



## PRESS RELEASE

### **VERO ENERGY INC. GENERATES \$2.3 MILLION IN NET EARNINGS WITH ITS FIRST QUARTER OF 2010 FINANCIAL RESULTS**

CALGARY, Alberta – May 11, 2010 – Vero Energy Inc. (“Vero” or the “Company”) (TSX-VRO) today announces its first quarter, 2010 financial results. Copies of the financial statements and management discussion and analysis in respect thereof for the quarter ended March 31, 2010 will be available, in due course, through [www.sedar.com](http://www.sedar.com) or by visiting Vero’s website at [www.veroenergy.ca](http://www.veroenergy.ca).

#### **First Quarter 2010 Highlights**

- ✓ Generated \$2.3 million in net earnings or \$0.05 per share, a 138% increase over the first quarter of 2009
- ✓ Increased average daily production 14% to 8,404 boe/d from 7,352 boe/d in the first quarter of 2009.
- ✓ Funds flow from operations was \$15.6 million equating to \$0.36 per share (basic and diluted), a 64% increase over the same quarter in 2009.
- ✓ Achieved an operating netback of \$24.31 per boe and funds flow netback of \$20.63 per boe.
- ✓ Invested \$38.4 million (\$33.5 million after reduction from drilling incentives) in exploration and development capital.
- ✓ Drilled 10 (8.6 net) wells with a 100% success rate which included 4 (3.5 net) new pool discoveries, and recompleted 4 (2.6 net) wells.
- ✓ Invested \$6.5 million in acquisitions increasing our Cardium land holdings from 148 (95 net) to 167 (103 net) sections.

#### **2010 Update**

- ✓ Average production in April and current production is approximately 9,500 boe/d based on field estimates.
- ✓ Increased bank credit facility to \$140 million from \$115 million.
- ✓ Sold non-core properties for \$3.4 million of net proceeds.
- ✓ One drilling rig is currently operating this quarter, it has drilled 1.0 (1.0 net) horizontal gas well in the second quarter, and is currently drilling 1 (0.5 net) Cardium horizontal well.

Financial and operating highlights for the first quarter of 2010 with comparisons to the first quarter of 2009 are as follows:

| <i>Financial (\$000's except per share amounts)</i> | <b>Q1 2010</b> | Q1 2009 | %<br>Change |
|---|----------------|---------|-------------|
| Production revenue                                  | <b>29,483</b>  | 22,135  | 33          |
| Funds flow from operations <sup>(1)</sup>           | <b>15,598</b>  | 8,201   | 90          |
| Per basic share                                     | <b>0.36</b>    | 0.22    | 64          |
| Per diluted share                                   | <b>0.36</b>    | 0.22    | 64          |
| Net earnings (loss)                                 | <b>2,312</b>   | (4,695) | 149         |
| Per basic share                                     | <b>0.05</b>    | (0.13)  | 138         |
| Per diluted share                                   | <b>0.05</b>    | (0.13)  | 138         |
| Net capital expenditures                            | <b>40,037</b>  | 28,177  | 42          |
| Net debt <sup>(2)</sup>                             | <b>112,294</b> | 123,973 | (9)         |
| <b>Share Capital (000's)</b>                        |                |         |             |
| Basic, weighted average                             | <b>42,236</b>  | 36,955  | 14          |
| Basic, end of period                                | <b>43,391</b>  | 36,952  | 17          |
| Diluted, weighted average                           | <b>43,794</b>  | 36,955  | 19          |
| Fully diluted                                       | <b>47,341</b>  | 40,098  | 18          |
| <b>Daily Production</b>                             |                |         |             |
| Natural gas volumes (mcf/d)                         | <b>40,457</b>  | 35,500  | 14          |
| Light oil (boe/d)                                   | <b>477</b>     | 426     | 12          |
| Natural gas liquids (boe/d)                         | <b>1,184</b>   | 1,008   | 17          |
| Corporate (boe/d)                                   | <b>8,404</b>   | 7,352   | 14          |
| <b>Average Prices</b>                               |                |         |             |
| Natural gas (\$/mcf)                                | <b>5.28</b>    | 5.18    | 2           |
| Light Oil (\$/bbl)                                  | <b>74.96</b>   | 45.36   | 65          |
| Liquids (\$/bbl)                                    | <b>66.08</b>   | 42.23   | 56          |
| Corporate (\$/boe)                                  | <b>38.98</b>   | 33.45   | 17          |
| <b>Netbacks (\$/boe)<sup>(4)</sup></b>              |                |         |             |
| Operating   | <b>24.31</b>   | 15.39   | 58          |
| Funds flow  | <b>20.63</b>   | 12.38   | 67          |
| <b>Wells drilled</b>                                |                |         |             |
| Gross   | <b>10</b>      | 7       | 43          |
| Net   | <b>8.6</b>     | 6.4     | 34          |

