

Southern Pacific Announces Financial and Operational Results for the Quarter Ended December 31, 2013

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CALGARY, ALBERTA--(Marketwired - Feb 10, 2014) - [Southern Pacific Resource Corp.](#) ("Southern Pacific" or the "Company") (TSX:STP) today announced its financial and operational results for the quarter ended December 31, 2013 ("Q2 2014").

HIGHLIGHTS:

- Total Company production, which includes bitumen production from STP-McKay Phase 1 and heavy oil from STP-Senlac, averaged 4,148 barrels per day ("bbl/d") for the three months ended December 31, 2013;
- At STP-McKay, bitumen production averaged 1,908 bbl/d for the quarter. Heavy oil production from STP-Senlac averaged 2,240 bbl/d with a majority of the well pairs running steady for the quarter following maintenance and repairs that occurred in October;
- On December 11, 2013 the Company announced that it has initiated a process to identify, examine and consider strategic and financial alternatives available to the Company with the ultimate view of enhancing shareholder value. This process remains ongoing.

(thousands, except per share and per boe amounts)	Three months ended December 31, 2013	Three months ended December 31, 2012
Petroleum revenue, net of royalties	\$ 29,107	\$ 12,124
Cash from operating activities before net changes in non-cash working capital ⁽¹⁾	\$ (3,287)	\$ 4,184
Per share basic and diluted	\$ (0.01)	\$ 0.01
Funds from operations ⁽²⁾	\$ (12,453)	\$ 4,035
Per share basic and diluted	\$ (0.03)	\$ 0.01
Net income (loss)	\$ (16,871)	\$ (5,600)
Per share basic and diluted	\$ (0.04)	\$ (0.01)
Capital expenditures	\$ 8,594	\$ 31,390
Total assets	\$ 982,284	\$ 977,977
Weighted average common shares outstanding		
basic	397,903	397,453
diluted	397,903	397,453
Production		
Heavy oil (bbl/day)	2,240	2,542
Bitumen (bbl/day) ⁽³⁾	1,908	-
Total (boe/day)	4,148	2,542

(1) Cash from operating activities before net changes in non-cash working capital and decommissioning costs is a non-GAAP measure defined as cash flow from operating activities less changes in non-cash working capital and less decommissioning liabilities settled.

(2) Funds from operations is a non-GAAP measure defined as cash flow from operating activities less changes in non-cash working capital, less decommissioning liabilities settled and less interest paid.

(3) Bitumen produced at oil sands projects is mixed with diluent and sold as "dilbit". Diluent volumes have been deducted in calculating bitumen production.

Southern Pacific has filed its Interim Condensed Consolidated Financial Statements and Management Discussion and Analysis for the three and six months ended December 31, 2013 on SEDAR at [www.sedar.com](#). Copies are also available on the Company's website at [www.shpacific.com](#).

OUTLOOK

STP-McKay Thermal Project

The Company continues to make progress in terms of developing an overall understanding of how to best optimize SAGD well performance in the STP-McKay field. The lack of sufficient wellbore conformance requiring production rates to be restricted in several of the well pairs continues to be the biggest issue delaying ramp up of the project. In January, an inflow control device ("ICD") configuration was successfully installed on the 2P1 well pair and the pair was placed back into SAGD operation on January 20, 2014. The ICD configuration is designed with the specific purpose of improving wellbore conformance. The initial responses to pressure, temperature and production rate on this first ICD installation are demonstrating positive results to date. The well pair has now become the most prolific well pair in the field, producing at field estimated rates exceeding 700 bbl/d of bitumen since February 1, 2014. The best producers in the field prior to the ICD installation were the aforementioned 2P1, which averaged 371 bbl/d and 2P3, which averaged 465 bbl/d in December 2013. A second ICD installation on 1P5 is underway and expected to be completed in February.

Southern Pacific's plan is to evaluate the performance of the first two ICD installations for a few months, and if results are successful, will look to continue implementing these configurations into several other well pairs in the field.

STP-McKay Phase 1 Expansion and Phase 2 Update

As stated previously on November 6, 2013, the Company estimates approval of its applications to be received for its STP-McKay Phase 1 Expansion of 6,000 bbl/d and STP-McKay Phase 2 of 12,000 bbl/d during the second calendar quarter of 2015.

The Alberta Energy Regulator ("AER") has recently undertaken a technical review of factors affecting reservoir containment relating to Steam Assisted Gravity Drainage ("SAGD") applications (see [AER Bulletin 2014-03](#)). Given the stage the Company is at in the Supplemental Information Request (SIR's) phase of the regulatory process, it does not anticipate that this Bulletin will affect the timing of the STP-McKay Phase 1 Expansion or STP-McKay Phase 2 regulatory approval. However, Southern Pacific will be required to shoot a 3D seismic program over any new pads prior to approval. Previously, the Company would have shot the 3D seismic after receipt of approval from the AER, but prior to drilling.

