

Santonia Energy Inc. Announces 2013 Fourth Quarter Summary and Year End Results

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[Santonia Energy Inc.](#) (TSX:STE) is pleased to provide this summary of its financial and operating results for the 2013 year. A complete copy of the Company's consolidated financial statements for the years ended December 31, 2013 and 2012, 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

	2013	2012
Financial (\$thousands, except per share amounts)		
Petroleum and natural gas revenue	54,958	110,530
Funds generated from operations ⁽¹⁾	19,694	45,442
Per share - basic	\$ 0.19	\$ 0.44
Per share - diluted	\$ 0.19	\$ 0.44
Loss ⁽²⁾	(25,790)	(185,116)
Per share - basic	\$ (0.25)	\$ (1.80)
Per share - diluted	\$ (0.25)	\$ (1.80)
Exploration and development expenditures	45,320	63,843
Proceeds from the sale of petroleum and natural gas properties	17,242	272,201
Working capital deficit	1,751	6,885
Bank indebtedness	23,454	10,103
Operations		
Average production		
Natural gas (Mcf per day)	19,344	58,987
Crude oil (bbls per day)	714	1,243
Natural gas liquids (bbls per day)	313	776
Sulphur (tonnes per day) ⁽³⁾	42	30
Total (BOE per day)	4,293	11,880
Proved and probable reserves		
Natural gas (Bcf)	117.1	110.0
Crude oil (Mbbbls)	160	2,153
Natural gas liquids (Mbbbls)	4,532	4,790
BOE (MBOE)	24,212	25,269
Netback per BOE (\$ per BOE)		
Petroleum and natural gas sales ⁽⁴⁾	35.07	25.43
Royalties	(4.89)	(2.16)
Operating expenses	(11.11)	(7.69)
Transportation	(1.12)	(1.03)
Operating netback	17.95	14.55
Wells drilled (gross)	7	15
Undeveloped land (net acres)	96,868	132,056

(1) The calculation of funds generated from operations for the year ended December 31, 2013 excludes \$1.3 million (2012 - \$8.1 million) of interest expense which is classified as finance expense.

(2) Included in the loss for the year ended December 31, 2012 is an after tax impairment loss of \$153.2 million.

(3) A BOE conversion ratio has been calculated using a conversion rate of one tonne of sulphur to one barrel.

(4) Excludes the change in fair value of derivatives.

2013 FINANCIAL AND OPERATING HIGHLIGHTS

- Santonia's reorganization continued in 2013 with the successful disposition of the Company's Clive property as well as other non-core property dispositions which generated proceeds of \$17.2 million;
- Capital expenditures of \$45.3 million were concentrated on the Harlech property, including drilling seven (5.7 net) natural gas wells and acquiring additional undeveloped acreage;

- Average 2013 production of 4,293 BOE per day (2012 - 11,880 BOE per day) reflected property dispositions completed over the past two years offset by incremental production from new wells on the Company's core Harlech property;
- Funds generated from operations for the year were \$19.7 million (\$0.19 per share) before interest (\$18.4 million after deducting \$1.3 million of interest expense);
- Operating netbacks of \$17.95 per BOE were 23% higher than the prior year, reflecting stronger natural gas prices;
- Net debt of \$25.2 million was outstanding at December 31, 2013 (2012 - \$17.0 million) on an available credit facility of \$80 million.

2013 FOURTH QUARTER HIGHLIGHTS

- Average fourth quarter production of 3,948 BOE per day, (17% Oil and NGL's);
- Operating costs of \$9.51 per BOE were 14% lower than the preceding third quarter;
- Funds generated from operations of \$3.0 million, (\$2.8 million after deducting interest expense) resulting in an operating netback of \$13.94 per BOE;
- Net capital expenditures totaled \$4.4 million which focused on the completion and tie in of two (1.3 net) wells on the Company's Harlech core property.

