Spartan Energy Corp. Provides 2014 Year-End Reserves

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CALGARY, ALBERTA--(Marketwired - Feb 18, 2015) - Spartan Energy Corp. ("Spartan" or the "Company") (TSX:SPE) is pleased to provide a summary of our 2014 year-end reserves. In this press release, all references to reserves are to company gross reserves, meaning Spartan's working interest reserves before deductions of royalties and before consideration of Spartan's royalty interests.

HIGHLIGHTS

- Year-end 2014 proved plus probable ("2P") reserves increased to 39.6 MMboe (96% oil and liquids) from 1.6 MMboe at year-end 2013 and total proved ("1P") reserves increased to 25.6 MMboe from 1.1 MMboe in 2013.
- Before tax net present value of our 2P reserves discounted at 10% ("NPV10") was $1.08 billion ($689 million on a 1P basis) compared to $33.4 million at year-end 2013.
- Finding, development and acquisition ("FD&A") costs, including changes to future development capital ("FDC"), were $24.21 per boe on a 2P basis and $33.11 on a 1P basis, representing a 2P recycle ratio of 1.8 times and a 1P recycle ratio of 1.3 times. Excluding the effects of hedging, our 2P recycle ratio was 2.0 times and 1P recycle ratio was 1.5 times.(1)(2)
- Net of acquisitions, our capital program added approximately 10.5 MMboe of 2P reserves, replacing approximately 388% of estimated 2014 production (1P - 172%).(1)
- Proved developed producing ("PDP") reserves represent approximately 61% of 1P reserves.
- The Company's 2P reserve life index is 11.8 years based on 2015 average production guidance of 9,200 boe/d.

Notes:

(1) Financial information is based on the Company's preliminary 2014 unaudited financial statements and is therefore subject to audit.

(2) Recycle ratio is calculated as operating netback divided by FD&A costs. Calculation is based on estimated 2014 operating netback of $44.06, which is calculated as revenue (including realized hedging gains and losses) less royalties and production costs. Excluding the effects of hedging, our estimated operating netback was $48.14.

RESERVES SUMMARY

The summary below sets forth Spartan's gross reserves as at December 31, 2014, as evaluated in an independent report prepared by Sproule Associates Limited ("Sproule") dated February 17, 2015 (the "Sproule Report"). The figures in the following tables have been prepared in accordance with the standards contained in the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook") and the reserve definitions contained in NI 51-101.

Summary of Gross Oil and Gas Reserves as of December 31, 2014 (1), (2), (3), (4)

	Oil	Natural Gas (associated & non-associated)	Natural Gas Liquids	Barrels of Oil Equivalent
	Gross	Gross	Gross	Gross
	(Mbbl)	(MMcf)	(Mbbl)	(Mboe)
Proved				
Developed Producing	14,644	4,486	359	15,751
Developed Non-Producing	324	346	8	390
Undeveloped	9,264	721	93	9,478
Total Proved	24,233	5,553	460	25,620
Probable	13,272	2,941	242	14,004
Total Proved plus Probable	37,505	8,494	703	39,624

Summary of Net Present Values of Future Net Revenue as of December 31, 2014 (1), (2), (3), (4)

	Net Present Value Before Income Taxes Discounted at (% per Year) (M$)				
	0%	5%	10%	15%	20%
Proved					
Developed Producing	776,624	607,746	500,730	427,168	373,648
Developed Non-Producing	17,846	13,394	10,554	8,637	7,281
Undeveloped	361,965	249,271	177,658	129,427	95,442
Total Proved	1,156,435	870,412	688,942	565,232	476,371
Probable	836,804	544,406	391,280	299,616	239,504
Total Proved plus Probable	1,993,239	1,414,818	1,080,222	864,848	715,875

Notes:

(1) The tables summarize the data contained in the Sproule Report and as a result may contain slightly different numbers due to rounding.

(2) Gross reserves means the total working interest (operating or non-operating) share of remaining recoverable reserves owned by Spartan before deductions of royalties payable to others and without including any royalty interests owned by Spartan.

(3) Based on Sproule's December 31, 2014 escalated price forecast. See "Summary of Pricing and Inflation Rate Assumptions".

(4) The net present value of future net revenue attributable to the Company's reserves is stated without provision for interest costs and general and administrative costs, but after providing for estimated royalties, production costs, development costs, other income, future capital expenditures, and well abandonment costs for only those wells assigned reserves by Sproule. It should not be assumed that the undiscounted or discounted net present value of future net revenue attributable to the Company's reserves estimated by Sproule represent the fair market value of those reserves. Other assumptions and qualifications relating to costs, prices for future production and other matters are summarized herein. The recovery and reserve estimates of the Company's oil, NGL and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual reserves may be greater than or less than the estimates provided herein.

