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Vero Energy Announces Strategic Transaction to Create a Well Capitalized Cardium Light Oil Focused Growth Company

CALGARY, ALBERTA--(Marketwire – January 3, 2012)

Vero Energy Inc. (TSX:VRO) ("Vero" or the "Company") announced today that it has entered into an asset purchase and sale agreement (the "Agreement") for the divestiture of certain natural gas assets (the "Disposition Assets") of the Company to a private oil and gas company (the "Purchaser") for gross proceeds of \$209 million, subject to closing adjustments (the "Transaction"). Closing of the Transaction is anticipated to occur on or about January 31, 2012 and is subject to customary conditions for an asset divestiture of this nature.

The Disposition Assets are primarily focused in the deep basin region of West Central Alberta and include related facilities but excludes zones from surface to base Cardium, which represent estimated average daily production of 7,296 boe/d (86% Natural Gas) during the fourth quarter of 2011 and 26.5 mmboe of proved plus probable reserves at December 31, 2010.

"Through an extremely volatile political, regulatory and commodity price period the Vero team has grown production in the Company 844% and 260% on a per share basis during the past six years primarily through the drill bit," said Doug Bartole President and CEO, "the team is very excited about this transaction as it allows for all shareholders to be involved in a focused, well capitalized and debt free growth oriented junior exploration Company in a pure light oil play producing top quartile operating netbacks. The Company will have a solid land base and a high quality drilling inventory of 4-5 years with recent results of the latest wells drilled having IP30 production rates of over 350 boe/d. This transaction puts us back to a size where in our initial two years we provided drill bit production growth of over 380% and 200% on a per share basis."

From the date of the Agreement until closing of the Transaction, Vero has agreed not to solicit or initiate discussions regarding any other business combination or sale of material assets and has granted the purchaser the right to match any superior proposals. The Agreement provides for a \$15 million non-completion fee payable to the Purchaser in certain circumstances if the Transaction is not completed and a \$10 million deposit to be retained by Vero in certain circumstances if the Transaction is not completed.

A portion of the cash proceeds from the Transaction are expected to be distributed to Vero shareholders, with the balance being utilized to eliminate Vero's current bank indebtedness. It is anticipated that Vero will convene a meeting (the "Meeting") of Vero shareholders in the next 60 days to approve the proposed cash distribution, representing approximately \$0.30 per outstanding Vero share on a non-diluted basis. The exact amount of the cash distribution and the date for determining the Vero shareholders of record who will be entitled to the distribution will be confirmed at a later date.

Strategic Rationale

Despite continued operational success, and significant production and reserves per share growth since inception of Vero, deterioration of North American natural gas fundamentals and stock market volatility has placed significant pressure on Vero to grow. As a result, Vero's management and Board of Directors have continuously reviewed options available to Vero to ensure that shareholder value is being maximized. As part of this review, Vero determined that the disposition of the natural gas assets would allow the Vero team to focus on growing its high netback, light oil Cardium resource play. Through the cash distribution and retained ownership of New Vero, Vero shareholders will benefit from immediate return of cash and continued participation in the growth and future value creation of the Company.

Based on these and other factors, the Board of Directors of Vero has unanimously approved the Transaction. The cash distribution is subject to shareholder approval at the meeting.

GMP Securities L.P. and Macquarie Capital Markets Canada Ltd. have acted as financial advisors to Vero with respect to the Transaction and FirstEnergy Capital Corp. has acted as Vero's strategic advisor.

The Reorganized Company Post Transaction ("New Vero")

The Transaction positions New Vero as a highly focused Cardium growth vehicle with significant balance sheet flexibility to deliver growth in production, reserves, cash flow, and net asset value per share. The assets remaining are represented by high working interest, operated light oil focused production. All senior management of Vero that have been instrumental in growing the Company mainly through the drill bit in the past 6 years intend to continue on with Vero's new and exciting oil platform.

