Arsenal Energy Inc. Announces 2013 Fourth Quarter and Year End Results

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CALGARY, Mar 11, 2014 - Arsenal Energy Inc. (TSX:AEI) (PINKSHEETS:AEYIF) is pleased to release its Q4 and full year 2013 financial and operating results and its 2013 yearend reserves.

SUMMARY OF FINANCIAL AND OPERATIONAL RESULTS

	Three Months Ended December 31			Year Ended December 31		
(ooo'S Cdn. $ except per share amounts)	2013	2012	% Change	2013	2012	% Change
FINANCIAL						
Oil and gas revenue	24,112	22,351	8	97,811	82,168	19
Funds from operations	9,013	10,000	(10)	37,859	31,119	22
Per share - basic	0.56	0.64	(12)	2.38	1.99	20
Per share - diluted	0.56	0.63	(12)	2.36	1.97	20
Net income (loss)	(396)	(896)	(56)	(2,714)	(112)	2,313
Per share - basic	(0.02)	(0.06)	(57)	(0.17)	(0.01)	2,273
Per share - diluted	(0.02)	(0.06)	(57)	(0.17)	(0.01)	2,273
Total debt	70,422	68,492	3	70,422	68,492	3
Capital expenditures	6,645	10,749	(38)	39,743	42,681	(7)
Property dispositions	-	-	-	(4,230)	(1,928)	119
Shares outstanding - end of period (ooo's)	16,080	15,595	3	16,080	15,595	3
Net wells drilled						
Oil	0.19	1.16		7.89	6.14	
Gas	-	-		1.10	-	
Dry	-	-	-	-	-	-
Total net wells drilled	0.19	1.16		8.99	6.14	
OPERATIONAL						
Daily production						
Heavy oil (bbl/d)	55	72	(24)	65	112	(43)
Medium oil and NGL's (bbl/d)	1,371	1,544	(11)	1,389	1,461	(5)
Light oil and NGLs (bbl/d)	1,621	1,405	15	1,495	1,200	25
Natural gas (mcf/d)	6,012	5,483	10	6,139	5,697	8
Oil equivalent (boe/d @ 6:1)	4,048	3,934	3	3,973	3,723	7
Realized commodity prices ($Cdn.)						
Heavy oil (bbl)	71.88	71.63	-	73.73	70.70	4
Medium oil and NGL's (bbl)	70.32	70.13	-	77.60	74.36	4
Light oil and NGLs (bbl)	87.30	81.01	8	91.15	79.09	15
Natural gas (mcf)	3.38	2.88	17	3.11	2.28	36
Oil equivalent (boe @ 6:1)	64.75	61.76	5	67.46	60.31	12
Operating netback ($ per boe)						
Revenue	64.75	61.76	5	67.46	60.31	12
Royalty	(14.98)	(12.26)	22	(14.53)	(12.52)	16
Operating cost	(19.57)	(19.05)	3	(19.80)	(20.28)	(2)
Operating netback per boe	30.20	30.44	(1)	33.13	27.50	20
General and administrative	(1.75)	(2.77)	(37)	(2.88)	(3.03)	(5)
Finance expenses	(1.86)	(1.63)	14	(1.78)	(1.67)	6
Realized gains (losses) on risk management contracts	(2.66)	1.75	(252)	(2.22)	0.07	(3,341)
Other (FX and current tax)	0.27	(0.16)	-	(0.14)	(0.02)	
Fund from operations per Boe	24.20	27.63	(12)	26.11	22.84	14

Financial

Cash flow from operations in the fourth quarter of 2013 totaled $9.0 million ($0.56 per share basic and diluted) down 10% from the fourth quarter of 2012. Production, prices and costs were relatively flat year over year. The change in cash flow is largely due to a $989,000 hedging loss in Q4 2013 versus a $93,000 hedging gain in Q4 2012. Annual 2013 cash flow of $37.8 million ($2.38 per share) was 20% higher than 2012.

Arsenal's Q4 production mix was 75% liquids and 25% natural gas. The operating netback for Q4 2013 of $30.20 per boe was relatively unchanged compared to the $30.44 per boe received in Q4 2012. In Q4 2013, slightly higher prices were offset by slightly higher royalties.

During the fourth quarter oil price differentials for much of Arsenal's Alberta production widened out to as much as $40/bbl. In response, Arsenal cut capital expenditures to $6.6 million from the $16.8 million that was originally planned. Total debt at year end was $70.4 million.

