



## PRESS RELEASE

### **VERO ENERGY INC. REPORTS A 26% INCREASE IN PRODUCTION AND 197% INCREASE IN FUNDS FLOW**

CALGARY, Alberta – November 4, 2010 – Vero Energy Inc. (“Vero” or the “Company”) (TSX-VRO) today announces its third quarter, 2010 financial results. Copies of the financial statements and management discussion and analysis in respect thereof for the quarter ended September 30, 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).

#### **Third Quarter 2010 Highlights**

- ✓ Increased average daily production by 26% to 8,335 boe/d in the third quarter of 2010 from 6,610 boe/d during the third quarter of 2009.
- ✓ Funds flow from operations was \$12 million equating to \$0.28 per share (basic weighted average), a 197% increase over the same quarter in 2009.
- ✓ Achieved an operating netback of \$19.91 per boe and funds flow netback of \$15.66 per boe.
- ✓ Drilled 9 (7.2 net) wells with a 100% success rate. 6 (5.1 net) wells were horizontal wells targeting Cardium oil. Two of the nine wells drilled in the quarter were new pool wildcat discoveries.
- ✓ Focus on operating cost efficiencies has produced reductions of \$2.18/boe from \$9.68 in the third quarter of 2009 to \$7.50 per boe in this quarter.

#### **Fourth Quarter Update**

- ✓ Entered into a bought-deal, equity financing for gross proceeds of \$35 million. Closing is expected to occur on November 5.

Financial and operating highlights for the third quarter and year-to-date of 2010 with comparisons to the third quarter and year-to-date of 2009 are as follows:

<i>Financial</i> (\$000's except per share amounts)	Three Months ended September 30,			Nine months ended September 30,		
	2010	2009	%	2010	2009	%
Production revenue	<b>24,295</b>	15,897	53	<b>81,250</b>	55,644	46
Funds flow from operations <sup>(1)</sup>	<b>12,001</b>	4,044	197	<b>41,478</b>	18,013	130
Per basic share	<b>0.28</b>	0.09	211	<b>0.96</b>	0.46	109
Per diluted share	<b>0.26</b>	0.09	189	<b>0.94</b>	0.46	104
Net loss	<b>(3,316)</b>	(3,682)	(10)	<b>(430)</b>	(19,125)	(98)
Per basic share	<b>(0.08)</b>	(0.08)	-	<b>(0.01)</b>	(0.49)	(98)
Per diluted share	<b>(0.08)</b>	(0.08)	-	<b>(0.01)</b>	(0.49)	(98)
Capital expenditures, net	<b>32,135</b>	4,973	546	<b>86,192</b>	34,869	147
Net debt <sup>(2)</sup>	<b>131,978</b>	106,936	23	<b>131,978</b>	106,936	23
<b>Share Capital (000's)</b>						
Basic and diluted, weighted average	<b>43,515</b>	40,952	6	<b>43,409</b>	38,887	12
Basic, end of period	<b>43,527</b>	40,952	6	<b>43,527</b>	40,952	6
Fully diluted	<b>47,394</b>	44,111	7	<b>47,394</b>	44,111	7
<b>Daily Production</b>						
Natural gas volumes (mcf/d)	<b>39,076</b>	31,850	23	<b>40,683</b>	33,912	20
Liquids (boe/d)	<b>1,183</b>	1,014	17	<b>1,245</b>	1,003	24
Light oil (boe/d)	<b>639</b>	288	122	<b>558</b>	342	63
Corporate (boe/d)	<b>8,335</b>	6,610	26	<b>8,583</b>	6,998	23
<b>Average Realized Prices</b>						
Natural gas (\$/mcf)	<b>3.93</b>	3.23	22	<b>4.48</b>	4.14	8
Light Oil (\$/bbl)	<b>70.38</b>	64.35	9	<b>72.67</b>	55.00	32
Liquids (\$/bbl)	<b>55.31</b>	50.76	9	<b>60.07</b>	44.53	35
Corporate (\$/boe)	<b>31.68</b>	24.64	29	<b>34.68</b>	28.41	22
<b>Netbacks (\$/boe)</b>						
Operating <sup>(4)</sup>	<b>19.91</b>	11.04	80	<b>21.43</b>	13.34	61
Funds flow	<b>15.66</b>	6.65	135	<b>17.70</b>	9.43	88
<b>Wells drilled</b>						
Gross	<b>9</b>	1	800	<b>21</b>	8	163
Net	<b>7.2</b>	1.0	620	<b>17.8</b>	7.4	141

(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 asset or 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

Vero showed 26% growth in production over the same quarter in 2009, on track for its average 2010 production guidance of 8,500 - 9,000 boe/d and an exit rate of between 9,800 – 10,300 boe/d. Targets that have been unaltered for 2010. Current production is approximately 8,500 boe/d (75% natural gas) with over 1,000 boe/d behind pipe and recently restricted due to a compressor upgrade anticipated to be completed by mid-November. The Company currently has 4 (2.6 net) wells at various stages of completion and three drilling rigs operating.

