



## **SPYGLASS RESOURCES CORP. ANNOUNCES \$100 MILLION ASSET SALE, 2015 BUDGET, SUSPENSION OF THE DIVIDEND, UPDATE ON CORPORATE STRATEGY AND REVISION OF CREDIT FACILITY**

*All values are in Canadian dollars unless otherwise indicated. Conversion of natural gas volumes to barrels of oil equivalent (boe) are at 6:1.*

**Calgary, Alberta – December 16, 2014. Spyglass Resources Corp. ("Spyglass", or the "Company") (TSX: SGL, OTCQX: SGLRF)** announces \$100 million sale of 50 percent working interest in its Dixonville Montney "C" oil property, 2015 capital budget, suspension of the dividend and intention to commence a normal course issuer bid (the "Issuer Bid"). These initiatives allow the Company to manage through challenging market conditions and reduce leverage, while positioning the Company to develop our organic growth opportunities.

### **Dixonville Asset Sale**

Spyglass has signed a purchase and sale agreement with a wholly owned subsidiary of Eagle Energy Trust ("Eagle") for a non-operated 50 percent working interest in the Dixonville Montney "C" oil pool for cash consideration of \$100 million prior to normal closing adjustments. The sale is expected to close prior to the effective date of January 1, 2015. The proceeds will be used to reduce bank debt and will reduce annual interest expense by approximately \$5 million.

Based on the McDaniel & Associates Consultants Ltd. December 31, 2013 reserve report, the property (at 100% working interest) was assigned proved developed producing reserves of 15.1 MMboe, total proved reserves of 15.4 MMboe and proved plus probable reserves of 21.1 MMboe.

To date, Spyglass has restarted approximately 2,500 bopd of production with full capability expected to be reached early in the first quarter of 2015. At year-end the Dixonville Montney "C" oil field is expected to be producing approximately 2,600 bopd. The sale represents production metrics of \$80,000 per flowing barrel.

Dixonville is an elite, low decline oil producing asset under full waterflood with strong free cash flow. Retaining a 50 percent working interest in the property allows the Company to reduce debt while retaining a portion of the cash flow to fund the capital program. Spyglass will retain operatorship of the field.

### **Dividend**

In response to lower crude oil prices and consistent with management's goal to improve financial flexibility, the Company is suspending dividend payments to conserve cash.

## **Normal Course Issuer Bid**

Spyglass has submitted to the Toronto Stock Exchange for approval a notice of intention to make an Issuer Bid. Under the Issuer Bid, the Company will have the ability to purchase for cancellation up to a maximum of approximately 12.4 million shares of Spyglass' 128.1 million common shares. The Company intends to make the Issuer Bid because, at certain times, the purchase and cancellation of the shares may represent an appropriate use of funds and be in the best interests of the Company and its continuing shareholders.

## **2015 Budget**

Management anticipates the capital program will total approximately \$26 million, reflecting the cash flow impact of the current price environment. The 2015 capital program is focused on southern Alberta and will lay the groundwork for future organic growth in the area. Drilling is focused on offsetting locations to both Spyglass' and other industry producer's successful 2014 wells. Over the long term the development of the Company's southern Alberta properties is intended to improve netbacks and grow production. Capital activity is expected to be weighted towards the first and third quarters of 2015 and will be rigorously evaluated throughout the year in the context of commodity prices.

Spyglass is extremely encouraged by the continued success of the horizontal wells drilled in southern Alberta targeting Glauconite and Pekisko/Banff oil on the Company's lands in the Matziwin and Cessford areas. At Cessford, successful Spyglass and industry drilling in the area, combined with a proprietary 3D seismic program completed in the fourth quarter, have helped to further define the play.

A 100 percent working interest Cessford step-out well has provided a new oil pool discovery targeting the Banff formation. This step-out area has similar characteristics to Matziwin where Spyglass had success in 2014, enabling the Company to build on past accomplishments in a new area with significant running room including over 30 identified locations. The initial well, drilled in 2014 demonstrated encouraging IP30 rates of approximately 175 boe/d.

Management anticipates that the planned level of development activity coupled with the Company's 21 percent base decline rate is expected to result in 2015 average production of approximately 10,000 boe/d.

The Company will continue to pursue asset dispositions throughout 2015 to further reduce debt, fund organic growth opportunities and focus operations.

## **Credit Facility**

The Company expects to finalize a revised borrowing base under its existing credit agreement of \$200 million. This borrowing base is both cost effective and allows the Company to execute on its 2015 capital program.