Key attributes of New Vero include:

Average Daily Production (Q3 2011):	
Oil and Liquids (bbls per day)	1,095
Natural Gas (MMcf per day)	3,234
Total (BOE per day)	1,634
Oil and Liquids %	67
Reserves ⁽¹⁾	
Proved (MMBOE)	3,439
Proved and Probable (MMBOE)	6,527
Reserve Life Index (P+P)	14.0
Reserve Values ⁽²⁾⁽³⁾	
Proved (\$MM)	\$72.4
Proved and Probable (\$MM)	\$122.4
Gross / Net Land (acres) ⁽⁴⁾	120,645 / 77,652
Gross / Net Undeveloped Land (acres) ⁽⁴⁾	101,374 / 64,424
Third Party Land Valuation ⁽⁴⁾	\$26.8
Net Debt (\$MM) ⁽⁵⁾	\$0

Indicative Credit Facility (\$MM)	\$45
Cardium Drilling Locations: gross (net) ⁽⁶⁾	208 (120)
Potential Cardium Drilling locations with no booked reserves: gross (net) ⁽⁶⁾	182 (107)
Operating Netbacks (\$/boe) ⁽⁷⁾	\$52
Common Shares Outstanding (MM) ⁽⁸⁾	48.9

Notes:

- (1) Based on the Company's independent reserve evaluation prepared by Sproule & Associates Limited ("Sproule") effective December 31, 2010 using the average of four reserve evaluators December 31, 2010 forecast pricing (the "Sproule Report"). Reserve Life Index based on average production for the fourth quarter of 2010.
- (2) Reserve values are the before tax present values of cash flow at a 10% discount rate as per the Sproule Report and do not necessarily represent fair market value.
- (3) As at December 31, 2010.
- (4) As at December 31, 2011. Land value evaluated by Seaton Jordan dated March, 2011
- (5) Estimated after all transaction costs, closing cost adjustments, and proposed cash distribution of \$0.30 per share
- (6) Based on average of 4-5 wells drilled per delineated section
- (7) Based on the first 9 months of 2011
- (8) Basic aggregate number of current basic shares

Cardium Operations Update, Outlook and Preliminary 2012 Budget

Current production excluding the Disposition Assets is approximately 1,800 boe/d (67% oil and liquids) based on field estimates. In the fourth quarter of 2011 5 (3.0 net) Cardium horizontals were drilled. There were 4 (2.6 net) horizontal wells brought on production with initial production rates that have averaged over 400 boe/d. Two of the wells that have produced over one month have IP30 rates above 350 boe/d (65% oil and liquids). There are 2 (1.3 net) horizontal wells that have been drilled and expect to be brought on production in January. Recent results continue to meet or exceed the Company's type curves based on continued optimizing of completions and recent delineation into some new areas that look to have exceptional performance. Currently the Company has one drilling rig in operation.

Initial plans and forecasts for the reorganized Company in 2012 (excluding the Disposition Assets which will have production to the Company for the month of January and all related transaction costs to be expensed):

- \$62.5 million exploration and development capital budget that will be comprised of drilling 28-30 (16-17 net) Cardium horizontal wells
- 2012 estimated average production of 2,300 – 2,500 boe/d (67 % liquids)
- 2012 estimated cash flow of \$39 – \$42.5 mm, based on strip prices of December 20, 2011
- Operating netbacks forecast of \$52 per boe and cash flow netbacks of \$46 per boe
- 2012 estimated exit production of 2,800 - 3,100 boe/d (67% liquids).

New Vero has the following strong oil hedges in place:

- 500 bbl/d Jan 1, '12 – Mar 31, '12 \$85 – \$104
- 500 bbl/d Jan 1, '12 – Dec 31, '12 \$85 – \$109
- 250 bbl/d Apr 1, '12 – Mar 31, '13 \$90 - \$110

The Vero team has grown production on this asset through the drill bit from an average of 262 boe/d (30% oil and liquids) in 2009, to 874 boe/d (63% oil and liquids) in 2010, and an expected average of 1,450 boe/d (67% oil and liquids) in 2011. This has been accomplished with only one rig actively drilling Cardium horizontal wells. With the large, high quality inventory, high working interest, operatorship, expertise in the area, and the technical focus on this light oil asset the team is very excited about the continued growth for New Vero which is anticipated to be over 65% in 2012 over 2011.