Future Development Costs

The following table sets forth development costs deducted in the estimation of Spartan's future net revenue attributable to the reserve categories noted below:

	Forecast Prices and Costs (M$)	
Year	Proved Reserves	Proved Plus Probable Reserves
2015	$75,465	$82,167
2016	$82,088	$105,592
2017	$75,332	$114,543
2018	$26,417	$47,383
2019	$0	$0
Thereafter	$434	$434
Total Undiscounted	$259,736	$350,120
Total Discounted at 10%	$222,061	$294,909

The future development costs are estimates of capital expenditures required in the future for Spartan to convert proved undeveloped reserves and probable reserves to proved developed producing reserves. The undiscounted future development costs are $259.7 million for proved reserves and $350.1 million for proved plus probable reserves (in each case based on forecast prices and costs).

Summary of Pricing and Inflation Rate Assumptions - Forecast Prices and Costs

The forecast cost and price assumptions assume increases in wellhead selling prices and take into account inflation with respect to future operating and capital costs. Crude oil and natural gas benchmark reference pricing, inflation and exchange rates utilized by Sproule as at December 31, 2014 were as follows:

Year	WTI Cushing Oklahoma 40ºAPI ($US/ bbl)	Canadian Light Sweet 40ºAPI ($Cdn/ bbl)	Cromer LSB 35º API ($Cdn/ bbl)	Natural Gas AECO ($Cdn/ MMBTu)	Pentanes Plus FOB Field Gate ($Cdn/ bbl)	Butanes FOB Field Gate ($Cdn/ bbl)	Inflation Rate %/year	Exchange Rate ($US/ $CDN)
2015	65.00	70.35	69.85	3.32	78.60	50.34	1.5	0.85
2016	80.00	87.36	86.86	3.71	97.60	62.51	1.5	0.87
2017	90.00	98.28	97.78	3.90	109.80	70.32	1.5	0.87
2018	91.35	99.75	99.25	4.47	111.44	71.37	1.5	0.87
2019	92.72	101.25	100.75	5.05	113.12	72.44	1.5	0.87

2020	94.11	101.25	100.75	5.13	116.02	74.31	1.5	0.87
2021	95.52	105.40	104.90	5.22	117.76	75.42	1.5	0.87
2022	96.96	106.99	106.49	5.31	119.53	76.55	1.5	0.87
2023	98.41	108.59	108.09	5.40	121.32	77.70	1.5	0.87
2024	99.89	110.22	109.72	5.49	123.14	78.87	1.5	0.87
2025	101.38	111.87	111.37	5.58	124.99	80.05	1.5	0.87
Thereafter	Escalation Rate of 1.5%							

2014 FD&A COSTS

	FD&A Costs (M$)	
	Proved Reserves	Proved Plus Probable Reserves
Exploration and Development Capital	$86,621	$86,621
Acquisitions, net of dispositions	$543,145	$543,145
Total change in FDC	$256,155	$345,825
Total FD&A capital including change in FDC	$885,921	$975,591
Total Reserve additions, including revisions (Mboe)	26,753	40,302
FD&A costs, including FDC ($/boe)	$33.11	$24.21

Notes:

(1) Financial information is based on the Company's preliminary 2014 unaudited financial statements and is therefore subject to audit.

(2) While NI 51-101 requires that the effects of acquisitions and dispositions be excluded from the calculation of finding and development costs, FD&A costs have been presented because acquisitions and dispositions can have a significant impact on the Company's ongoing reserve replacement costs and excluding these amounts could result in an inaccurate portrayal of the Company's cost structure. Finding and development costs excluding acquisitions and dispositions have been presented below.

(3) The aggregate of the exploration and development costs incurred in the most recent financial year and the change during that year in estimated future development costs generally will not reflect total finding and development costs related to reserves additions for that year.

(4) As Spartan commenced operations with the recapitalization of Alexander Energy Ltd. in December 2013, three year average costs are not available.

(5) The acquisitions include the announced purchase price of corporate acquisitions rather than the amounts allocated to property, plant and equipment and exploration and evaluation assets for accounting purposes. Capital expenditures include costs of land and seismic but exclude capitalized general and administration costs.

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 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, future production levels and future development costs associated with oil and gas reserves. Statements relating to "reserves" are also deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and that the reserves can be profitably produced in the future.*

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.

Finding, Development and Acquisition Costs: *Finding and development costs including acquisitions and dispositions have been presented herein. While NI 51-101 requires that the effects of acquisitions and dispositions be excluded, FD&A costs have been presented because acquisitions and dispositions can have a significant impact on the Company's ongoing reserve replacement costs and excluding these amounts could result in an inaccurate portrayal of the Company's cost structure. The Company's finding and development costs, excluding the effects of acquisitions and dispositions, for 2014 were $33.65/boe on a proved basis and $23.00/boe on a proved plus probable basis. The aggregate of the exploration and development costs incurred in the most recent financial year and the change during that year in estimated future development costs generally will not reflect total finding and development costs related to reserves additions for that year.*

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. Operating netback is not a recognized measure under IFRS. Management believes that in addition to net income (loss), netback is a useful supplemental measure that demonstrates the Company's ability to generate the cash necessary to 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 the Company'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. Operating netback is calculated based on oil and gas revenue net of hedging less royalties and production costs.*

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