Operations

Due to the cut in the capital budget, Q4 2013 production showed only modest growth to 4,048 boe/d versus 3,935 boe/d for Q4 2012. By the end of the quarter differentials recovered and the Company restarted its capital program. Current corporate production is approximately 4,500 boe/d with additional volumes behind pipe.

At Princess Alberta, the Company drilled one successful Mannville formation oil well late in the fourth quarter and two more subsequent to quarter end. Over the last 18 months Arsenal has drilled 10 wells on its Princess Mannville project resulting in 9 oil wells and one service well. Total all in costs of the 10 well program was approximately $16 million. Current production from the program is 1,400 boe/d (85% oil) with additional volumes behind pipe. Production is 25 API oil with a current price of $98/bbl Cdn. Operating costs are forecast at $14.80/bbl. Arsenal has assembled 25,603 acres of undeveloped land in the Princess area and is permitting 9 additional wells for the summer.

In North Dakota, Arsenal is participating in a 10 (3.1 net) well development program. Three rigs, one operated and two non-operated, are currently drilling. It is anticipated that all 10 wells will come on production by mid-summer. Bakken wells typically produce at an average first month rate of 630 bbls/d and a first year rate of 265 bbls/d.

Reserves

Deloitte has evaluated Arsenal's reserves as at December 31, 2013 in accordance with National Instrument 51-101. Detailed reserve information will be included in Arsenal's Annual Information Form for the year ended December 31, 2013 which will be filed on SEDAR at www.sedar.com on or before March 31, 2014. The summary information that follows has been derived from that evaluation.

During 2013 Arsenal targeted capital to the development of its Bakken reserves and to the exploration of its Mannville project at Princess. The Princess project is still in the evaluation phase so proven reserves booked for it at year end were 579 Mboe. Through drilling, reserves in North Dakota were moved from undeveloped to proven producing. This resulted in a small depletion in total reserves but an increase in net asset value from $12.69 per share to $13.03 per share as future capital requirements were reduced.

Highlights

- **Production in 2013 was a record 3,973 BOEPD.**
- **Year/year proved developed producing reserves increased by 0.7%**
- **Oil and natural gas liquids at December 31, 2013 constitute 78% of proved plus probable reserves**
- **Arsenal's P+P PV10 net asset value is $13.03/share.**
- **Based on the 2013 production rate, Arsenal has a reserve life of approximately 10 years on a proved plus probable basis.**
- **Arsenal's P+P FD&A was $25.72 per boe in 2013.**

Summary of Oil and Natural Gas Reserves as at December 31, 2013

Reserve Category	Oil and NGL's Gross (1) (Mbbl)	Oil and NGL's Net (2) (Mbbl)	Natural Gas Gross (1) (MMcf)	Natural Gas Net (2)	Oil Equivalent Gross (1) (Mboe)	Oil Equivalent Net (2) (Mboe)
Proved						
Developed producing	4,140.4	3,424.8	7,941.8	6,851.5	5,464.0	4,566.8
Developed nonproducing	291.7	252.3	1,558.0	1,359.3	551.4	260.4
Undeveloped	2,622.1	2,153.5	1,047.0	863.0	2,796.7	3,034.8
Total Proved	7,054.2	5,830.6	10,546.8	9,073.8	8,812.1	7,862.0
Probable additional	4,164.3	3,423.7	8,626.8	7,668.2	5,603.1	4,343.8
Total Proved + Probable	11,218.5	9,254.3	19,173.6	16,742.0	14,415.2	12,205.8
Possible	2,945.6	2,395.0	651.7	522.9	3,053.2	2,482.2
Total Proved +Probable + Possible	14,164.1	11,649.3	19,825.3	17,264.9	17,468.4	14,688.0

(1) "Gross" reserves means Arsenal's interest before deduction of royalties

(2) "Net" reserves means Arsenal's interest after deduction of royalties

Summary of Net Present Value of Future Net Revenue as of December 31, 2013
($ Millions)

Reserve Category	Value Before Income Tax (1) Discounted at 0%	5%	10%
Proved			
Developed producing	156.4	133.3	117.5
Developed nonproducing	14.9	12.0	10.1
Undeveloped	76.2	44.6	25.3
Total Proved	247.5	189.9	152.9
Probable additional	227.7	152.7	112.3
Total Proved + Probable	475.2	342.6	265.2
Possible	204.0	126.6	90.4
Total Proved + Probable + Possible	679.2	469.2	355.6