(1) Funds flow from operations is calculated as funds provided by operating activities from the statement of funds flows, adding change in non-funds working capital and asset retirement expenditures. Funds flow from operations is used to analyze the Company's operating performance and leverage. Funds flow from operations does not have a standardized measure prescribed by Canadian Generally Accepted Accounting Principles and therefore may not be comparable with the calculations of similar measures for other companies.

(2) Net debt represents current assets less current liabilities and bank debt (but excludes the potential future liability related to the mark-to-market measurement of hedges). It does not have a standardized meaning prescribed by Generally Accepted Accounting Principles and it is therefore unlikely to be comparable to similar measures presented by other companies.

(3) All barrels of oil equivalent conversions use 6 mcf to 1 barrel of oil.

(4) Operating netback equals total revenue less royalties, transportation and operating costs calculated on a per boe basis. Operating netback and funds flow from operations netback do not have a standardized measure prescribed by Canadian Generally Accepted Accounting Principles and therefore may not be comparable with the calculations of similar measures for other companies.

## OUTLOOK

After dealing with a difficult year and a half in the industry, Vero's outlook has turned very optimistic. Operationally, the Company has been firing on all cylinders. Since the end of the third quarter, growth through the drill bit has been over 60% taking into account the asset dispositions in the fourth quarter of 2009. In addition, we have reduced controllable costs and continued with top tier finding and development costs of under \$7.00/boe as posted in our year end 2009 press release. It is clear Vero has growth oriented assets as shown by our production growth over the past two quarters. These assets are very diverse and contain a large number of productive, repeatable zones which are now being targeted. Vero has had a 100% drilling success rate over the past two years, and we are now diversifying our commodity type with the expansion into the light oil resource. The increased credit facility to \$140 million allows us significant flexibility in our 2010 exploration and development program and beyond.

The Company continues to be encouraged with the results to date from our Cardium light oil play. In the first quarter, the Company drilled and completed 4 (3.5 net) Cardium horizontal oil wells. The last two drilled wells, which had not yet recovered all of the load fluid by quarter end, were brought on in May. Vero has now grown its Cardium production as a result of recent drilling from 4 boe/d at the end of 2009 to over 1,000 boe/d in early May. Our success so far supports the belief that our Cardium land position is oil saturated and holds a significant number of drilling opportunities. The Company has also been able to add to its Cardium acreage through acquisitions and crown land sales, with Vero now owning 167 gross (103 net) sections. Currently close to 20 Cardium locations are in various states of administration to begin drilling operations in the upcoming quarters. We have approximately 40 net sections which have been high-graded due to thicker pay zones and high porosities, with the potential for more to be proven up over time. These lands will require reduced spacing with eventual inter-well spacing to be determined by: recovery per well, commodity price, capital and corporate cost structures, including royalties. The Company is working with our service providers and a consulting reservoir engineering firm to optimize the development plans.

