

Delphi Announces Funding Arrangement and Provides Operations Update

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CALGARY, ALBERTA--(Marketwired - Dec 23, 2013) - [Delphi Energy Corp.](#) (TSX:DEE) ("Delphi" or the "Company") is pleased to provide the following corporate update.

Funding

Delphi has entered into a Gross Overriding Royalty ("GOR") agreement to partially fund the drilling of ten Montney wells in East Bigstone over the next 12 to 18 months. The parties purchasing the GOR ("Royalty Owners") will contribute \$25.0 million over this time frame towards seven wells scheduled to be drilled in 2014 (\$17.5 million) and have an option on the first three wells of 2015. The Royalty Owners will be granted a GOR on the Company's working interest revenue on the wells until an agreed upon rate of return is achieved, at which time the GOR will be extinguished on all wells.

In addition, Delphi's lenders (National Bank of Canada, Bank of Nova Scotia and Alberta Treasury Branches) completed their semi-annual review of the Company's credit facilities, renewing the existing \$140.0 million revolving credit facility. The facility is a 364 day committed facility available on a revolving basis until May 26, 2014 at which time it may be extended at the lenders' option upon completion of the annual review to determine the borrowing base. The annual review will be based upon the Company's December 31, 2013 reserve report, the results of the winter drilling program and the lenders' view of commodity prices.

The GOR funding, expected funds from operations for 2014 and reconfirmation of the Company's credit facility provide the financial resources for the Company to carry out its planned 2014 capital program.

Operations

Bigstone Montney Program

Delphi has now successfully drilled, completed and brought on production eight Montney horizontal wells at East Bigstone. The most recent five wells were stimulated utilizing slickwater hybrid frac techniques rather than the smaller conventional gelled oil frac designs used on the first three wells. The first well completed with the new frac technique was drilled across one section and stimulated with 20 stages with the subsequent four wells drilled with extended reach laterals and completed using 30 stage slickwater hybrid fracture stimulations. Production from the Montney is expected to average approximately 5,300 boe/d during the month of December, 2013, a 600 percent increase since bringing on-stream the first well completed with the new completion technique in March of 2013.

The ninth Montney well at 15-21-60-23W5M (surface location at 16-9-60-23W5M) has been drilled to a total depth of 5,875 metres with a horizontal lateral length of 2,886 metres. The 15-21 well (97.5 percent working interest) will be completed with a 30 stage slickwater hybrid frac program in early January, 2014. The drilling rig has commenced operations at the 13- 30 -60-22W5M (surface location at 03-19-60-22W5M). This tenth well (100 percent Delphi) represents an early start to the 2014 drilling program as spud to spud cycle times continue to decrease.

The most recent well (well number eight) to be stimulated with 30 stages using the slickwater hybrid fracturing technique at 15- 30 -60-22W5M was brought on production in early December through the Company's 100 percent owned Montney 7-11 compression and dehydration facility. Over the first 15 days of production, the well averaged 8.6 mmcf/d raw natural gas (7.7 mmcf/d sales) and 713 bbls/d of field condensate. Including estimated plant recovered NGL production of 36 bbls/MMCF sales, total sales

production averaged 2,276 boe/d. Consistent with Delphi's existing Montney production in Bigstone, the field condensate liquid yields are expected to stabilize over the next three to four months.

Given the exceptional well performance to date, Delphi plans to re-evaluate its base type curve assumptions in the first quarter of 2014, with a larger data set of more production history and additional wells on production.

To handle the rapidly growing Montney production volumes, the Company has also commenced construction to expand its 7-11 facility to handle 45 mmcf/d of raw gas as well as increased produced field condensate volumes with the installation of larger inlet separation and increased condensate storage tank capacity.

2014 Guidance

Production guidance for 2014 remains unchanged at this time but will be reviewed in the first quarter of 2014 as additional results of the winter drilling program are evaluated. Corporate production is forecast to grow 20 percent compared to 2013, predominantly from a Montney focused capital program with its superior netbacks, resulting in expected cash flow growth of 49 percent. Delphi is estimating production to average 9,500 to 10,000 boe/d on a net capital program of \$67 to \$72 million, drilling a total of seven Montney horizontal wells at Bigstone. Total debt at year end 2014 is expected to be between \$145.0 and \$150.0 million. The total debt to funds flow ratio is forecast to drop to 2.2 times in the fourth quarter of 2014 and reach a targeted 1.5 times in 2015. Delphi expects AECO natural gas prices to average approximately Cdn. \$3.35 per mcf and Edmonton light oil prices to average approximately Cdn. \$93.50 per barrel resulting in cash flow for 2014 of approximately \$55.0 to \$60.0 million. Currently, the Company has approximately 50 percent of its natural gas production hedged at an average price of \$3.59 per mcf for 2014 and approximately 27 percent of its crude oil and condensate production hedged at a floor price of Cdn \$96.03 per barrel for the first half of 2014.

