



DELPHI ENERGY CORP.  
**PRESS RELEASE**



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## **DELPHI ENERGY ANNOUNCES AGREEMENT TO SELL CARDIUM INTERESTS FOR \$23 MILLION**

CALGARY, ALBERTA – June 28, 2012 – Delphi Energy Corp. (“Delphi” or the “Company”) is pleased to announce it has entered into a purchase and sale agreement with a private oil and gas company to sell its working interests associated with its Cardium assets in the Bigstone area for \$23.0 million, subject to normal course closing adjustments.

### **Disposition**

Details of the divested assets are as follows:

- Current production of approximately 450 barrels of oil equivalent per day (“boe/d”) (48 percent light oil)
- Total proved reserves of 1.2 million barrels of oil equivalent<sup>(1)</sup> (“boe”) representing 4.9 percent of the Company’s total proved reserve base as at December 31, 2011
- Total proved and probable reserves of 1.6 million boe<sup>(1)</sup> representing 4.0 percent of the Company’s total proved and probable reserve base as at December 31, 2011
- Total land in the Cardium formation of 14,720 net acres inclusive of 3,360 acres of undeveloped land

(1) Based on a June 1, 2012 effective date of the GLJ Independent Reserve Evaluation at December 31, 2011.

The transaction will have an effective date of June 1, 2012 and is expected to close before the end of July. The net proceeds from the disposition will be applied to reduce the Company’s bank indebtedness.

### **Operations Update**

In May, at Bigstone East, liquids-rich Montney production began flowing through Delphi’s 100 percent owned, 30 million cubic feet per day (“mmcf/d”) compression and dehydration facility. Over the first 30 days, production from each of the two Delphi Montney wells (1.75 net) connected to the facility averaged 4.5 mmcf/d of natural gas and 50 bbl/mmcf of wellhead condensate, for an average IP30 rate per well of 1,063 boe/d (34 percent condensate and plant natural gas liquids). With shallow-cut gas plant natural gas liquid (“NGL’s”) yields forecast at 32 bbls/mmcf, total liquid yield is currently averaging approximately 60 bbls/mmcf with 62 percent being plant and wellhead condensate. Production performance to date continues to exceed the Company’s expectations.

A third Montney horizontal well (100 percent Delphi), with its surface location also located at 5-14-59-23 W5M, was drilled during spring break-up to a planned total depth of 5,119 metres with 2,238 metres of horizontal hole successfully drilled. Completion operations of this third Bigstone East well are expected to commence in mid-July, subject to favorable dry weather conditions. Delphi’s three extended reach horizontal wells have efficiently evaluated six sections of land and with competitor drilling activity all around the Company’s 18 gross (14.75 net) sections, the remaining 30 net Montney horizontal locations identified at Bigstone East have been largely de-risked. The Company had 1.7 net Montney drilling locations booked at Bigstone East in the GLJ independent engineering report at December 31, 2011 with associated proved and probable reserves of approximately 2.0 million boe.

During the first quarter, the Company also drilled two vertical wells at Wapiti targeting liquids-rich natural gas in the Nikanassin and shallower Cretaceous intervals. Completion operations are also expected to commence in

July, subject to favourable dry weather conditions. Production from the Wapiti area was approximately 2,650 boe/d during the first quarter 2012 with an average NGL yield of 98 bbls/mmmcf.

The scheduled maintenance outages affecting the Company's production through the SemCams K3 and Devon Wapiti deep-cut processing facilities have been extended by approximately two to three weeks. The SemCams K3 maintenance is now scheduled to be completed by the end of the first week of July. Curtailed production at Wapiti had recently come back on-stream, however, a Devon operated pipeline failure in the Wapiti area has resulted in further curtailment. The situation is currently being assessed and plans made to commence repair operations. Due to the extended scheduled maintenance outages and the recent pipeline failure, second quarter production is now estimated to average approximately 8,500 boe/d. Current production capability is approximately 9,600 boe/d, excluding the three wells waiting on completion and tie-in operations scheduled for July.

## **Outlook**

Delphi remains focused on its large-scale Montney project at Bigstone where it holds 45 net sections of land. With the major infrastructure construction now complete, capital will now focus entirely on production and reserve growth, while preserving balance sheet strength.

