PACE OIL & GAS, AVENEX ENERGY AND CHARGER ENERGY TO COMBINE AND FORM INTERMEDIATE DIVIDEND PAYING CORPORATION

Conversion of natural gas volumes to barrels of oil equivalent (boe) are at 6:1.

Calgary, Alberta – December 20, 2012. Pace Oil & Gas Ltd. ("Pace") (TSX: PCE), AvenEx Energy Corp. ("AvenEx") (TSX: AVF) and Charger Energy Corp. ("Charger") (TSXV: CHX) announce that they have entered into an agreement **(the "Arrangement Agreement")** providing for the combination of Pace, AvenEx and Charger to form a dividend paying corporation to be named **"Spyglass Resources Corp." ("Spyglass")**. Spyglass will have a balanced commodity profile and sustainable business model underpinned by 18,000 boe/d of stable, low decline oil and gas production and will be led by an experienced management team.

The merger will be completed through an amalgamation of the three parties **(the "Merger")** on the basis of 1.30 Spyglass shares for each outstanding common share of Pace **(the "Pace Shares")**, 1.00 Spyglass share for each outstanding common share of AvenEx **(the "AvenEx Shares")** and 0.18 Spyglass shares for each outstanding Class A share of Charger **(the "Charger Shares")**. The exchange ratios represent a value of $4.32 for each Pace Share, $3.32 for each AvenEx Share and $0.60 for each Charger Share based on the closing price for AvenEx on December 19, 2012.

In conjunction with the Merger, AvenEx has reached a binding agreement for the sale of its Elbow River Marketing business **(the "Elbow River Sale")** for aggregate cash proceeds of $80 million, subject to regulatory approvals, customary closing conditions and adjustments. The Elbow River Sale is expected to close by mid-February 2013.

Spyglass will have approximately **129 million common shares outstanding** upon completion of the Merger and, subject to receipt of the final approval of the TSX, will be listed on the TSX under the symbol **"SGL"**. Spyglass will be managed by the current Charger team, led by Tom Buchanan as CEO (former President and CEO of Provident Energy Trust) and Dan O'Byrne as President (former COO of Provident Energy Trust). The Board of Directors of Spyglass will consist of 8 members with nominees from each party including Randy Findlay as Chair, Dennis Balderston, Tom Buchanan, Gary Dundas, Mike Shaikh, Jeff Smith, Fred Woods and John Wright .

"***We are very pleased to introduce a new dividend-paying intermediate oil and gas producer to the Canadian market," said Tom Buchanan, Chairman and CEO of Charger. "The combined asset base features mature, low decline properties and a balanced commodity profile coupled with the light oil development opportunities needed to sustain the model. The management team has previously operated the majority of the assets that are being contributed to Spyglass and has a proven track record in respect of the execution, financial and operational discipline that is required to sustain a cash-distributing entity."***

Dividend Policy

Upon closing, Spyglass will implement a **monthly dividend of $0.03 per share** with a dividend payout of 35% to 40% of cash flow (approximately $46 million annual dividend) and a target all-in payout ratio (including $80 to $90 million of sustaining capital expenditures) of approximately 100% of cash flow. The dividend policy will be reviewed monthly and is based on a number of factors including current and future commodity prices, foreign exchange rates, an active commodity price hedging program, status of current operations and future investment opportunities. Each dividend declaration will be confirmed by Spyglass in a monthly news release. Spyglass will consider implementing a dividend reinvestment plan (DRIP) following completion of the Merger.

Key Attributes and Sustainability Criteria of Spyglass

Each of Pace, AvenEx and Charger believe that the Merger will create immediate and long term shareholder value through the introduction of an income and growth company of scale with a low decline, balanced commodity profile and a sustainable dividend. The business model is supported by the following key attributes:

Spyglass Key Attributes	
Pro Forma Operational	
Current Production (boe/d)	18,000 boe/d
% Oil & Liquids	45%
Total Proved Reserves(1)	57.5 MMboe
Total Proved plus Probable Reserves(1)	93.9 MMboe
Undeveloped Land (Net)	645,000 acres
Pro Forma Financial	
Shares Outstanding	129 million
Credit Facility Capacity	$400 million
Net Debt (2)	$280 million
Expected Credit Facility Availability	$120 million
Estimated Tax Pools	$900 million
Pro Forma 12-Month Outlook(3)(4)	
12-Month Production Forecast	18,000 boe/d
% Oil & Liquids	52%
Operating Netback	$21 - $23 / boe
12-Month Cash Flow Forecast(5)	$115 - $130 million
Capital Expenditures	$80 - $90 million
Pro Forma Dividend Features & Sustainability Criteria	
Annualized Dividend per Share	$0.36
Payment Frequency	Monthly
Dividend Payout Ratio	35% - 40%
All-In Payout Ratio	100% - 115%
Base Decline Rate	20%
Development Capital Efficiencies	$25,000 / boe/d
Pro Forma Net Debt to Cash Flow	2.2x – 2.4x
Reserve Life Index	14 years
Light Oil Drilling Inventory (Halkirk, Matziwin, Pembina, Randell, etc.)	> 1,000 locations
Years of Sustaining Development Available	> 20 years

Notes:

(1) Reserves from reserve reports for each company as of December 31, 2011 and the updated GLJ report on certain properties for Charger as of May 31, 2012 adjusted for AvenEx and Charger minor dispositions in 2012 and adjusted for 2012 production to October 31, 2012 as forecast in the December 2011 reserve reports.

(2) Pro forma net debt incorporates estimated cash proceeds from the disposition of the Elbow River Sale and estimated transaction costs and excludes risk management assets and liabilities as of the closing date of the transaction.

(3) Twelve months commencing on the closing date of the Merger, currently anticipated to be in mid-February 2013.

(4) Commodity price assumptions: Edm Light C$80.00 to C$86.00, corporate realized crude oil and liquids price C$71.36 to C$76.80 at the wellhead, AECO $3.30 / Mcf.

(5) Commodity price sensitivities: a $1.00/bbl change in realized crude oil prices, results in a $2.2 million change in annualized cash flow; a $0.50/Mcf change in natural gas prices, results in a $6.0 million change in annualized cash flow.

Recent crude oil prices, specifically the differential between WTI and realized wellhead prices in western Canada have shown a high degree of volatility. Until transportation issues, refinery outages and other contributing factors are mitigated, the volatility is expected to continue. The light oil production in the combined asset base currently attracts a much higher price than heavy oil and the strategic use of available rail transportation further enhances realized commodity prices. Management expects that the price of Edmonton Light crude oil will range between C$80/bbl and C$86/bbl in 2013.

A crude oil price of C$80/bbl for Edmonton Light and a corporate average realized price of approximately C$71/bbl at the wellhead would result in annualized cash flow of approximately $115 million, an all-in payout ratio of approximately 115% and pro forma net debt to annualized cash flow of 2.4x. Alternatively, a crude oil price of C$86/bbl for Edmonton Light and a corporate average realized price of approximately C$76/bbl at the wellhead would result in annualized cash flow of approximately $130 million, an all-in payout ratio of approximately 100% and pro forma net debt to annualized cash flow of 2.2x. Spyglass will target an all-in payout ratio of 100% going forward and will manage capital spending in the context of commodity prices and forecasted cash flow.

Active Hedging Program

Management of Spyglass will employ an active commodity price hedging strategy to protect the dividend and capital program. Spyglass plans to protect up to 60% of production by volume using a rolling 12 month hedging strategy featuring a blend of fixed price and participating products designed to reduce the impact of commodity price volatility on netbacks and cash flow.

The combined hedging position of the parties currently protects approximately 40% of pro forma forecast 2013 natural gas production at a weighted average AECO floor price of $3.06/Mcf and approximately 10% of pro forma forecast 2013 crude oil production at a weighted average WTI floor price of approximately C$99.00/bbl, assuming a CAD/USD exchange rate of 1.00.

Credit Facility

Spyglass has received proposals for a $400 million senior revolving credit facility with a syndicate of lenders co-arranged by National Bank Financial and TD Securities, subject to the closing of the Merger. Management anticipates that Spyglass will have approximately $120 million availability on the credit facility at closing.

2013 Capital Program Designed for Sustainability

The 2013 capital program is designed to sustain current production levels and support the cash flow underpinning the dividend model. A total of $80 to $90 million in capital expenditures are planned and will be focused primarily on light oil development in the following areas:

- Halkirk-Provost Viking: approximately 30%
- Southern Alberta multiple zones (Pekisko and other): approximately 20%
- Randell Slave Point and Gilwood: approximately 20%
- Pembina Cardium: approximately 10%
- Other: approximately 20%

It is estimated that the combined development program as currently contemplated will yield capital efficiencies of approximately $25,000 per boe/d.