Following the closing of the Dixonville transaction, bank debt is approximately \$182 million and net debt is estimated at \$195 million.

### **Strategic Path Forward**

Crucial to our path forward is the generation and execution of meaningful organic growth. Once the Company has clearly demonstrated the viability and size of the internal growth opportunities and further improves financial flexibility, the Company aims to achieve a business model built on cash flow and production per share growth. The key milestones in the Company's transition include:

- Execute additional non-core dispositions to further reduce leverage, targeting a debt to cash flow ratio that is competitive with our peers
- Focus on development of organic growth opportunities with significant potential upside and strong economics
- Improve corporate netbacks by controlling costs and changing the asset mix

The sale of a 50% working interest in the Dixonville Montney "C" oil asset is consistent with the strategic path forward highlighted by asset sales, cost reductions and a dividend suspension, all executed to improve financial flexibility.

### **Conference Call Details**

Spyglass will host a conference call scheduled for Wednesday, December 17, 2014 at 11 a.m. MT (1 p.m. ET) for interested investors, analysts, brokers and media representatives.

The conference call dial-in numbers for Canada and the U.S. are 1-888-231-8191 or 647-427-7450. A recording of the conference call will be available for replay until January 14, 2015. To access the replay, please dial either 1-855-859-2056 or 403-451-9481 and enter the password 55749675. Following the call an audio archive will be available on the website at [www.spyglassresources.com](http://www.spyglassresources.com) under Investors, Presentation & Events.

Spyglass Resources Corp. is an intermediate oil and natural gas company, headquartered in Calgary, Alberta and currently operates oil and gas properties in Western Canada.

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**Reader Advisory and Note Regarding Forward Looking Information**

Certain statements contained within this press release, and in certain documents incorporated by reference into this document constitute forward looking statements. These statements relate to future events or future performance. All statements, other than statements of historical fact, may be forward looking statements. Forward looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward looking statements.

In particular, this press release contains the following forward looking statements pertaining to, without limitation, the following: Spyglass' (i) future production volumes and the timing of when additional production volumes will come on stream; Spyglass' (ii) realized price of commodities in relation to reference prices; (iii) future commodity mix; (iv) future commodity prices; (v) expectations regarding future royalty rates and the realization of royalty incentives; (vi) expectation of future operating costs on a per unit basis; (vii) the relationship of Spyglass' interest expense and the Bank of Canada interest rates; (viii) future general and administrative expenses; future development and exploration activities and the timing thereof; (ix) deferred tax liability; (x) estimated future contractual obligations; (xi) future liquidity and financial capacity of the Company; (xii) ability to raise capital and to add to reserves through exploration and development; (xiii) ability to obtain equipment in a timely manner to carry out exploration and development activities; (xiv) ability to obtain financing on acceptable terms, and (xv) ability to fund working capital and forecasted capital expenditures. In addition, statements relating to "reserves" or "resources" are deemed to be forward looking statements, as they involve assessments based on certain estimates and assumptions that the resources and reserves described can be profitably produced in the future.

We believe the expectations reflected in the forward looking statements are reasonable but no assurance can be given that our expectations will prove to be correct and consequently, such forward looking statements included in, or incorporated by reference into, this press release should not be unduly relied upon. These statements speak only as of the date of this press release or as of the date specified in the documents incorporated by reference in this press release. The actual results could differ materially from those anticipated as a result of the risk factors set forth below and elsewhere in this press release which include: (i) volatility in market prices for oil and natural gas; (ii) counterparty credit risk; (iii) access to capital; (iv) changes or fluctuations in production levels; (v) liabilities inherent in oil and natural gas operations; (vi) uncertainties associated with estimating oil and natural gas reserves; (vii) competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; (viii) stock market volatility and market valuation of Spyglass' stock; (ix) geological, technical, drilling and processing capabilities; (x) limitations on insurance; (xi) changes in environmental or legislation applicable to our operations, (xii) our ability to comply with current and future environmental and other laws; (xiii) changes in tax laws and incentive programs relating to the oil and gas industry, and (xiv) the other factors discussed under "Risk Factors" in the Company's 2013 Annual Information Form.

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward looking statements contained in this press release and the documents incorporated by reference herein are expressly qualified by this cautionary statement. The forward looking statements contained in this press release speak only as of the date thereof and Spyglass does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable securities laws.

Barrel of oil equivalents or BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 mcf: 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. As the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil 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.

This press release shall not constitute an offer to sell, nor the solicitation of an offer to buy, any securities in the United States, nor shall there be any sale of securities mentioned in this press release in any State in the United States in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities law of any such State.