



SOUTHERN PACIFIC  
RESOURCE CORP.

## **SOUTHERN PACIFIC ACHIEVES RECORD QUARTERLY PRODUCTION FROM STP-SENLAC THERMAL PROJECT; CONSTRUCTION ON TRACK AT STP-McKAY THERMAL PROJECT**

CALGARY, Alberta – July 18, 2011

Southern Pacific Resource Corp. (“Southern Pacific” or the “Company”) (TSX:STP) is pleased to announce that performance of the Company’s STP-Senlac Thermal Project in Saskatchewan and strong oil prices combined to drive Southern Pacific to record fiscal fourth quarter production and gross revenue. Total production averaged 4,915 barrels of oil equivalent per day (boe/d) for the quarter ended June 30, 2011 compared to 3,663 boe/d in the previous quarter. This production generated petroleum and natural gas revenue before royalties of \$30.7 million for the quarter compared to \$18.8 million in the previous quarter.

Two steam assisted gravity drainage (SAGD) well pairs brought on stream at STP-Senlac in April (Phase H) have performed as expected. Preparations are being made to drill the next three SAGD well pairs (Phase J) this fall. These wells will be set up and placed on standby, ready to be activated as required once capacity in the plant becomes available. Southern Pacific’s development plan is to maintain STP-Senlac production between 4,000 and 5,000 bbl/d for the next 10 to 14 years.

Southern Pacific’s audited financial statements for the fiscal year ended June 30, 2011 will be released in late September 2011. The Company’s year-end reserves evaluation is underway and results are expected to be released in August 2011.

### **STP-MCKAY CONSTRUCTION UPDATE**

Southern Pacific is also pleased to announce that construction remains within the original budget for Phase 1 of its STP-McKay Thermal Project. As of June 30, 2011 Southern Pacific had committed approximately \$355 million of the budgeted \$450 million in capital required to construct Phase 1 of the SAGD project designed to process 12,000 barrels per day (bbl/d) of bitumen. Incurred costs to June 30 totalled approximately \$212 million. Field construction is well underway with a number of significant milestones achieved:

- Completed a 29 km all-season access road and four permanent bridges;
- Completed the central plant site and well pad civil work;
- Completed construction of a 14 km natural gas pipeline which will deliver natural gas for fuel from the TransCanada pipeline system to the plant;
- Completed water source wells and pipelines;
- Drilled the first pad of six SAGD well pairs and the second pad is about 50% completed. The results from drilling the horizontal wells have been very positive to date, both from a reservoir quality and a drilling efficiency perspective;
- Procured all major equipment. Modules are now in various stages of fabrication in shops mainly in Alberta.

Site construction is currently focused on pile driving (30% complete) and building nine site-fabricated 10,000 bbl storage tanks used to store fluids such as boiler feedwater, produced water, diluent, and the diluted bitumen (dil-bit) sales product. There are also 12 shop-fabricated tanks for which bases are being constructed.

Southern Pacific has also elected to increase the dil-bit product storage capacity of the project by adding an additional 40,000 bbl tank to the site. The additional storage will provide a buffer to ensure production operations are maintained in the event of a downstream upset. This \$6.5 million capital cost addition is expected to be offset with cost savings realized from the initial stages of the project and will allow the forecast capital cost to remain within the original \$450 million budget.

The Company continues to expect to be steaming the first SAGD well pairs within the second quarter of calendar 2012. This will place first oil production approximately one year from now, from which a ramp up of six to twelve months will be required to bring the plant to capacity.

Planning and application preparation for Phase 2 of STP-McKay continues to advance, with an application for a 24,000 bbl/d expansion expected to be filed later this fall.

In June 2011, Southern Pacific also commenced steaming wellbores at its STP-Red Earth project in the Peace River oil sands. This pilot project will be tested throughout the remaining summer and fall, after which the test information will be interpreted and go forward plans will be prepared.

## **NEW APPOINTMENTS**

In preparation for increased operations at STP-McKay, Jeff Barefoot has been reassigned from Vice President, Resource Development to Vice President, Business Development. This role will incorporate formalization of enhanced business processes including marketing and transportation, as well as acquisitions, divestitures and other business opportunities.

Southern Pacific is also pleased to announce that Wayne Beatty has been promoted to Vice President, Resource Development to assume Mr. Barefoot's previous role. Mr. Beatty has been with Southern Pacific since November 2009 as Manager, Reservoir Engineering. He has 30 years of highly technical oil and gas experience in Alberta, primarily focused on reservoir and exploitation engineering.

## **About Southern Pacific**

Southern Pacific Resource Corp. is engaged in the exploration, development and production of in-situ thermal heavy oil and bitumen production in the Athabasca oil sands of Alberta and in Senlac, Saskatchewan. Southern Pacific trades on the TSX under the symbol "STP."

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### **Advisory**

*This news release contains certain "forward-looking information" within the meaning of such statements under applicable securities law including estimates as to: future production, operations, operating costs, commodity prices, administrative costs, commodity price risk management activity, acquisitions and dispositions, capital spending, access to credit facilities, income and oil taxes, regulatory changes, and other components of cash flow and earnings anticipated discovery of commercial volumes of bitumen, the timeline for the achievement of anticipated exploration, anticipated results from the current drilling program and, subject to regulatory approval and commercial factors, the commencement or approval of any SAGD project.*

*Forward-looking information is frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate", "may", "will", "potential", "proposed" and other similar words, or statements that certain events or conditions "may" or "will" occur. These statements are only predictions. Forward-looking information is based on the opinions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include, but are not limited to the inherent risks involved in the exploration and development of conventional oil and gas properties and of oil sands properties, difficulties or delays in startup operations, the uncertainties involved in interpreting drilling results and other geological data, fluctuating oil prices, the possibility of unanticipated costs and expenses, uncertainties relating to the availability and costs of financing needed in the future and other factors including unforeseen delays. As an oil sands enterprise in the development stage, with some conventional production Southern Pacific faces risks including those associated with exploration, development, startup, approvals and the continuing ability to access sufficient capital from external sources if required. Actual timelines associated may vary from those anticipated in this news release and such variations may be material. Industry related risks could include, but are not limited to, operational risks in exploration, development and production, delays or changes in plans, risks associated to the uncertainty of reserve estimates, health and safety risks and the uncertainty of estimates and projections of production, costs and expenses.*

*For a description of the risks and uncertainties facing Southern Pacific and its business and affairs, readers should refer to Southern Pacific's most recent Annual Information Form. Southern Pacific undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change, unless required by law.*

*The reader is cautioned not to place undue reliance on this forward-looking information.*

*"Barrels of oil equivalent" (boe) may be 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.*