The Company's main lender has provided an indicative, initial credit facility of \$45 million to be in place for closing of the transaction. Cash flow for the year and available bank facilities will leave the Company well capitalized. Vero expects to exit 2012 with debt to trailing cash flow of less than 0.5 times.

Conference Call

Vero will be hosting a conference call today at 11:00 a.m. Mountain Standard Time (1:00 p.m. Eastern Time) for investors, analysts and the media to discuss the Transaction and answer any questions they may have. To participate, please dial 1-888-231-8191 (toll-free in North America) or 1-647-427-7450 approximately 15 minutes prior to the conference call. An archived recording of the call will be available in due course. Please visit the Company's website for the access numbers.

An updated corporate presentation will be posted on or about January 3, 2012 on Vero's website at www.veroenergy.ca.

READER ADVISORY

This press release contains forward-looking statements as to Vero's internal projections, forecasts, expectations or beliefs relating to future events or future performance, including: production and reserve estimates, capital expenditure plans, and future operations including the number of wells to be drilled and timing thereof, results from future operations and forecast operating metrics including netbacks and cash flow estimates, the effect of the Transaction on continuing operations, future available credit facilities, liquidity and financial capacity. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expects", "projects", "plans", "anticipates" and similar expressions. These statements represent the expectations or beliefs of management of Vero concerning, among other things, future capital expenditures and future operating results and various components thereof or the economic performance of Vero. The projections, estimates and beliefs contained in such forward-looking statements are based on management's assumptions relating to the production performance of Vero's assets, the cost and competition for services throughout the oil and gas industry, the results of exploration and development activities during 2012, the market price for oil and gas, expectations regarding the availability of capital, estimates as to the size of reserves and resources, and the continuation of the current regulatory and tax regime in Canada, and necessarily involve known and unknown risks and uncertainties inherent in exploration and development activities, geological, technical, drilling and processing problems and other risks and uncertainties, including the business risks discussed in management's discussion and analysis and the annual information form of Vero, which may cause actual performance and financial results in future periods to differ materially from any projections of

future performance or results expressed or implied by such forward-looking statements. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted. Vero does not undertake to update any forward looking information in this document whether as to new information, future events or otherwise except as required by securities rules and regulations.

This press release also contains forward-looking statements and information concerning the anticipated completion of the Transaction, the anticipated cash distribution to Vero shareholders and the amount thereof and the anticipated timing for completion of these matters. Vero has provided these anticipated times in reliance on certain assumptions that it believes is reasonable at this time, including assumptions as to the time required to prepare meeting materials for the shareholder meeting relating to the proposed cash distribution, the timing of receipt of the necessary regulatory approvals and the satisfaction of and time necessary to satisfy the conditions to the closing of the Transaction. These dates may change for a number of reasons, including unforeseen delays in preparing meeting materials, inability to secure necessary regulatory approvals in the time assumed or the need for additional time to satisfy the conditions to the completion of the Transaction. In addition, there are no assurances the Transaction will be completed. In the event the Transaction is not completed, the cash distribution will not be completed. Accordingly, readers should not place undue reliance on the forward-looking statements and information contained in this press release concerning these times. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect Vero's operations or financial results are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com), or Vero's website (www.veroenergy.ca).

The forward-looking statements and information contained in this press release are made as of the date hereof and Vero 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.

Note: Barrels of oil equivalent (BOEs) may be misleading, particularly if used in isolation. In accordance with NI 51-101, a BOE conversion ratio for natural gas of 6 Mcf:1bbl has been used, which is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as the estimates of reserves and future net revenue for all properties of Vero due to the effects of aggregation. The net present value of future net revenue of reserves does not represent the fair market value thereof.

The common shares of Vero have not and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws and may not be offered or sold in the United States or to any U.S. person except in certain transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws.

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