"Vero's strategy is focused on high rate-of-return projects which will also yield strong growth in per-share numbers." said Doug Bartole President and CEO. "Furthermore, we continue to keep our controllable costs low while prudently spending capital. The direct result of our efforts will continue to enhance our flexibility financially while growing and diversifying our production base."

Our guidance remains intact for 2010 with production to average between 8,500 – 9,000 boe/d (76% natural gas), and exit guidance of 9,800 – 10,300 boe/d (63-66% natural gas). For the remainder of the year the Company is planning to drill approximately 24-26 gross (16-18 net) horizontal wells with approximately 18-20 gross (12-13 net) wells targeting Cardium light oil. Gas well drilling will be high graded to target high impact, liquids rich plays that we believe are as economic as any natural gas play in North America. The majority of these gas wells are scheduled towards the end of the third and into the fourth quarters. In the second quarter, plans are to drill approximately 3 (2.0 net) wells with one being a farm-in commitment that has been drilled, 1 (0.5 net) Cardium oil well currently drilling and also targeting oil with the third well. Second quarter estimated funds flow is anticipated to exceed capital expenditures as drilling activity will be limited due to break-up. Upon successful implementation of our 2010 program, the Company's production mix will have changed from 6% light oil in the first quarter to an estimated 25% by year end. Our belief is that with current and future oil prices this shift in capital is both prudent and will have a positive impact on both our corporate netbacks and corporate valuation.

In summary, Vero has developed a low operating and finding and developing cost structure and this is testimony to the strength and depth of its technical team and growth oriented asset base. These attributes coupled with our solid strategic plan will allow Vero to withstand difficult times and be the

key drivers for its future success. Vero's production, reserves and team are all solid. We continue to focus on profitable growth while remaining flexible. This will ensure that we are positioned to take advantage of opportunities that are sure to arise in the upcoming months.

## **FINANCIAL REVIEW**

Vero delivered solid financial results for the first quarter of 2010, coming off of an unprecedented level of global financial turmoil in late 2008 and 2009. The Company had 100% drilling success in the second half of 2009 and continuing with another 100% success rate with ten horizontal wells drilled in the first quarter of 2010. The Company was able to translate these successes into a 14% increase in produced volumes over the same quarter in 2009. As a result, the financial results exceeded Vero's expectations. Vero's return to profitability in the first quarter was highlighted by \$2.3 million in net earnings. On a per share basis this amounted to \$0.05 per share for both basic and diluted shares. The Company gained efficiencies across all operating categories on a per boe basis as compared to 2009. Specifically, average realized commodity prices increased by 17%; royalty expense decreased by 39% and operating expenses decreased by 3%. All of these helped contribute to a 67% increase in funds flow netbacks. Aggregate funds flow for the first quarter of 2010 was \$15.6 million or \$0.36 per basic and diluted share.

Vero invested \$33.5 million (after \$4.9 million of drilling incentives) of its \$40 million capital program during the quarter on its exploration and development program. Vero continued its focus on the continued development of its key resource plays in Edson. The Company directed 76% of its first quarter exploration and development expenditures towards drilling and completing 10 (8.6 net) wells, all of which were horizontal wells. Facilities and tie-ins expenditures were \$6.8 million as eight new wells were brought into production as well as a new gas compression and dehydration facility in the Pine Creek area. In addition, \$6.5 million was spent on producing property acquisitions along with associated undeveloped land in Vero's core Edson area.

Vero's balance sheet is sound and at the end of the first quarter of 2010, with bank debt of \$93 million and net debt of approximately \$112 million. The Company recently concluded its credit facility review process with its syndicate of banks resulting in a 22% increase in its borrowing base to \$140 million. At March 31, 2010 Vero had a net debt to annualized funds flow ratio of 1.8 times. This compares to 2.3 times that existed at December 31, 2009. Subsequent to the quarter end, the Company entered into a sale agreement for non-core assets which will generate net proceeds of approximately \$3.4 million with its forecast funds flow, in combination with its new bank line and continued efforts in asset rationalization, Vero expects to have sufficient resources to successfully execute upon its \$80-90 million (net of drilling incentives) capital program for 2010.