(1) AJM forecast prices at December 31, 2013

2013 Reserve Reconcilliation

	December 31 2013	Acquired / Sold	Production	Adds / Revisions	December 31 2013
TP (Mboe)	9,691	(26)	(1,450)	597	8,812
TP value (MM$)	134.8	(0.2)	(48.0)	66.3	152.9
P+P (Mboe)	14,899	(38)	(1,450)	1,004	14,415
P+P value (MM$)	245.9	(0.2)	(48.0)	67.5	265.2

Outlook

First quarter production is expected to average 4,200 boe/d. It is anticipated that production will increase again in the second quarter due to the strong drilling results from Princess in Q1. Through the second and third quarters, 3.1 net Bakken wells are expected to come on stream.

Oil prices, gas prices, oil price differentials, and the exchange rate have all moved positively during the first quarter. Forecast operating margins for the first quarter are 25% higher than Q4 2013, and based on forward strip pricing, forecast operating margins for 2014 are 21% higher than 2013. Arsenal expects 2014 funds from operations to total approximately $45.0 million.

To receive company news releases via e-mail, please advise ir@arsenalenergy.com and specify "Arsenal Press Releases" in the subject line.

Information Regarding Disclosure on Oil and Gas Reserves and Operational Information

Arsenal's oil and gas reserves statement for the year ended December 31, 2013, which will include complete disclosure of our oil and gas reserves and other oil and gas information in accordance with NI 51-101, will be contained within our Annual Information Form which will be available on our SEDAR profile at www.sedar.com on or before March 31, 2014. The recovery and reserve estimates contained herein are *estimates only and there is no guarantee that the estimated reserves will be recovered. In relation to the disclosure of estimates for individual properties, such estimates may not reflect the same confidence level as estimated reserves and future net revenue for all properties, due to the effects of aggregation. The Company's belief that it will establish additional reserves over time with conversion of probable undeveloped reserves into proved reserves is a forward-looking statement and is based on certain assumptions and is subject to certain risks, as discussed below under the heading "Advisory".*

It should not be assumed that the future net revenues estimated by Deloitte represent the fair market value of the reserves.

Advisory

Certain information regarding Arsenal Energy Inc. (the "Company") contained in this press release, including statements regarding management's assessment of future plans and operations, the timing of drilling, tie-in and commencement of production of new wells, productive capacity and economics of new wells and alternatives for increasing liquidity, may constitute forward-looking statements under applicable securities laws. The forward- looking statements are based on certain key expectations and assumptions made by the Company, including expectations and assumptions concerning the success of optimization and efficiency improvement projects, the availability of capital, the success of future drilling and development activities, the performance of existing wells, the performance of new wells, prevailing commodity prices, the availability of labor and services, the geological nature of the formations targeted by the Company and the success of completion and recompletion activities. Although the Company believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because the Company can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, risks associated with the oil and gas in0dustry in general (e.g., 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 reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), commodity price and exchange rate fluctuations, changes in the regulatory regime applicable to the Company and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. Certain of these risks are set out in more detail in the Company's Annual Information Form will be filed on SEDAR and can be accessed at www.sedar.com on filing. The forward-looking statements contained in this presentation are made as of the date hereof and the Company 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.

This press release contains financial terms that are not considered measures under International Financial Reporting Standards ("IFRS"), which are considered to be generally accepted accounting principles ("GAAP"), such as cash flow, funds from operations, net debt and operating netback. These measures are commonly utilized in the oil and gas industry and are considered informative for management and stakeholders. Specifically, cash flow and funds from operations reflects cash generated from operating activities before changes in non-cash working capital, decommissioning liabilities settled, exploration and evaluation expenses and transaction costs. Management considers cash flow and funds from operations important as it helps evaluate performance and demonstrates the ability to generate sufficient cash to fund future growth opportunities and repay debt. Net debt includes bank debt outstanding plus or minus working capital and is used to evaluate the Company's financial leverage. Profitability relative to commodity prices per unit of production is demonstrated by an operating netback. Operating netback reflects revenues less royalties and operating and transportation expenses divided by production for the period. Cash flow, funds from operations, net debt and operating netbacks may not be comparable to those reported by other companies nor should they be viewed as an alternative to cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS.

Natural gas volumes have been converted to barrels of oil equivalent ("boe"). Six thousand cubic feet ("mcf") of natural gas is equal to one barrel based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Boes may be misleading, especially if used in isolation.

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