Delphi's business plan contemplates production growth to 20,000 boe/d by 2017, with targeted annual production per share growth of 25 percent and annual cash flow per share growth of 45 percent. Capital spending over the five years to achieve that result under the plan is projected to be \$560 million, funded 90 percent from cash flow to drill 50 Montney horizontal wells and fund the expansion of Delphi's 100 percent owned facility. The contemplated 50 well drilling program represents less than half of the current development drilling inventory on approximately 50 percent of Delphi's current Montney undeveloped land holdings. The Company now has a current project inventory that will provide economic growth beyond a 10-year horizon. Over this time period, the Company's balance sheet is forecast to continually strengthen, with internally generated cash flow funding the majority of the capital expenditures on a go forward basis.

Delphi Energy is a Calgary-based company that explores, develops and produces oil and natural gas in Western Canada. The Company is managed by a proven technical team. Delphi trades on the Toronto Stock Exchange under the symbol DEE.

Forward-Looking Statements. *This management discussion and analysis contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "may", "will", "should", "believe", "intends", "forecast", "plans", "guidance" and similar expressions are intended to identify forward-looking statements or information.*

More particularly and without limitation, this management discussion and analysis contains forward looking statements and information relating to the Company's risk management program, petroleum and natural gas production, future funds from operations, capital programs, commodity prices, costs and debt levels. The forward-looking statements and information are based on certain key expectations and assumptions made by Delphi, including expectations and assumptions relating to prevailing commodity prices and exchange rates, applicable royalty rates and tax laws, future well production rates, the performance of existing wells, the success of drilling new wells, the capital availability to undertake planned activities and the availability and cost of labour and services.

Although the Company believes that the expectations reflected in such forward-looking statements and information are reasonable, it can give no assurance that such expectations will prove to be correct. Since forward-looking statements and information address future events and conditions, by their very nature they

involve inherent risks and uncertainties. Actual results may differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risks associated with the oil and gas industry in general such as operational risks in development, exploration and production, delays or changes in plans with respect to exploration or development projects or capital expenditures, the uncertainty of estimates and projections relating to production rates, costs and expenses, commodity price and exchange rate fluctuations, marketing and transportation, environmental risks, competition, the ability to access sufficient capital from internal and external sources and changes in tax, royalty and environmental legislation. Additional information on these and other factors that could affect the Company's operations or financial results are included in reports on file with the applicable securities regulatory authorities and may be accessed through the SEDAR website (HUwww.sedar.com). The forward-looking statements and information contained in this press release are made as of the date hereof for the purpose of providing the readers with the Company's expectations for the coming year. The forward-looking statements and information may not be appropriate for other purposes. Delphi undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

Basis of Presentation. *For the purpose of reporting production information, reserves and calculating unit prices and costs, natural gas volumes have been converted to a barrel of oil equivalent (boe) using six thousand cubic feet equal to one barrel. A boe conversion ratio of 6:1 is based upon an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. This conversion conforms with the Canadian Securities Administrators' National Instrument 51-101 when boes are disclosed. Boes may be misleading, particularly if used in isolation.*

As per CSA Staff Notice 51-327 initial production test results should be considered preliminary data and such data is not necessarily indicative of long-term performance or of ultimate recovery.

Non-IFRS Measures. *The release contains the terms "funds from operations", "funds from operations per share", "net debt", "operating netbacks", "cash netbacks" and "netbacks" which are not recognized measures under IFRS. The Company uses these measures to help evaluate its performance. Management considers netbacks an important measure as it demonstrates its profitability relative to current commodity prices. Management uses funds from operations to analyze performance and considers it a key measure as it demonstrates the Company's ability to generate the cash necessary to fund future capital investments and to repay debt. Funds from operations is a non-IFRS measure and has been defined by the Company as cash flow from operating activities before accretion on long-term debt, decommissioning expenditures and changes in non-cash working capital. The Company also presents funds from operations per share whereby amounts per share are calculated using weighted average shares outstanding consistent with the calculation of earnings per share. Delphi's determination of funds from operations may not be comparable to that reported by other companies nor should it be viewed as an alternative to cash flow from operating activities, net earnings or other measures of financial performance calculated in accordance with IFRS. The Company has defined net debt as the sum of long term debt plus/minus working capital excluding the current portion of the fair value of financial instruments. Net debt is used by management to monitor remaining availability under its credit facilities. Operating netbacks have been defined as revenue less royalties, transportation and operating costs. Cash netbacks have been defined as operating netbacks less interest and general and administrative costs. Netbacks are generally discussed and presented on a per boe basis.*

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