Athabasca Oil Corporation Sanctions Hangingstone SAGD Project, Updates on Light Oil Activity and Announces Executive Appointments

CALGARY, Nov. 28, 2012 /CNW/ - Athabasca Oil Corporation (TSX: ATH) announces the sanction of its Hangingstone 1 SAGD Project and reaffirms that its Light Oil Division is on track to meet its year-end production target of 10,000 to 11,000 barrels of oil equivalent (boe/d). In response to achieving these significant corporate milestones, the Board of Directors announces executive appointments, effective immediately, to bolster the Company's transformation to an exploration and production (E&P) company.

Current highlights include:

- The Board of Directors has sanctioned the $536 million development budget for the 12,000 barrels per day (bbl/d) Hangingstone Project 1, comprised of a central processing facility and twenty SAGD well pairs on four well pads. The Board of Directors has also sanctioned $27 million for the construction of supporting infrastructure;
- An evolution in hydraulic fracturing methodology has yielded enhanced results in the Company's third Duvernay well, 02-34-62-20W5M, at Kaybob West. The 02-34 well flowed at a final test rate (after 109 hrs) of > 6 million cubic feet (mmcf/d) plus 900 bbl/d of >50° API condensate, at a steady flowing pressure of 3,000 pounds per square inch gauge (psig);
- Commissioning of the Company's Kaybob East and Saxon facilities is scheduled for a mid-December start-up, enabling achievement of the 2012 exit rate guidance, and;
- The Board of Directors approves executive appointments.

The Board of Directors has sanctioned the $536 million development budget for the Hangingstone Project 1, comprised of a 12,000 bbl/d central processing facility and four well pads with five SAGD well pairs per pad. Athabasca expects to develop this 12,000 bbl/d thermal oil project at a cost of $44,700 per barrel, exclusive of the $27 million of supporting infrastructure.

The drilling of SAGD well pairs is planned to commence, in mid-2013, at the Hangingstone Project 1, with the facility commissioning and start-up scheduled for Q4 2014. First steam is anticipated before year-end 2014, followed by first production in early 2015.

Athabasca plans to follow up the Hangingstone Project 1 with two consecutive SAGD projects, bringing the area's potential production to more than 80,000 bbl/d.

The Company continues to advance its Montney and Duvernay development, in Alberta's liquids-rich Deep Basin. Montney well results continue to meet or exceed the Company's expectations. Athabasca's Duvernay fairway consists of more than 300 high-graded net sections with significant potential.

The Light Oil Division is currently producing approximately 4,000 boe/d. Commissioning of the Kaybob East and Saxon facilities, by mid-December, should enable Athabasca to achieve its year-end exit rate guidance of 10,000 to 11,000 boe/d.

"I am very pleased with the production test results, and with the rapid and extensive build-up of production infrastructure in the Kaybob and Saxon areas," said Sveinung Svarte, chief executive officer. "I am particularly encouraged by the test results of our third Duvernay well which had strong flow rates and exhibited steady formation pressures towards the end of the test period. Athabasca, like other E&P operators, sees tremendous Duvernay potential in this part of the Deep Basin."

The Company's learning curve, understanding the fracture characteristics of the Duvernay, has been steep. An evolution in our application of hydraulic fracturing techniques has yielded strong production results; Athabasca's third Duvernay well, 02-34-62-20W5M at Kaybob West, flowed at a final test rate (after 109 hrs) of > 6 mmcf/d plus 900 bbl/d of >50° API condensate, at a steady flowing pressure of 3,000 psig. The 02-34 well will commence production in early December, with the completion of a pipeline tie-in to the Kaybob West Facility.

Athabasca's second Duvernay well, 06-10-62-23W5M, has been fractured and flow tested on two separate occasions. Following its initial completion, the well sat for a 40-day 'soak' period, enabling absorption of the load fluid by the under-saturated formation and enhancing production performance. The second and most recent flow test yielded a final test rate (after 44 hrs) of 5 mmcf/d plus 450 bbl/d of >50° API condensate, at a flowing pressure > 2,500 psig. The 06-10 well will be placed on production in mid-December when the Saxon facility is commissioned.

In response to achieving these significant corporate milestones, and in order to position the Company for growth in the Thermal and Light Oil divisions, the Board of Directors announces several executive appointments, effective immediately. Bryan Gould, M.A.Sc., P.Eng., Athabasca's vice-president, corporate development, is promoted to the position of president, reporting to Sveinung Svarte, who will remain chief executive officer. Bryan Gould will be in charge of all operations, operating assets and technical functions.

Ian Atkinson, M.Sc., P.Eng., Athabasca's vice-president, geoscience & development, is promoted to the position of senior vice-president, thermal oil. Rob Bowie, MBA, Athabasca's director, portfolio management, is promoted to vice-president, corporate development. Andre De Leebeeck, B.A.Sc., P.Eng., director, investor & partner relations, is promoted to vice-president, investor relations.

In response to the Corporation's rapid growth and corresponding increase in work load, the role of chief financial officer will be divided into two positions: vice-president, corporate services and chief financial officer. The current CFO, Rob Harding, CMA, MBA, will assume the role of vice-president, corporate services. A search is underway to fill the revised role and responsibilities of chief financial officer. Mr. Harding will remain CFO until the new candidate has been recruited.

Athabasca also announces the addition of Rob Broen, B.Sc.Eng., P.Eng., to its executive management team. Mr. Broen joins the Company as senior vice president, light oil. Bringing over 20 years of exploration and production expertise to Athabasca, Mr. Broen recently led a 120,000 boe/d North American shale gas portfolio (Montney, Duvernay, Marcellus and Eagle Ford) for an international exploration and production company.

