



**SOUTHERN PACIFIC REPORTS RECORD CASH FLOW OF \$13 MILLION  
FOR THE QUARTER ENDED MARCH 31, 2010**

CALGARY, Alberta – May 25, 2010

Southern Pacific Resource Corp. (“Southern Pacific” or the “Company”) (TSX-V:STP) is pleased to announce its financial and operational results for the quarter ended March 31, 2010. The Company achieved record production, revenue, cash flow and earnings during the quarter.

**RECENT HIGHLIGHTS:**

- Averaged 4,217 barrels of oil equivalent per day (“boe/day”) of production in the three months ended March 31, 2010. April’s production is estimated at 4,650 boe/day;
- Delivered operating netbacks of \$39.97 per boe on overall Company production year to date;
- Achieved record funds from operations (“cash flow”) of \$13.0 million and net income of \$3.1 million for the quarter and cash flow of \$23.9 million and net income of \$9.5 million for the year to date;
- Signed a definitive agreement to purchase the remaining 20% working interest in its McKay block and a 20% working interest in lands adjacent and near to its Mackenzie block for \$33 million on March 19, 2010. The acquisition is expected to close on June 1, 2010;
- Closed a \$100.8 million bought-deal equity financing on May 18, 2010, with the proceeds being used to fund the equity component of the STP-McKay Thermal Project;
- Continued on track with the STP-McKay Thermal Project, including the completion of the front end engineering design (“FEED”) study and a detailed wellbore design on budget and on time;
- Completed a successful 31 core-hole exploration program over the past winter under budget, and identified exploitable bitumen resources to support an additional 24,000 barrels per day (“bbls/day”) of incremental production on the McKay block;
- Reported an increase of 149% in the independent estimate of gross probable (“2P”) recoverable bitumen reserves at McKay to 168.1 million barrels (“MMbbl”). This equates to a net present value before tax of \$368 million (discounted at 10%). In the same report, 116.6 MMbbl of best estimate contingent bitumen resources were also assigned to the McKay block; and
- Reported an increase of 14% in the independent estimate of the 2P recoverable heavy oil reserves within the 100%-owned Senlac Thermal Project in Saskatchewan to 10.4 MMbbl on April 26, 2010. This equates to a net present value before tax of \$193.9 million (discounted at 10%).

	<b>Three months ended March 31, 2010</b>
Petroleum and natural gas revenue	\$23,398,290
Funds from operations	\$13,000,503
Per share – basic and diluted	\$0.06
Net income	\$3,104,044
Per share – basic and diluted	\$0.01
Average product prices (\$ per boe)	\$61.66
Operating netback (\$ per boe)	\$39.06

Southern Pacific has filed its unaudited interim Consolidated Financial Statements for the period ended March 31, 2010 and related Management's Discussion and Analysis ("MD&A"). Copies of Southern Pacific's materials may be obtained on [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.shpacific.com](http://www.shpacific.com).

## **OUTLOOK**

Southern Pacific's strategy of producing heavy oil in Saskatchewan while pursuing significant bitumen reserves in Alberta is paying dividends. The Company continues to generate strong cash flow through the production of heavy oil at its STP-Senlac Thermal Project. Despite restricting volumes by about 400 bbl/d over the quarter due to downhole pump repairs, the property delivered about 4,100 bbl/d of heavy oil for the quarter. After completion of the repairs, production averaged 4,560 bbl/d in April. The Company has commenced the drilling of its infill well program in the Senlac field. Southern Pacific expects to drill two infill wells for this phase and expects production from these new wells to begin in July. Following these two wells, the Company plans to drill two steam-assisted gravity drainage ("SAGD") well pairs in the fall of 2010. Southern Pacific expects to be able to keep the project's average annual production rate between 4,000 and 4,500 bbl/d over the next 10 years through the continued development of SAGD and infill well phases within the project.

While the STP-Senlac Thermal Project generates steady cash flow, Southern Pacific is pleased to report that the application for its STP-McKay Thermal Project is on track for approval by the end of the summer. The Company completed a FEED study at the end of March 2010. In addition, Southern Pacific has been busy finalizing the project's detailed design, power requirements, construction schedule, camp layout, site access, stakeholder consultation and meetings with regulatory authorities.

The finalization of funding arrangements for STP-McKay remains a top priority. Southern Pacific successfully closed an equity financing in the amount of \$100.8 million on May 18, 2010. This equity will be used primarily to fund the construction of the STP-McKay Thermal Project. Over the next several months, the Company will be working with a selection of senior Canadian banks to complete the remaining portion of financing through available debt financing options, which include project financing debt and public or private market debt. With successful completion of the financing, the Company expects construction to commence on the STP-McKay Thermal Project in the fall of 2010.

Southern Pacific is also finalizing plans for its long-term growth. The Company estimates that an additional 24,000 bbl/d of process capacity can be added in the McKay area alone based on the reserves and contingent resources identified to date. As the Company prepares its fiscal 2011 budget, about \$7 million has been allocated to collect the necessary technical data required next winter for a new SAGD project application to be submitted in 2011. Preparations and environmental data collection are underway to finalize this program. In addition, \$20 million of exploration capital is being allocated in the budget for continued delineation of the Company's 242 gross sections of oil sands leases outside the McKay area. These combined activities are expected to provide the Company with continued avenues for growth in the Athabasca oil sands.

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Advisory

This press release contains forward-looking statements that involve known and unknown risks, uncertainties, assumptions and other factors, some of which are beyond Southern Pacific's control and may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Southern Pacific believes that the expectations reflected in those forward-looking statements are reasonable at the time made but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference into, this press release should not be relied upon. These statements speak only as of the date of such information, as the case may be, and may be superseded by subsequent events. Southern Pacific does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by applicable law.

Funds from operations and funds from operations per share are non GAAP terms that represent cash generated from operating activities before changes in non-cash working capital and asset retirement expenditures. Southern Pacific considers funds from operations to be a key measure as it demonstrates the Company's ability to generate the cash necessary to fund future growth through capital investment. Funds from operations may not be comparable with the calculation of similar measures for other companies. Funds from operations per share is calculated using the same share basis which is used in the determination of net income (loss) per share.

***Definitions***

**"Best (P50)"** means the best estimate of the quantity that will actually be recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the best estimate. If probabilistic methods are used, there should be at least a 50 percent probability (P50) that the quantities actually recovered will equal or exceed the best estimate.

**"Contingent Resources"** means those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political, and regulatory matters or a lack of markets. It is also appropriate to classify as contingent resources the estimated discovered recoverable quantities associated with a project in the early evaluation stage.

**"Probable reserves"** means those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated Proved plus Probable reserves.

**"Possible reserves"** means those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated Proved plus Probable plus Possible reserves.

**"Proved reserves"** means those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated Proved reserves.

This press release contains references to barrels of oil equivalent (boe), boes maybe misleading, particularly if used in isolation. A boe conversion of 6 mcf to 1 barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.