2013 YEAR END RESERVES

- Proved producing reserves at December 31, 2013 were 10.0 MMBOE; total proved reserves were 16.3 MMBOE and proved plus probable reserves totaled 24.2 MMBOE;
- Proved developed producing reserves represent 62% of proved reserves on a volume basis;
- Reserve additions for continuing properties were 2.5 MMBOE on a proved basis and 2.7 MMBOE on a proved plus probable basis;
- Santonia replaced 170% of production from continuing properties on a proved basis and 187% of production on a proved plus probable basis;
- On a continuing property basis, proved producing reserves decreased 2.4%, while total proved reserves increased 6.7% and proven plus probable reserves increased 5.6%;
- Reserve life index of 7.0 years on a proved producing basis, 11.3 years on a total proved basis and 16.8 years on a proved plus probable basis (based on fourth quarter of 2013 average production of 3,948 BOE per day).

The following tables summarize Santonia's year end 2013 reserves as evaluated by GLJ Petroleum Consultants Ltd. ("GLJ") in accordance with the definitions set out under National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities ("NI51-101").

Summary of Oil and Gas Reserves - Working Interest ⁽¹⁾ Reserves (Forecast Prices)

	Crude Oil (Mbbbls)	Natural Gas (MMcf)	Natural Gas Liquids (Mbbbls)	Oil Equivalent (MBOE)
Proved reserves				
Developed producing	104	49,702	1,654	10,042
Developed non-producing	3	1,299	100	319
Undeveloped	-	28,306	1,242	5,960
Total Proved	107	79,307	2,996	16,321
Probable	54	37,812	1,535	7,891
Total Proved plus Probable	160	117,119	4,532	24,212

NOTE: May not add due to rounding.

(1) "Working interest" reserves means "gross" reserves or Santonia's working interest (operating and non-operating) share before deduction of royalties payable to others and without including any royalty interest of Santonia.

Net Present Value of Future Net Revenue, before income taxes (4) at December 31, 2013 ⁽¹⁾⁽²⁾⁽³⁾

(thousands)	Undiscounted	Discounted at:		
		5%	10%	15%
Proved reserves				
Developed producing	\$ 224,706	\$ 165,020	\$ 131,479	\$ 110,077
Developed non-producing	9,945	7,673	6,236	5,263
Undeveloped	92,264	47,026	23,258	9,384
Total Proved	\$ 326,916	\$ 219,718	\$ 160,973	\$ 124,723
Probable	183,327	96,134	57,672	37,489
Total Proved plus Probable	\$ 510,242	\$ 315,853	\$ 218,646	\$ 162,212

Note: May not add due to rounding.

- (1) Based on forecast prices and costs utilizing the GLJ January 1, 2014 price forecast.
- (2) As required by NI 51-101, undiscounted well abandonment costs of \$4.3 million for total proved reserves and \$5.5 million for total proved plus probable reserves are included in the Net Present Value determination.
- (3) Prior to provision of income taxes, interest, debt service charges and general and administrative expenses. Net present value of future net revenue does not represent the fair market value of the reserves.
- (4) Net present value after income taxes for total proved reserves is \$160.9 million and for total proved plus probable reserves is \$209.8 million based on a discount factor of 10%.

Additional information relating to the Company's year-end reserve evaluation will be available in the Company's Annual Information Form for the year ended December 31, 2013 which will be filed on SEDAR on or before March 31, 2014.

PROPOSED TRANSACTION

On March 4, 2014 the Company announced it entered into an arrangement agreement ("Arrangement Agreement") with [Tourmaline Oil Corp.](#) ("Tourmaline") pursuant to which Tourmaline, has agreed to acquire all the issued and outstanding common shares of Santonia on the basis of 0.03012 of a Tourmaline common share for each outstanding common share of Santonia. The transaction is to be completed by way of a plan of arrangement under the Business Corporations Act (Alberta). The Arrangement is subject to customary conditions for a transaction of this nature, which include court and regulatory approvals (including the TSX), the approval of 66 2/3% of the votes cast by Santonia shareholders represented in person or by proxy at a meeting of Santonia shareholders to be called to consider the Arrangement. An information circular regarding the Arrangement is expected to be mailed to shareholders of Santonia in late March 2014 for a special meeting of the holders of common shares scheduled to take place in April 2014. Closing of the Arrangement is expected to occur shortly thereafter.

Santonia is a crude oil and natural gas exploration, development and production company headquartered in Calgary, Alberta, Canada. Santonia's 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, drilling plans, expected activity levels, timing of mailing of the information circular, shareholder meetings and closing of the proposed transaction, and timing of filing of the Annual Information Form. 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, excluding convertible debentures) 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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