated financial statements. The Company uses funds generated from operations as a key measure to demonstrate the Company's ability to generate funds to repay debt and fund future capital investment. This document contains the terms "funds generated from operations per share", "cash flow from operations per share", "net debt" and "netbacks" which are non-GAAP financial measures. The Company uses these measures to help evaluate its performance. These non-GAAP financial measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. The Company uses net debt (bank indebtedness plus negative working capital or less positive working capital) as an alternative measure of outstanding debt. The Company considers corporate netbacks a key measure as it demonstrates its profitability relative to current commodity prices. Netbacks which have no GAAP equivalent are calculated on a BOE basis by deducting royalties, operating costs, and transportation from petroleum and natural gas sales. Santonia also presents funds generated from operations per share and cash flow from operations per share and such per share amounts are calculated using weighted average shares outstanding consistent with the calculation of profit (loss) per share.

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