Arrangement

The Merger will be effected by way of a plan of arrangement under the *Business Corporations Act* (Alberta), and is anticipated to close in mid-February 2013. Closing of the Merger is subject to, among other conditions, the closing of the Elbow River Sale, the approval of at least $66^{2/3}$% of the shares voted at each of the parties' respective shareholder meetings, the approval of the Alberta Court of Queen's Bench, the receipt of all necessary regulatory and stock exchange approvals and satisfaction of certain other closing conditions that are customary for a transaction of this nature. Closing of the Elbow River Sale is not conditional on the closing of the Merger.

It is anticipated that separate Pace, AvenEx and Charger shareholder meetings will be held in February 2013 following the mailing of a joint information circular regarding the Merger in January 2013 to shareholders of each company. Closing of the Merger is expected to occur in mid to late February. Each party has agreed to pay a non-completion fee of approximately 2.5% of its enterprise value to the other two parties in certain circumstances as set forth in the Arrangement Agreement, and in the case of AvenEx such non-completion fee is also payable in the event the Merger does not close as a result of the Elbow River Sale condition not being satisfied.

The Directors of each of Pace, AvenEx and Charger that are eligible to vote have unanimously approved the Merger and resolved to recommend that their respective shareholders vote in favour of the Merger. Tom Buchanan and Mike Shaikh, Directors of both Pace and Charger, abstained from voting. Each of the

Directors and Officers of Pace, AvenEx and Charger have entered into support agreements pursuant to which each has agreed to vote their shares in favour of the Merger.

Complete details of the terms of the Merger are set out in the Arrangement Agreement, which will be filed by each of the parties and will be available for viewing under each company's respective profile at www.sedar.com.

Financial Advisors and Fairness Opinions

National Bank Financial Inc. is acting as exclusive financial advisor to Pace and has provided the Board of Directors of Pace with its verbal opinion that, as of the date hereof and subject to its review of the final form of the documentation effecting the Merger, the consideration to be received by holders of Pace Shares pursuant to the Merger is fair, from a financial point of view to the holders of Pace Shares.

GMP Securities L.P. is acting as strategic advisor to AvenEx with respect to the Merger and the Elbow River Sale. Peters & Co. Limited is acting as financial advisor to AvenEx and has provided the Board of Directors of AvenEx with its verbal opinion that, as of the date hereof and subject to its review of the final form of the documentation effecting the Merger, the consideration to be received by holders of AvenEx Shares pursuant to the Merger is fair, from a financial point of view to the holders of AvenEx Shares. Raymond James Ltd. is acting as financial advisor to AvenEx with respect to the Elbow River Sale.

TD Securities Inc. is acting as financial advisor to Charger and has provided the Board of Directors of Charger with its verbal opinion that, as of the date hereof and subject to the review of the final documentation, that the consideration received by holders of Charger Shares pursuant to the Merger is fair, from a financial point of view to the holders of Charger Shares. Macquarie Capital Markets Canada Ltd. is acting as strategic advisor to Charger with respect to the Merger.

Conference Call

A conference call in regards to the Merger is scheduled to occur on **Thursday**, **December 20, 2012 at 8:00 a.m. MST / 10:00 a.m. EST**. You can access the call by dialing **1-866-696-5910 or 1-416-340-2217** and entering the passcode **2043431**.

For those unable to participate in the conference call at the scheduled time, it will be archived for replay. You can access the replay by dialing 1-800-408-3053 or 1-905-694-9451 and entering the passcode 5590839. The replay will be available approximately two hours following completion of the call.

<u>For more information, please contact:</u>

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Reader Advisory and Note Regarding Forward Looking Information

This press release contains forward-looking information within the meaning of applicable securities laws and is based on the expectations, estimates and projections of management of each of Charger, Pace and AvenEx as of the date of this news release, unless otherwise stated. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information. More particularly and without limitation, this press release contains forward-looking information concerning: the anticipated benefits of the Merger to the shareholders of each of Charger, Pace and AvenEx, including anticipated synergies; anticipated future production, operating netbacks, cash flow, capital expenditures, dividends, payout ratios, decline rates, development capital efficiencies, net debt to cash flow, reserve life index, credit facility availability and years of sustaining development available; the timing and anticipated receipt of required regulatory, court and shareholder approvals for the transaction; the ability of each of Charger, Pace and AvenEx to satisfy the other conditions to, and to complete, the Merger including the Elbow River Sale; the anticipated timing of the joint information circular regarding the Merger; the holding of the shareholder meetings of each of Charger, Pace and AvenEx; the anticipated dividend payments of Spyglass following closing and the closing of the Merger. Such forward-looking information is provided for the purpose of providing information about management's current expectations and plans relating to the future. Investors are cautioned that reliance on such information may not be appropriate for other purposes, such as making investment decisions.

