

# Spartan Energy Corp. Announces Third Quarter Cash Flow of \$28.5 Million, Current Production of 8,600 boe/d and Upward Revision to Exit Guidance

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CALGARY, ALBERTA--(Marketwired - Nov 13, 2014) - **Spartan Energy Corp.** ("Spartan" or the "Company") (TSX:SPE) is pleased to report its financial and operating results for the three and nine months ended September 30, 2014. Selected financial and operational information is set out below and should be read in conjunction with Spartan's September 30, 2014 interim financial statements and the related management's discussion and analysis, which are available for review at [www.sedar.com](http://www.sedar.com) or on the Company's website at [www.spartanenergy.ca](http://www.spartanenergy.ca).

## THIRD QUARTER FINANCIAL AND OPERATIONAL HIGHLIGHTS

Spartan's highlights for the third quarter include:

- Achieved record average production of 7,399 boe/d, comprised of 93% oil and liquids, a 16% increase over the previous quarter.
- Delivered an operating netback of \$45.40 per boe and a corporate netback of \$41.89 per boe, after realized hedging losses of \$7.24 per boe. Excluding the hedging losses, our operating netback was \$52.64 per boe and corporate netback was \$49.13 per boe.
- Generated record quarterly funds flow from operations of \$28.5 million, a 17% increase over the second quarter, with funds flow per share of \$0.11 per basic share and \$0.10 per diluted share.
- Reduced net G&A expense to \$2.09 per boe, down 33% from the second quarter.
- Drilled 27.1 net wells in the quarter and brought 17 net wells on production.
- Closed asset acquisitions in southeast Saskatchewan of approximately 1,280 boe/d for gross proceeds of approximately \$130.5 million.
- Maintained a strong balance sheet, with net debt at the end of the quarter of approximately \$79 million and available liquidity in excess of \$170 million.

## FINANCIAL RESULTS

(Cdn\$000s except per boe and per share amounts)	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2014
Average daily production (boe/d)	7,399	4,906
Oil and gas sales (\$/boe)	87.09	89.75
Realized hedging losses (\$/boe)	(7.24)	(9.20)
Net realized oil and gas sales (\$/boe)	79.85	80.55
Production costs (\$/boe) <sup>(1)</sup>	20.67	19.31
Royalties (\$/boe) <sup>(2)</sup>	13.78	15.14
Operating netback (\$/boe) <sup>(3)</sup>	45.40	46.10
Funds flow from operations <sup>(3)(4)</sup>	28,507	55,971
per share - basic	0.11	0.28
per share - diluted	0.10	0.25
Net income	6,123	22,480
per share - basic	0.02	0.11
per share - diluted	0.02	0.10
Capital expenditures <sup>(5)</sup>	34,614	45,198
Net debt <sup>(3)</sup>	78,784	78,784

Bank Facility	250,000	250,000
Weighted average shares outstanding		
basic	262,420,942	196,702,861
diluted	287,939,818	221,767,007

(1) Including transportation costs.

(2) Royalties include Saskatchewan resource surcharge.

(3) Funds flow from operations, operating netback and net debt are non-IFRS measures. See "Non-IFRS Measures".

(4) Excluding transaction costs.

(5) Excluding acquisitions.

## PRODUCTION UPDATE AND UPWARD REVISION TO EXIT GUIDANCE

Spartan has recently exceeded its 2014 exit rate guidance of 8,600 boe/d despite delays to our drilling program experienced early in the third quarter due to wet weather.

Spartan will continue to have two rigs active in southeast Saskatchewan for the remainder of the year, and the performance of our drilling program to date has exceeded internal expectations and we are on pace to exceed our exit production guidance. We currently anticipate drilling an additional 10 (8.6 net) open hole horizontal wells and 2 (1.9 net) fracture stimulated Midale wells through the remainder of the year, bringing our annual total to 35 (30.7 net) open hole wells and 6 (5.8 net) frac Midale wells.

Although we have reduced our total 2014 well count by 3.6 net wells, based upon the early performance from our new wells and the success of a targeted workover program on existing wells, we are increasing our forecast exit production guidance to 8,900 - 9,100 boe/d.

## OPERATIONAL UPDATE

Spartan has been active in the field since the completion of spring break-up and has drilled a total of 52 (48.1 net) development wells to date in 2014. 41 (37.8 net) of these wells are currently on production with 10 (9.3 net) waiting to be completed and/or brought on production and one well suspended.

In southeast Saskatchewan, a total of 30 (26.6 net) open hole horizontal wells have been drilled across our land base in 2014, including 24 (21.3 net) following the completion of spring break-up. Overall, the average initial 30 day production rate ("IP30") for open hole wells drilled on our lands in 2014 which have achieved at least 30 days of production is 115 boe/d, 92% above our internal budget type curve of 60 boe/d. For the remainder of the year we will have one drilling rig operating primarily in our greater Queensdale area, where IP30 rates on wells drilled in 2014 have averaged over 150 boe/d.