## **OPERATIONS REVIEW**

### Edson, Alberta

Edson continues to be Vero's largest producing property with production of 6,560 boe/d (80% natural gas) in the first quarter of 2010. This area accounted for 78% of total corporate production. In March a third party facility had an unexpected turn around that had approximately 2,000 boe/d shut in for seven days.

Vero's original primary geological targets in Edson are the Mannville and Rock Creek zones, which range in depth from 2,000 to 2,500 meters and are characterized by gas with a high liquid content,

capable of generating liquid volumes of up to 45 bbls/mmcf. The Company is now aggressively exploiting Cardium oil targets where it has significant land holdings.

During the quarter, the Company drilled 8 (7.1 net) horizontal wells including 4 (3.5 net) Cardium oil wells in the area with a success rate of 100%. Also, 4 (2.6 net) recompletions of vertical wells were completed. Drilling for the remainder of the year is currently anticipated to be focused entirely on drilling in the Edson area with 24-26 gross (16-18 net) wells planned including 18-20 gross (12-13 net) Cardium light oil wells. At Pine Creek a 12 mmcf/d gas compression and dehydration facility was built and brought on in the last week of March to reduce a bottleneck and reduce operating costs in the area.

Vero's acreage in the area consists of 76,320 gross (45,609 net) developed acres and 72,960 gross (61,238 net) undeveloped acres.

With Vero's relatively low costs at Edson, in both capital and operating, it has the flexibility to respond quickly and efficiently to prevailing commodity prices. Coupling facility and operational control to a high quality inventory, characterized by short on-stream cycle time, will allow Vero the opportunity to create significant value as commodity prices recover. The Company is also in a position to prudently take advantage of the Alberta drilling and royalty incentive programs announced last year.

### Whitecourt

Whitecourt is Vero's second largest producing area at 15% of total corporate production. Production averaged 1,280 boe/d (89% natural gas) in the first quarter representing a 54% increase from fourth quarter volumes. The Company drilled 2 (1.5 net) horizontal wells during the quarter subsequent to our first successful horizontal drilled here in the fourth quarter of 2009. These wells represent the successful transfer of the horizontal drilling and multi-frac completion technology that we have been using in our Edson core area since 2005. The results to date have been excellent and we plan to employ this technique in a minimum of three different tight gas zones which will further enhance expansion of this area in the future.

Notwithstanding that no additional wells are planned in the area for the remainder of this year we have numerous opportunities in the Company's land base that can be executed upon once commodity prices improve. Our focus during the remainder of the year will be on operating efficiencies and continuing to augment our portfolio with drilling and enhancement projects.

Vero currently controls 32,800 (19,074 net) developed acres and 36,320 (28,607 net) undeveloped acres in this area.

### Other Areas

Total production for non-core areas in the third quarter was 564 boe/d (66% natural gas). Vero has 50,422 (26,418 net) developed acres and 58,166 (44,695 net) undeveloped acres in these areas.

## FINANCIAL STATEMENTS

Below is selected financial statement information for the three month periods ended March 31, 2010 and 2009. For full disclosure of Vero's financial statements with their accompanying notes and the Management's Discussion and Analysis, please visit our website or SEDAR.

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### VERO ENERGY INC.

#### Balance Sheet

(in thousands of dollars)