Unquestionably, the third quarter was challenging for operations due to weather, which resulted in significant delays. Of the nine wells drilled in the quarter, only four were able to be completed and placed on production late in the quarter. The Company estimates that approximately 600 boe/d average was lost in the quarter due to these delays. These disruptions have resulted in delays impacting the beginning of the fourth quarter.

The availability of drilling rigs capable of drilling horizontal wells, whether oil or gas, in the Deep Basin has tightened up considerably. As a result, Vero has secured and will start drilling shortly with a third rig. With the added financial resources from the recently announced equity financing, Vero is planning to commence a portion of its first quarter 2011 drilling program in the fourth quarter of 2010. Consequently, Vero now anticipates drilling 11 (7.7 net) wells in the fourth quarter. Seven of these wells will be targeting light oil while the remaining four will target high impact, high return, liquids-rich natural gas. At a natural gas sales price of \$4.00/mcf, Vero's corporate average in the deep basin plays is \$5.70/mcf equivalent as a result of the high liquids rich content and the premium received for the high heat content in the natural gas.

Efficient operations continues to be Vero's primary strength. As the Company recently passed its fifth anniversary, Vero's best returns for its shareholders have come from the Company's disciplined capital spending. Since Vero's inception, drilling has been the driver of the Company's growth accounting for approximately 80% of the Company's growth. Drilling has sustained Vero in the difficult times and will continue to be the Company's mainstay into the future. Vero's lands are highly concentrated with multiple zones and high liquids yields. From this asset base, production is forecasted to exceed 10,000 boe/d by year-end and the proportion of liquids continues to increase. Lifting costs were improved dramatically compared to the same period in 2009 and have dropped throughout 2010 by filling up Company owned gas plants and reducing costs for third party processing.

In Cordova, British Columbia, preliminary assessment work is underway as the Company develops a strategic plan on Vero's newly acquired large prospective resource. This newly acquired crown land has long tenure. Our current plans are to align and pace this project so that capital can be matched to improvement in natural gas prices.

Flexibility and optionality have always been key elements of the management of Vero. With the current, low natural gas price environment, a continued emphasis on a combination of oil and liquids rich drilling targets will allow Vero to maintain its success in generating per share and profitable growth. Vero is well positioned to take advantage of the opportunities that continually arise in this industry. These opportunities come from exploring new horizons on the Company's existing lands, farm-ins on new lands and strategic acquisitions. Vero's low-cost asset base will allow it to achieve the stated objective of taking the Company beyond the 10,000 boe/d level into 2011.

## **FINANCIAL REVIEW**

Although the third quarter of 2010 was met with a continued low natural gas price environment as well as extremely wet weather, Vero managed to deliver a 26% increase in production levels from the third quarter of 2009. Vero averaged 8,335 boe/d in the third quarter of 2010 versus 6,610 in the third quarter of 2009. The Company continued to improve its field operating efficiency with operating expenses decreasing by 23% in the third quarter of 2010 compared to last year. Vero achieved operating costs of \$7.50 per boe in the current quarter. This reduction has been achieved primarily through increasing the amount of gas being processed through Vero's owned and operated facilities, resulting in reductions to third party processing charges. In addition, increased volumes from third parties processing gas through our facilities generates third party processing income which offsets gas plant operating costs. While average commodity prices increased 29% in the third quarter of 2010 as compared to the same quarter of 2009, gas prices remained at a very low level throughout the summer months. Vero has adapted to low natural gas prices by shifting focus to oil targets. Consequently oil production is 122% higher in the third quarter of 2010 as compared to the same quarter in 2009. All of these factors helped contribute to a 135% increase in funds flow netback to \$15.66 per boe in the third quarter as compared to \$6.65 from the same quarter in 2009. Vero generated third quarter funds flow from operations of \$12 million or \$0.28 per share compared with \$4 million or \$0.09 per share in the comparable quarter of 2009.

