

Southern Pacific Concludes Strategic Review Process

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CALGARY, ALBERTA--(Marketwired - Aug 21, 2014) - [Southern Pacific Resource Corp.](#) ("Southern Pacific" or the "Company") (TSX:STP) has concluded its strategic review process.

On December 11, 2013 Southern Pacific announced the initiation of a strategic review process ("SRP") aimed at identifying and considering all strategic and financial alternatives available to the Company. The SRP was initiated after realization that the original 12 well pairs drilled at the STP-McKay Thermal Project were unlikely to fill the process facility to its design capacity of 12,000 bbl/d and that additional workovers on the existing pairs as well as the addition of new well pairs would likely be required. RBC Capital Markets were retained as a strategic advisor to Southern Pacific's Board of Directors throughout the SRP. In March 2014, as part of the SRP, the Company completed the addition of a new first lien debt facility, replacing the then existing facility which improved Southern Pacific's current liquidity. The consideration of other strategic alternatives aimed at maximizing stakeholder value was also fully explored. During the SRP, proposals were received and the SRP was extended longer than expected in order to fully explore the proposals. However, it was determined by the Company's Board of Directors that none of the proposals received were acceptable and it was further concluded that the current best alternative for all stakeholders is to continue with the development of the Company's existing assets, initially focused on increasing production rates at STP-McKay.

With the strategic process concluded, Southern Pacific has reduced its number of employees to reflect a narrower focus but will be staffed appropriately to continue its base of operations and near-term development. The immediate development plan will be to continue with workovers aimed at improving productivity from the SAGD well pairs at STP-McKay. In 2014, to date, Southern Pacific has successfully completed three workovers on its SAGD well pairs at STP-McKay, which involved the installation of inflow control devices ("ICDs") into the existing producers of the well pairs (refer to press releases dated March 17 and June 17, 2014). The ICD system is intended to improve wellbore conformance in a two part process. First, the horizontal producer length is segmented with isolation packers and second, the ICD devices are installed into the segments and are designed to restrict the inflow of steam from reservoir short circuits, thus promoting conformance in other sections of the wellbore. This allows production to occur with less rate restriction on the entire well pair. The success of these ICDs is apparent as data is collected. To date, the Company has been pleased with the performance of the ICDs and with the configurations installed, has been able to improve well bore conformance and operate the well pairs with a reduced risk of steam short circuits damaging wellbore integrity. In aggregate, these three installations have improved oil rates by over 60% to date (the three ICD installed well pairs produced 870 bbl/d in total for July) as compared to the rates prior to each installation. It is expected these wells will continue to improve over time as conformance and steam chambers are developed. The Company will now be installing additional ICDs into several additional well pairs in the field. A service rig has been moved on site and will remain on site for approximately eight weeks and will install ICDs into four well pairs and a steam splitter into the injector of a fifth well pair. All of the planned workovers affect well pairs that have been rate restricted or shut-in throughout the SRP, in order to manage steam short circuits and protect the well pairs integrity prior to running the ICDs. With the completion of these installations, the Company will have installed ICDs into seven of its 12 well pairs. Pending results from those installations, an additional three well pairs may be equipped with ICDs later in the year. There are two well pairs that are not expected to require ICD installations in order to improve conformance; one has developed good conformance without ICDs and the other well pair will have a steam splitter installed in the injector as the method to improve conformance.

Southern Pacific also has received regulatory approval to downspace the existing McKay well pads with additional SAGD well pairs. As mentioned in the Company's December 11, 2013 press release, the Company believes additional well pairs will be required in order to fully utilize the available steam capacity at the STP-McKay Thermal Project. Southern Pacific believes the most prudent strategy is to add them between the existing well pairs, which were originally spaced 100 m apart, allowing ample room for additional well pairs to be drilled. Southern Pacific filed its application with the Alberta Energy Regulator ("AER") to downspace Pads 101 and 102 in February 2014 and received approval in July 2014. The total Pad 102

downspace project cost is estimated at \$51 million. This project's timing has also been affected by the Company's SRP. A revised timing estimate of first steam to the downspaced wells on Pad 102 would be mid 2015 or later, and this is dependent upon the Company obtaining sufficient liquidity to proceed with this project.

At STP-Senlac, the Company has full regulatory approval to drill the next pad of three well pairs, Phase L, at an estimated remaining cost of \$18.8 million. The timing of initiating this project has also been delayed as a result of the SRP and the timing of the drilling will be dependent upon confirming the results of the ICD installations at STP-McKay as increasing volumes at STP-McKay is the near term focus for the Company. If the ICD results are as expected, and with approvals in place, Phase L drilling could commence on short notice, but the final timing has not been determined.

In July, production for STP-McKay averaged 2,064 bbl/d. At Senlac, July's production averaged 1,612 bbl/d. The Company's estimated working capital as of June 30 is \$34 million. The Corporate year-end financial statements are scheduled for release during the last week of September 2014.

The Company is also announcing the resignation of Mr. Mike O'Kraney (Vice President, Projects) and the retirement of Mr. Ron Clarke (Chief Operating Officer), effective September 1, 2014. Southern Pacific would like to thank them for their efforts and contributions over the past several years, and wishes them well in their future endeavors. Additionally, Mr. Ward Mallabone has elected to step down as a Director of the Board. The Company would like to thank Mr. Mallabone for his guidance and direction over the past eight years.

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 but not limited to: the timing of installation of additional ICDs on well pairs, the estimated cost and timing of the Pad 102 downspace project, and the estimated cost for drilling Phase L at STP-Senlac.

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, Southern Pacific's ability to obtain additional liquidity to commence or continue with planned projects, 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.

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