STP-Senlac Thermal Project

Heavy oil production averaged 2,240 bbl/d with the majority of the well pairs running steady for the quarter. The Company has received regulatory approval for three additional well pairs for Phase L, however, has decided to delay drilling until there is further clarity on the outcome of the corporate strategic and financial review.

Amendment to First Lien Credit Facility

On January 31, 2014 the Company amended its credit facility ("facility") that reduces availability of the facility to \$85 million, with the \$100 million borrowing base remaining in place. The company was drawn \$56.3 million, excluding \$2.3 million in letters of credit, at December 31, 2013. The facility matures on May 31, 2014 and the amendment removes the previous restrictive EBITDA to Interest Expense Ratio and senior first lien bank debt to 12 months trailing EBITDA covenants with more relaxed minimum EBITDA covenants. Further information on the amendment can be found in the Q2 2014 Financial Statements and MD&A.

Strategic Review

On December 11, 2013 the Company announced a review of strategic and financial alternatives to enhance shareholder value. This process remains ongoing. The Company does not intend to disclose developments with respect to the strategic review process until the Board of Directors has approved a specific transaction or otherwise determines that disclosure is necessary or appropriate. The Company cautions that there are no assurances or guarantees that the process will result in a transaction or, if a transaction is undertaken, the

terms or timing of such a transaction.

CONFERENCE CALL

A conference call will be held to review the fiscal Q2 2014 results at 8:00 a.m. Mountain Time (10:00 a.m. Eastern Time) on Tuesday, February 11, 2014. To participate, please dial (866) 696-5910 (toll-free in North America) or (416) 695-7806 and enter passcode 3105769.

A replay of the conference call will be available until February 18, 2014. To listen to the recording, call (800) 408-3053 and enter passcode 8950610.

About Southern Pacific

[Southern Pacific Resource Corp.](#) is engaged in the exploration, development and production of in-situ oil sands in Alberta's Athabasca region, and the thermal production of heavy oil in Senlac, Saskatchewan. Southern Pacific trades on the TSX under the symbol "STP."

Advisory

This news release contains certain "forward-looking information" within the meaning of such statements under applicable securities law including estimates as to: future production, operations, operating costs, commodity prices, administrative costs, commodity price risk management activity, acquisitions and dispositions, capital spending, access to credit facilities and lending costs, income and oil taxes, regulatory changes, and other components of cash flow and earnings anticipated discovery of commercial volumes of bitumen, the timeline for the achievement of anticipated exploration, anticipated results from the current drilling program, workovers and any conformance acceleration techniques such as HPSS or the use of ICDs, and, subject to regulatory approval and commercial factors, the commencement or approval of any SAGD project, the potential results of the strategic alternative review process and enhancement of shareholder value, disclosure intentions with respect to the strategic alternative review process, and general economic outlook.

Forward-looking information is frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate", "may", "will", "potential", "proposed" and other similar words, or statements that certain events or conditions "may" or "will" occur. These statements are only predictions.

Forward-looking information is based on the opinions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include, but are not limited to the inherent risks involved in the exploration and development of oil and gas properties and of oil sands properties, strategic alternatives, conformance acceleration techniques, delays in ramp-up operations, the uncertainties involved in interpreting drilling results and other geological data, fluctuating oil prices and discounts, the possibility of unanticipated costs and expenses, uncertainties relating to the availability and costs of financing needed in the future and other factors including unforeseen delays. As an oil sands enterprise in the development stage, Southern Pacific faces risks including those associated with exploration, development, ramp-up, approvals and the continuing ability to access sufficient capital from external sources if required. Actual timelines associated may vary from those anticipated in this news release and such variations may be material. Industry related risks could include, but are not limited to, operational risks in exploration, development and production, delays or changes in plans, risks associated to the uncertainty of reserve estimates, health and safety risks and the uncertainty of estimates and projections of production, costs and expenses. For a description of the risks and uncertainties facing Southern Pacific and its business and affairs, readers should refer to Southern Pacific's most recent Annual Information Form. Southern Pacific undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change, unless required by law.

The impact of any one risk, uncertainty or factor on a particular forward-looking statement is not determinable with certainty as the factors are interdependent, and the Board's and management's future course of action would depend on its assessment of all information at the time.

The reader is cautioned not to place undue reliance on this forward-looking information.

Contact

[Southern Pacific Resource Corp.](#)

Greg Foofat
Investor Relations
403-930-5621
gfoofat@shpacific.com

[Southern Pacific Resource Corp.](#)

Byron Lutes
President & CEO
403-269-1529
blutes@shpacific.com

[Southern Pacific Resource Corp.](#)

Howard Bolinger
CFO
403-269-2640
hbolinger@shpacific.com

[www.shpacific.com](#)

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