|  | March 31,<br>2010<br>(unaudited) | December 31,<br>2009<br>(audited) |
|--|----------------------------------|-----------------------------------|
| <b>ASSETS</b>                            |                                  |                                   |
| <b>CURRENT</b>                           |                                  |                                   |
| Accounts receivable                      | 32,215                           | 29,541                            |
| Prepaid expenses and deposits            | 4,835                            | 4,566                             |
| Loans receivable                         | -                                | 2,289                             |
|  | <b>37,050</b>                    | 36,396                            |
| Property and equipment                   | 314,408                          | 287,645                           |
| Goodwill                                 | 19,913                           | 19,913                            |
|  | <b>371,371</b>                   | 343,954                           |
| <b>LIABILITIES</b>                       |                                  |                                   |
| <b>CURRENT</b>                           |                                  |                                   |
| Accounts payable and accrued liabilities | 55,861                           | 47,588                            |
| Risk management contracts                | 340                              | 1,132                             |
| Bank debt                                | 93,483                           | 77,719                            |
|  | <b>149,684</b>                   | 126,439                           |
| Risk management contracts                | -                                | 113                               |
| Asset retirement obligations             | 5,296                            | 5,379                             |
| Future taxes                             | 18,236                           | 15,286                            |
|  | <b>173,216</b>                   | 147,217                           |
| <b>SHAREHOLDERS' EQUITY</b>              |                                  |                                   |
| Share capital                            | 179,607                          | 181,343                           |
| Contributed surplus                      | 10,452                           | 9,610                             |
| Retained Earnings                        | 8,096                            | 5,784                             |
|  | <b>198,155</b>                   | 196,737                           |
|  | <b>371,371</b>                   | 343,954                           |

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**VERO ENERGY INC.****Statements of Operations, Comprehensive (Loss) Income and Retained Earnings**

For the three months ended March 31,

*(in thousands of dollars, except per share data)(unaudited)*

|  | 2010    | 2009    |
|--|---------|---------|
| <b>REVENUE</b>   |         |         |
| Production revenue   | 29,483  | 22,135  |
| Realized loss on risk management activities                | (124)   | -       |
| Unrealized gain on risk management activities              | 905     | -       |
|  | 30,264  | 22,135  |
| Royalties  | (3,676) | (5,257) |
| Interest & other income                                    | 50      | 21      |
|  | 26,638  | 16,899  |
| <b>EXPENSES</b>  |         |         |
| Operating  | 6,426   | 5,821   |
| Transportation   | 989     | 864     |
| General and administrative                                 | 1,476   | 1,197   |
| Stock based compensation                                   | 980     | 1,339   |
| Interest and bank charges                                  | 1,244   | 816     |
| Depletion, depreciation and accretion                      | 13,434  | 12,609  |
|  | 24,549  | 22,646  |
| <b>INCOME (LOSS) BEFORE INCOME TAXES</b>                   | 2,089   | (5,747) |
| <b>INCOME TAX (RECOVERY)</b>                               |         |         |
| Future   | (223)   | (1,052) |
|  | (223)   | (1,052) |
| <b>NET EARNINGS (LOSS) AND COMPREHENSIVE INCOME (LOSS)</b> | 2,312   | (4,695) |
| <b>RETAINED EARNINGS, BEGINNING OF PERIOD</b>              | 5,784   | 25,851  |
| <b>REPURCHASE OF SHARES</b>                                | -       | (11)    |
| <b>RETAINED EARNINGS, END OF PERIOD</b>                    | 8,096   | 21,145  |
| <b>NET EARNINGS (LOSS) PER SHARE</b>                       |         |         |
| Basic  | 0.05    | (0.13)  |
| Diluted  | 0.05    | (0.13)  |

**VERO ENERGY INC.**  
**Statements of Funds Flows**  
or the three months ended March 31,  
*(in thousands of dollars) (unaudited)*