In respect of the forward-looking information and statements concerning the anticipated benefits and completion of the proposed Merger and the anticipated timing for completion of the Merger, each of Charger, Pace and AvenEx has provided such in reliance on certain assumptions that it believes are reasonable at this time, including assumptions as to the time required to prepare and mail shareholder meeting materials, including the required information circular; the ability of each of Charger, Pace and AvenEx to receive, in a timely manner, the necessary regulatory, court, shareholder, stock exchange and other third party approvals, including but not limited to the receipt of applicable competition approvals; the ability of each of Charger, Pace and AvenEx to satisfy, in a timely manner, the other conditions to the closing of the Merger; and expectations and assumptions concerning, among other things: commodity prices and interest and foreign exchange rates; planned synergies, capital efficiencies and cost-savings; applicable tax laws; future production rates; the sufficiency of budgeted capital expenditures in carrying out planned activities; and the availability and cost of labour and services.

The anticipated dates provided may change for a number of reasons, including unforeseen delays in preparing meeting materials, inability to secure necessary shareholder, regulatory, court or other third party approvals in the time assumed or the need for additional time to satisfy the other conditions to the completion of the Merger. Accordingly, readers should not place undue reliance on the forward-looking information contained in this press release. In respect of the forward-looking information, including the anticipated dividend payments of Spyglass following closing, each of Charger, Pace and AvenEx has provided such in reliance on certain assumptions that it believes are reasonable at this time, including assumptions in respect of: prevailing commodity prices, margins and exchange rates; that each of Charger's, Pace's and AvenEx's future results of operations will be consistent with past performance and management expectations in relation thereto; the continued availability of capital at attractive prices to fund future capital requirements relating to existing assets and projects, including but not limited to future capital expenditures relating to expansion, upgrades and maintenance shutdowns; the success of growth projects; future operating costs; that counterparties to material agreements will continue to perform in a timely manner; that there are no unforeseen events preventing the performance of contracts; and that there are no unforeseen material construction or other costs related to current growth projects or current operations.

Since forward-looking information addresses future events and conditions, such information by its very nature involves 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 the risks associated with the industries in which each of Charger, Pace and AvenEx operates in general such as: operational risks; delays or changes in plans with respect to growth projects or capital expenditures; costs and expenses; health, safety and environmental risks; commodity price, interest rate and exchange rate fluctuations; environmental risks; competition; failure to realize the anticipated benefits of the Merger and to successfully integrate each of Charger, Pace and AvenEx; ability to access sufficient capital from internal and external sources; and changes in legislation, including but not limited to tax laws and environmental regulations. Risks and uncertainties inherent in the nature of the Merger include the failure of each of Charger, Pace and AvenEx to obtain necessary shareholder, regulatory, court and other third party approvals, or to otherwise satisfy the conditions to the Merger, in a timely manner, or at all. Failure to so obtain such approvals, or the failure of each of Charger, Pace and AvenEx to otherwise satisfy the conditions to the Merger, may result in the Merger not being completed on the proposed terms, or at all.

Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on other factors that could affect the operations or financial results of each of Charger, Pace and AvenEx, and the combined company, are included in reports on file with applicable securities regulatory authorities, including but not limited to; the Annual Information Form for the year ended December 31, 2011 for each of Charger, Pace and AvenEx which may be accessed on their respective SEDAR profiles at www.sedar.com.

Any financial outlook or future oriented financial information in this press release, as defined by applicable securities legislation, has been approved by management of Charger, Pace and AvenEx. Such financial outlook or future oriented financial information is provided for the purpose of providing information about management's reasonable expectations as to the anticipated results of Spyglass and its anticipated business activities for the twelve months following the closing of the Merger.

The forward-looking information contained in this press release is made as of the date hereof and each of Charger, Pace and AvenEx undertake no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

Boes are presented on the basis of one Boe for six Mcf of natural gas. Disclosure provided herein in respect of 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.

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.

The Toronto Stock Exchange and the TSX Venture Exchange have neither approved nor disapproved the contents of this press release.

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