Vero's capital spending in the third quarter of 2010 was just over \$32 million as compared to approximately \$5 million from the same period in 2009. A large portion of the capital spent in the quarter was the drilling of 9 (7.2 net) wells. This included the drilling of 2 (1.6 net) new pool wildcats. In addition the Company spent \$2.1 million on a strategic producing property acquisition in August.

Vero's balance sheet remains solid. At the end of the third quarter bank debt was \$108 million (77% drawn on the \$140 million facility) while net debt ended the quarter at just under \$132 million. Vero further enhanced its financial position by entering into a bought-deal equity financing for gross proceeds of \$35 million in October. It is anticipated that the financing will close on November 5.

## **OPERATIONS REVIEW**

### Edson, Alberta

The Edson area accounted for 79% of total corporate production averaging 6,593 boe/d (76% natural gas) in the quarter. Gas targets in this area include the Viking, Mannville (Notikewin, Falher/Wilrich, Gething) and Rock Creek. These zones are encountered at depths between 2000 – 2600m, qualifying virtually all of the wells for the Alberta Natural Gas Deep Drilling Program royalty, and include natural gas liquids volumes ranging from 25 – 45 bbls/mmcf. The Cardium light oil target is found at depths between 1600-1900m.

During the quarter the Company participated in 9 (7.2 net) wells, all of which were in the Edson core area. The drilling program is broken down as follows: 2 (1.8 net) horizontal gas wells, 6 (5.1 net) horizontal Cardium light oil wells and 1 (0.3 net) vertical Second White Specs oil well.

The Company continued to aggressively evaluate its Cardium play in the quarter with over 70% of the wells targeting this light oil target. Fourth quarter drilling plans include drilling approximately 6-7 (3.5-4.0 net) Cardium horizontals. The Company has 2 (1.5 net) Cardium wells to be completed and

anticipated to be on production shortly. The Company currently has 1,350 boe/d (22% natural gas) producing from the Cardium tight sand horizontals wells.

The gas drilling program for the fourth quarter has been high-graded to target high impact, high return liquids rich plays. Plans include the drilling of 4 (3.6 net) gas wells targeting a range of zones including Bluesky, Rock Creek and Notikewin.

Vero's acreage in the area consists of 78,080 gross (47,395 net) developed acres and 68,640 gross (57,574 net) undeveloped acres.

### Whitecourt

Whitecourt is Vero's second largest producing area at 16% of total corporate production. Production averaged 1,320 boe/d (91% natural gas) in the third quarter.

Vero has not been active in this area since the first quarter of this year as the economics of drilling here are not as favourable when compared to the Edson core. The liquids content of the gas is lower and the target reservoirs are shallower than 2,000 meters. As a result, the wells do not qualify for additional incentives under the natural gas deep drilling program. Nevertheless, Vero continues to see future value in this area and evaluates it for prospective new wells thereby continually adding to its undrilled inventory. Once natural gas prices improve, many of these wells can readily be moved into the queue for exploitation. In the meantime, Vero will continue to optimize its operating cost structure in this area.

Vero currently controls 33,440 (19,650 net) developed acres and 29,600 (22,966 net) undeveloped acres in the Whitecourt core.

### Other Areas

Total production for non-core areas in the third quarter was 422 boe/d (68% natural gas). Vero has 48,504 (25,392 net) developed acres and 56,683 (44,620 net) undeveloped acres in these areas.

Included in this category is the 2,598 net acres of undeveloped land that Vero purchased late in the second quarter in the Cordova Embayment in Northeast British Columbia. This land has the potential to provide Vero with numerous drilling opportunities in the intermediate and long term. Capital expenditures on these lands for the fourth quarter will be limited.

## FINANCIAL STATEMENTS

Below is selected financial statement information for the three and nine month periods ended September 30, 2010 and 2009. For full disclosure of Vero's financial statements with their accompanying notes and the Management's Discussion and Analysis, please visit Vero's website or SEDAR.

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### VERO ENERGY INC.

#### Balance Sheet

(unaudited)

<i>(in thousands of dollars)</i>	September 30, 2010	December 31, 2009
<b>ASSETS</b>		
<b>CURRENT</b>		
Accounts receivable	28,126	29,541
Prepaid expenses and deposits	3,283	4,566
Current portion of risk management contracts	345	-
Loans receivable	-	2,289
	<b>31,754</b>	<b>36,396</b>
Risk management contracts	17	-
Property and equipment	332,158	287,645
Goodwill	19,913	19,913
	<b>383,842</b>	<b>343,954</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	55,109	47,588
Current portion of risk management contracts	-	1,132
Bank debt	108,278	77,719
	<b>163,387</b>	<b>126,439</b>
Risk management contracts	-	113
Asset retirement obligations	5,378	5,379
Future taxes	17,651	15,286
	<b>186,416</b>	<b>147,217</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	180,519	181,343
Contributed surplus	11,553	9,610
Retained Earnings	5,354	5,784
	<b>197,426</b>	<b>196,737</b>
	<b>383,842</b>	<b>343,954</b>

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# VERO ENERGY INC.