|   | 2010            | 2009     |
|---|-----------------|----------|
| <b>FUNDS FLOWS RELATED TO THE FOLLOWING ACTIVITIES:</b> |                 |          |
| <b>OPERATING</b>  |                 |          |
| Net earnings (loss)                                     | 2,312           | (4,695)  |
| Adjustments for:  |                 |          |
| Unrealized loss on risk management activities           | (905)           | -        |
| Stock based compensation                                | 980             | 1,339    |
| Depletion, depreciation and accretion                   | 13,434          | 12,609   |
| Future income taxes                                     | (223)           | (1,052)  |
|   | <b>15,598</b>   | 8,201    |
| Asset retirement costs incurred                         | (243)           | -        |
| Changes in non-funds working capital                    | (2,442)         | (14,050) |
|   | <b>12,913</b>   | (5,849)  |
| <b>FINANCING</b>  |                 |          |
| Increase (decrease) in bank debt                        | 15,764          | 27,029   |
| Proceeds from issuance of stock option exercises        | 399             | -        |
| Repurchase of shares                                    | -               | (86)     |
| Loans to officers/directors                             | 2,289           | (3,673)  |
|   | <b>18,452</b>   | 23,270   |
| <b>INVESTING</b>  |                 |          |
| Additions to petroleum and natural gas properties       | (39,137)        | (28,317) |
| Additions to administrative assets                      | -               | (5)      |
| Proceeds on Sales of Property/Equipment                 | -               | 145      |
| Changes in non-funds working capital                    | 7,772           | 10,756   |
|   | <b>(31,365)</b> | (17,421) |
| <b>NET DECREASE IN FUNDS AND FUNDS EQUIVALENTS</b>      | -               | -        |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>   | -               | -        |
| <b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>         | -               | -        |

Vero Energy Inc. is a Calgary based oil and natural gas exploration and development company. Vero's common shares trade on The Toronto Stock Exchange under the symbol "VRO". Please view the Vero Energy website at [www.veroenergy.ca](http://www.veroenergy.ca) for the latest corporate presentation and details of anticipated 2010 operations.

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## READER ADVISORY

*Forward Looking Statements: Certain information regarding the Company in this news release including management's assessment of future plans and operations, and the timing thereof, production estimates, drilling inventory and wells to be drilled, timing of drilling and tie-in of wells, productive capacity of new wells, anticipated year-end production mix, capital expenditures and the ability to fund the 2010 capital program, capital efficiencies and the completion of dispositions and the timing thereof, may constitute forward-looking statements under applicable securities laws and necessarily involve risks including, without limitation, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, inability to retain drilling rigs and other services, the timing and length of plant turnarounds and the impact of such turnarounds and the timing thereof, risks that planned dispositions will not be completed on projected timelines or at all, delays resulting from or inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources. As a consequence, the Company's actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly no assurance can be given that any events anticipated by the forward-looking statements will transpire or occur, or, if any of them do so, what benefits the Company will derive therefrom. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could effect the Company's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)), and the Company's website ([www.veroenergy.ca](http://www.veroenergy.ca)). Furthermore, the forward-looking statements contained in this news release are made as at the date of this news release and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.*

*BOE Disclosure: Disclosure provided herein in respect of barrels of oil equivalent (boe) 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. Mboe means thousands of barrels of oil equivalent.*

*Non-GAAP terms: this press release contains the terms "funds flow from operations" and "netbacks" which are not terms recognized under Generally Accepted Accounting Policies ("GAAP"). The Company uses these measures to help evaluate its performance as well as to evaluate acquisitions. The Company considers funds flow from operations a key measure as it demonstrates the Company's ability to generate funds necessary to repay debt and to fund future growth through capital investment. Funds generated from operations should not be considered as an alternative to, or more meaningful than, cash flow from operating activities as determined in accordance with Canadian GAAP as an indicator of Vero's performance. Vero's determination of funds flow from operations may not be comparable to that reported by other companies. The reconciliation between net income and funds flow from operations can be found in the statement of cash flows in the financial statements. Vero also presents funds generated from operations per share whereby per share amounts are calculated using weighted average shares (basic and diluted) outstanding consistent with the calculation of net earnings per share, which per share amounts are calculated under GAAP. The Company considers netbacks as a key measure as it demonstrates its profitability relative to current commodity prices. Operating netbacks are calculated by taking total revenues and subtracting royalties, operating expenses and transportations costs on a per boe basis. Funds flow netbacks are calculated by taking the operating netback and subtracting interest costs, and general and administrative costs on a per boe basis.*

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