Given the current environment, capital spending through the remainder of the year will remain within the context of cash flow. With three wells already drilled and awaiting completion operations, third quarter production additions will be both capital efficient and timely.

Delphi continues to execute its 2012 plans successfully. The Company's hedging and non-core asset disposition programs supplement an efficient cash flow generating production base, to fund its ongoing growth plans in a challenging environment.

*Delphi Energy is a Calgary-based company that explores, develops and produces oil and natural gas in Western Canada. The Company is managed by a proven technical team. Delphi trades on the Toronto Stock Exchange under the symbol DEE.*

## **FOR FURTHER INFORMATION PLEASE CONTACT:**

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**Forward-Looking Statements.** *This management discussion and analysis contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "may", "will", "should", "believe", "intends", "forecast", "plans", "guidance" and similar expressions are intended to identify forward-looking statements or information.*

*More particularly and without limitation, this management discussion and analysis contains forward looking statements and information relating to the Company's risk management program, petroleum and natural gas production, future funds from operations, capital programs, commodity prices, costs and debt levels. The forward-looking statements and information are based on certain key expectations and assumptions made by Delphi, including expectations and assumptions relating to prevailing commodity prices and exchange rates, applicable royalty rates and tax laws, future well production rates, the performance of existing wells, the success of drilling new wells, the capital availability to undertake planned activities and the availability and cost of labour and services.*

*Although the Company believes that the expectations reflected in such forward-looking statements and information are reasonable, it can give no assurance that such expectations will prove to be correct. Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results may 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 oil and gas industry in general such as operational risks in development, exploration and production, delays or changes in plans with respect to exploration or development projects or capital expenditures, the uncertainty of estimates and projections relating to production rates, costs and expenses, commodity price and exchange rate fluctuations, marketing and transportation, environmental risks, competition, the ability to access sufficient capital from internal and external sources and changes in tax, royalty and environmental legislation. Additional information on these and other factors that could affect the Company's operations or financial results are included in reports on file with the applicable securities regulatory authorities and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)). The forward-looking statements and information contained in this press release are made as of the date hereof for the purpose of providing the readers with the Company's expectations for the coming year. The forward-looking statements and information may not be appropriate for other purposes. Delphi*

undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

**Basis of Presentation.** For the purpose of reporting production information, reserves and calculating unit prices and costs, natural gas volumes have been converted to a barrel of oil equivalent (boe) using six thousand cubic feet equal to one barrel. A boe conversion ratio of 6:1 is based upon an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. This conversion conforms with the Canadian Securities Administrators' National Instrument 51-101 when boes are disclosed. Boes may be misleading, particularly if used in isolation.

As per CSA Staff Notice 51-327 initial production test results should be considered preliminary data and such data is not necessarily indicative of long-term performance or of ultimate recovery.

**Non-IFRS Measures.** The release contains the terms "funds from operations", "funds from operations per share", "net debt", "cash operating costs" and "netbacks" which are not recognized measures under IFRS. The Company uses these measures to help evaluate its performance. Management considers netbacks an important measure as it demonstrates its profitability relative to current commodity prices. Management uses funds from operations to analyze performance and considers it a key measure as it demonstrates the Company's ability to generate the cash necessary to fund future capital investments and to repay debt. Funds from operations is a non-IFRS measure and has been defined by the Company as net earnings plus the add back of non-cash items (depletion and depletion, accretion, stock-based compensation, deferred income taxes and unrealized gain/(loss) on financial instruments) and excludes the change in non-cash working capital related to operating activities and expenditures on decommissioning obligations. The Company also presents funds from operations per share whereby amounts per share are calculated using weighted average shares outstanding consistent with the calculation of earnings per share. Delphi's determination of funds from operations may not be comparable to that reported by other companies nor should it be viewed as an alternative to cash flow from operating activities, net earnings or other measures of financial performance calculated in accordance with IFRS. The Company has defined net debt as the sum of long term debt plus/minus working capital excluding the current portion of deferred income taxes and fair value of financial instruments. Net debt is used by management to monitor remaining availability under its credit facilities. Cash operating costs have been defined as the sum of operating expenses, transportation expense, general and administrative expenses and cash finance costs.