In the third quarter we drilled our first fracture stimulated Midale well in the Elcott area of southeast Saskatchewan. Although quality reservoir was accessed during drilling, the well experienced a collapsed casing during the completion which has impacted productivity. Spartan is currently evaluating alternatives to remediate the casing collapse or re-drill the well.

Following the Elcott well, our drilling rig commenced drilling fracture stimulated Midale wells on our newly acquired Pinto lands. Our first well was successfully completed at the end of October and has recently been placed on production. Our second Pinto well has been drilled and completed and is waiting to be placed on production, and our third Pinto well is currently being drilled. The Company is encouraged by early results at Pinto and has an additional 2 (1.9 net) wells planned for the remainder of the year.

We have drilled our first well at Bryant, where we budgeted drilling two fracture stimulated Midale wells in 2014. The well encountered better than anticipated reservoir and, as a result, will be placed on production without being frac'd. A second location is planned at Bryant later this year.

In the Viking, the Company has successfully completed our second half drilling program which resulted in 20 (19.5 net) wells drilled. Early results indicate that these wells are, on average, exceeding our budget type curve.

## OUTLOOK

Spartan is committed to delivering top quartile growth while maintaining manageable corporate declines. We have continued to develop our suite of opportunities on our extensive asset base in southeast Saskatchewan, where we have currently identified in excess of 500 open hole horizontal locations and more than 75 locations in the emerging frac Midale play. The Company's balance sheet remains strong, with approximately \$79 million of net debt at the end of the quarter against a credit facility of \$250 million and a net debt to annualized quarterly cash flow ratio of 0.7x.

Spartan is well positioned to thrive in a lower oil price environment as a result of our leading capital efficiencies, a low base decline of approximately 23% and a strong balance sheet that will provide the opportunity to pursue additional growth through accretive acquisitions. We have modeled our asset base at lower commodity prices and believe that, by spending within cash flow, we can organically grow production at our targeted rate of 15% to 20% at a WTI price as low as US\$75, while keeping our debt to cash flow ratio below 0.8x. At US\$70 WTI, we anticipate that we can meet our target growth rate while maintaining a debt to cash flow ratio below 1x. A more detailed sensitivity analysis can be found in our updated corporate presentation which is available on our website at [www.spartanenergy.ca](http://www.spartanenergy.ca). Formal 2015 budget guidance is expected to be provided in late December or early January.

## READER ADVISORY

**BOE Disclosure.** *The term barrels of oil equivalent ("BOE") may be misleading, particularly if used in isolation. A BOE conversion ratio of six thousand cubic feet per barrel (6mcf/bbl) of natural gas to barrels of oil equivalence is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. All BOE conversions in the report are derived from converting gas to oil in the ratio mix of six thousand cubic feet of gas to one barrel of oil.*

**Forward-Looking Statements.** *Certain information included in this press release constitutes forward-looking information under applicable securities legislation. Forward-looking information typically contains statements with words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", "project" or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking information in this press release may include, but is not limited to, planned drilling and completion activities, future production levels and future production growth rates, capital spending and debt to cash flow ratios in a lower commodity price environment.*

*The forward-looking statements contained in this press release are based on certain key expectations and assumptions made by Spartan, including expectations and assumptions concerning the success of future drilling, development and completion activities, the performance of existing wells, the performance of new wells, the availability and performance of facilities and pipelines, the geological characteristics of Spartan's properties, the successful application of drilling, completion and seismic technology, prevailing weather and break-up conditions, commodity prices, royalty regimes and exchange rates, the application of regulatory and licensing requirements, the availability of capital, labour and services, the creditworthiness of industry partners and our ability to acquire additional assets.*

*Although Spartan 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 Spartan 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 industry in general (e.g., operational risks in development, exploration and production; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), constraint in the availability of services, commodity price and exchange rate fluctuations, adverse weather or break-up conditions and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. These and other risks are set out in more detail in Spartan's Annual Information Form for the year ended December 31, 2013.*

*The forward-looking information contained in this press release is made as of the date hereof and Spartan undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of*

*new information, future events or otherwise, unless required by applicable securities laws. The forward looking information contained in this press release is expressly qualified by this cautionary statement.*

**Non-IFRS Measures.** *This press release provides certain financial measures that do not have a standardized meaning prescribed by IFRS. These non-IFRS financial measures may not be comparable to similar measures presented by other issuers. Funds flow from operations, operating netback and net debt are not recognized measures under IFRS. Management believes that in addition to net income (loss), funds flow from operations, operating netback and net debt are useful supplemental measures that demonstrate the Company's ability to generate the cash necessary to repay debt or fund future capital investment. Investors are cautioned, however, that these measures should not be construed as an alternative to net income (loss) determined in accordance with IFRS as an indication of Spartan's performance. Spartan's method of calculating these measures may differ from other companies and accordingly, they may not be comparable to measures used by other companies. Cash flow from operations is calculated by adjusting net income (loss) for other income, unrealized gains or losses on financial derivative instruments, transaction costs, accretion, share based compensation, impairment and depletion and depreciation. Operating netback is calculated based on oil and gas revenue less royalties and operating expenses. Net debt is the total of cash plus accounts receivable, prepaids and deposits, less accounts payable plus bank debt.*

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