## Statement of Operations, Comprehensive Loss and Retained Earnings For the three and nine month periods ended September 30, (in thousands of dollars, except per share data)(unaudited)

	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
<b>REVENUE</b>				
Production revenue	24,295	15,897	81,250	55,644
Realized gain (loss) on risk management activities	574	(912)	405	(1,374)
Unrealized gain (loss) on risk management activities	(1,718)	3,271	1,607	(2,073)
	23,151	18,256	83,262	52,197
Royalties	(2,610)	(1,607)	(8,827)	(9,041)
Interest and other	-	20	190	62
	20,541	16,669	74,625	43,218
<b>EXPENSES</b>				
Operating	5,750	5,886	19,000	17,290
Transportation	1,245	778	3,614	2,460
General and administrative	1,902	1,472	5,004	4,417
Stock based compensation	636	664	2,357	4,222
Interest and bank charges	1,361	1,218	3,922	3,111
Depletion, depreciation and accretion	14,036	11,973	41,966	37,073
	24,930	21,991	75,863	68,573
<b>LOSS BEFORE INCOME TAXES</b>	<b>(4,388)</b>	<b>(5,322)</b>	<b>(1,237)</b>	<b>(25,355)</b>
<b>INCOME TAXES</b>				
Future tax recovery	(1,073)	(1,640)	(808)	(6,230)
	(1,073)	(1,640)	(808)	(6,230)
<b>NET LOSS AND COMPREHENSIVE LOSS</b>	<b>(3,316)</b>	<b>(3,682)</b>	<b>(430)</b>	<b>(19,125)</b>
<b>RETAINED EARNINGS, BEGINNING OF PERIOD</b>				
	8,670	10,397	5,784	25,851
Repurchase of shares	-	-	-	(11)
<b>RETAINED EARNINGS, END OF PERIOD</b>	<b>5,354</b>	<b>6,715</b>	<b>5,354</b>	<b>6,715</b>
<b>NET LOSS PER SHARE</b>				
Basic	(0.08)	(0.08)	(0.01)	(0.49)
Diluted	(0.08)	(0.08)	(0.01)	(0.49)

# VERO ENERGY INC.

## Statement of Cash Flows

For the three and nine month periods ended September 30,

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

	Three months ended		Nine months ended	
	September 30		September 30	
	2010	2009	2010	2009
<b>CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:</b>				
<b>OPERATING</b>				
Net loss	(3,316)	(3,682)	(430)	(19,125)
Adjustments for:				
Unrealized (gain) loss on risk management activities	1,718	(3,271)	(1,607)	2,073
Stock based compensation	636	664	2,357	4,222
Depletion, depreciation and accretion	14,036	11,973	41,966	37,073
Future income taxes	(1,073)	(1,640)	(808)	(6,230)
	12,001	4,044	41,478	18,013
Asset retirement costs incurred	(23)	-	(288)	-
Changes in non-cash working capital	4,247	(919)	6,736	(12,292)
	16,225	3,125	47,926	5,721
<b>FINANCING</b>				
Increase (decrease) in bank debt	911	(998)	30,559	27,552
Proceeds from issuance of common shares, net of share issue costs	-	(7)	-	13,916
Loans to officers / directors	-	105	2,289	(2,401)
Stock option exercises	54	-	1,035	-
Repurchase of shares	-	-	-	(86)
	965	(900)	33,883	38,981
<b>INVESTING</b>				
Additions to petroleum and natural gas properties	(30,036)	(4,973)	(80,967)	(35,007)
Purchase of petroleum and natural gas assets	(2,270)	-	(8,021)	-
Additions to administrative assets	-	-	(3)	(7)
Proceeds on sale of petroleum properties	171	-	3,699	145
Changes in non-cash working capital	14,945	2,748	3,483	(9,833)
	(17,190)	(2,225)	(81,809)	(44,702)
<b>NET DECREASE IN CASH AND CASH 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.

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*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 annual average and year-end production exit rates, capital expenditures, the ability to fund the 2010 capital program, capital efficiencies and the completion of the recently announced financing and the timing thereof, Vero's belief in the prospective nature and potential of its Cordova Embayment prospect area, 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 and resource 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.*