"We are pleased to welcome Rob to the team," said Sveinung Svarte, chief executive officer. "We have witnessed his success in his previous positions and look forward to seeing him help develop the Light Oil Division's world class assets." Added Svarte, "The recent management changes ensure that the organization is well prepared for the challenges ahead, as the Company exits 2012 as a production company."

About Athabasca Oil Corporation
Athabasca is a dynamic, Canadian company focused on the development of oil resource plays in Alberta, Canada. The Company has accumulated an extensive, high quality resource base suitable for the extraction of thermal crude oil (bitumen) and light oil. Well financed and well endowed with quality assets and talented people, Athabasca is poised to become a major Canadian oil producer. It aspires to produce more than 200,000 boe/d by 2020, comprised of a 50/50 weighting of thermal and light oil. Athabasca is traded on the TSX under the symbol "ATH."

Reader Advisory

This News Release contains forward-looking information that involves various risks, uncertainties and other factors. All information other than statements of historical fact is forward-looking information. The use of any of the words "anticipate" "plan" "continue" "expect" "may" "will" "should" "believe" "predict" and "potential" and similar expressions are intended to identify forward-looking information. The forward-looking information is not historical fact, but rather is based on the Company's current plans, objectives, goals, strategies, estimates, assumptions and projections about the Company's industry, business and future financial results. This information involves 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 information. No assurance can be given that these expectations will prove to be correct and such forward-looking information included in this News Release should not be unduly relied upon. This information speaks only as of the date of this News Release. In particular, this News Release may contain forward-looking information pertaining to the following: expected timing of receipt of first significant revenues from the Company's assets; the Company's capital expenditure programs; the Company's drilling plans; the Company's plans for, and results of, exploration and development activities; the Company's estimated future commitments; business plans; development of the Company's Thermal Oil Division and Light Oil Division projects; timing of facilities construction and timing of production; the use of in-situ recovery methods such as Steam Assisted Gravity Drainage (SAGD) for production of recoverable bitumen; targeted exit rates production for 2012 and long term production goals; estimated timing of first steaming, estimated initial and full production of the Company's projects; Athabasca's plans with respect to the Light Oil Divisions assets and the expected benefits to be received by Athabasca from such assets; expectations regarding the Company's Light Oil Division development areas including anticipated production levels and operating results therefrom.

With respect to forward-looking information contained in this News Release, assumptions have been made regarding, among other things: the Company's ability to obtain qualified staff and equipment in a timely and cost-efficient manner; the regulatory framework governing royalties, taxes and environmental matters in the jurisdictions in which the Company conducts and will conduct its business; the applicability of technologies for the recovery and production of the Company's reserves and resources; future capital expenditures to be made by the Company; future sources of funding for the Company's capital programs; the Company's future debt levels; the geography of the areas in which the Company is conducting exploration and development activities; and the Company's ability to obtain financing on acceptable terms.

Actual results could differ materially from those anticipated in this forward-looking information as a result of the risk factors set forth in the Company's most recent Annual Information Form filed on March 27, 2012 ("AIF") that is available on SEDAR at www.sedar.com, including, but not limited to: fluctuations in market prices for crude oil, natural gas and bitumen blend; general economic, market and business conditions; factors affecting potential profitability; factors affecting funding, the availability of financing, developments in technology, the priorities of the Company and of its current and future joint venture partners and general economic conditions; uncertainties inherent in SAGD; failure to meet development schedules and potential cost overruns; increases in operating costs making projects uneconomic; environmental risks and hazards and the cost of compliance with environmental regulations; failure to obtain or retain key personnel; the substantial capital requirements of the Company's projects; the need to obtain regulatory approvals and maintain compliance with regulatory requirements; changes to royalty regimes; political risks; risks inherent in the Company's operations, including those related to exploration, development and production of oil sands, crude oil and natural gas reserves and resources, including the production of crude oil and natural gas using multi-stage fracture and other stimulation technologies; failure by counterparties to comply with contractual arrangements between the Company and such counterparties; the potential lack of available drilling equipment and limitations on access to the Company's assets; Aboriginal claims; seasonality; claims made in respect of the Company's operations, properties or assets; competition for, among other things, capital, export pipeline capacity and skilled personnel; the failure of the Company or the holder of certain licenses or leases to meet specific requirements of such licenses or leases; risk of reassessments of the Company's tax filings by taxation authorities; risks arising from future acquisition and joint venture activities; risks that joint venture arrangements will not perform as expected. The forward-looking statements included in this News Release are expressly qualified by this cautionary statement. Athabasca does not undertake any obligation to publicly update or revise any forward-looking statements except as required by applicable securities laws.

Oil and Gas Information:

"BOEs" may be misleading, particularly if used in isolation. A BOE conversion ratio of six thousand cubic feet of natural gas to one barrel of oil equivalent (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.

Test Results and Initial Production Rates:

A pressure transient analysis or well-test interpretation has not been carried out and thus the test results provided in this News Release should be considered to be preliminary until such analysis or interpretation has been completed. Test results and initial production rates disclosed herein may not necessarily be indicative of long term performance or of ultimate recovery.

SOURCE: Athabasca Oil Corporation

For further information:
Media
Heather Douglas
Vice President, Communications & External Affairs
(403) 532-7408
hdouglas@atha.com

Financial Community
Andre De Leebeeck
Vice President, Investor Relations
(403) 817-8048
adeleebeeck@atha.com

Tracy Robinson
Manager, Investor Relations
(403) 532-7446
trobinson@atha.com