

## **CEQUENCE ENERGY LTD. ANNOUNCES PRIVATE COMPANY ACQUISITION**

April 21, 2010. CALGARY, ALBERTA. Cequence Energy Ltd. ("Cequence" or the "Company") (TSX:CQE) is pleased to announce that it has entered into an acquisition agreement (the "Agreement") with Peloton Exploration Corp. ("Peloton"), a private company, pursuant to which Cequence will, subject to certain conditions, make an offer to acquire (the "Offer") all of the issued and outstanding common shares of Peloton ("Peloton Shares").

Under the terms of the Agreement, Peloton shareholders will receive 0.205 of a Cequence common share ("Cequence Shares") for each Peloton Share held. The consideration reflects a value of \$0.50 per Peloton common share based on the closing price of Cequence Shares on the TSX on April 20, 2010. The total purchase price is approximately \$36.6 million, including the assumption of \$7.2 million in net debt and estimated transaction costs. Peloton holds approximately 43,100 net acres of undeveloped land internally valued at \$6.5 million.

### **Strategic Benefits of the Transaction**

Peloton contributes a new key land position in the Cardium light oil and Elkton natural gas resource plays in West Central Alberta. Peloton's assets include 58 net sections of undeveloped land throughout West Central and Northwest Alberta including four sections at Garrington with identified resource plays in the Cardium for light oil and the Elkton for liquids rich natural gas. Cequence has identified 14 (11.0 net) horizontal locations targeting the Cardium formation and 5 (4.5 net) horizontal locations targeting the Elkton formation. As a result of the high liquids content of both of these resources, Cequence expects to spend approximately \$6.5 million on these prospects in the second half of 2010. In addition, Peloton has a working interest in 11 net sections of land at Fir, a multi-zone, Deep Basin natural gas play with 14 (4.4 net) locations identified.

Peloton is currently producing 650 boe/d (with an additional 200 boe/d of tested production behind pipe), of which 85 percent is natural gas and 15 percent is oil and natural gas liquids. In the last half of 2009, Peloton successfully drilled two exploration wells at Garrington, one currently on production and one awaiting surface facility modifications, that Cequence believes significantly increases the size of the resource potential at Garrington. This drilling success, combined with Peloton's land base and repeatable nature of the play, provides the potential, in the opinion of Cequence's management, for significant production and reserves growth from both the Cardium and Elkton.

"Over the past few years, Peloton has aggressively pursued high quality, repeatable resource plays that can be exploited through the use of horizontal drilling and multi-stage completion techniques," said Howard Crone, President and CEO of Cequence. "They have established key land positions in the Cardium and Elkton plays in West Central Alberta from which we believe we will be able to expand. These assets complement Cequence's existing asset base and provide us with the opportunity to apply our multi-stage horizontal completion expertise into the emerging Cardium oil and Elkton natural gas resource plays. The transaction is accretive to Cequence on reserves, reserve life index, cash flow and net asset value and with the drilling locations on the Peloton lands that we expect to pursue over the next year, we anticipate that the transaction, on a full cycle basis, will be highly accretive on production metrics as well."

The key attributes of the Peloton assets include:

- Production of 650 boe/d, approximately 15 percent of which is light oil and natural gas liquids;
- Reserves of 4.5 million boe proved plus probable (2.9 million boe proved);
- Long reserve life index of 19 years on a proved plus probable basis (12 years proven);
- Undeveloped land of 43,100 net acres, including key holdings in the Cardium oil and Elkton natural gas play at Garrington;
- 20 net drilling locations, primarily in the Garrington resource play and the Fir (Deep Basin) play;
- Attractive operating costs of \$8.00 / boe (approximately);
- Immediate high impact Cardium oil locations at Garrington which are ready to be drilled post spring break-up; and
- Tax pools estimated at \$59.5 million.

### Transaction Metrics

Estimated purchase price <sup>(1)</sup>	\$30.1 million
Price per flowing boe/d (650 boe/d)	\$46,369
Price per proved boe <sup>(2)</sup>	\$10.39
Price per proved plus probable boe <sup>(2)</sup>	\$6.64
Proven plus probable recycle ratio <sup>(3)</sup>	3.1 times

Notes:

(1) Based on the April 20, 2010 Cequence Share closing price of \$2.44, estimated net debt and transaction costs of Peloton of \$7.2 million and reduced by the value of undeveloped land which has been internally valued at \$6.5 million

(2) Based on Peloton's year-end 2009 independent reserves report.

(3) Based on Peloton's fourth quarter 2009 field netback of \$20.35 per boe.

### Pro Forma Key Operating and Financial Information

Market Capitalization <sup>(1)</sup>	\$126 million
Basic Shares Outstanding	51.6 million
Estimated Net Debt <sup>(2)</sup>	\$22 million
Enterprise Value	\$148 million
Estimated Current Production (boe/d)	3,800 (85% gas)
Proved Plus Probable Reserves (mmboe) <sup>(3)</sup>	17.3
Estimated Reserve Life Index (years) <sup>(4)</sup>	12.5
Undeveloped Land (net acres)	186,000
Hedging <sup>(5)</sup>	1.8 mmcf/d @ \$5.03/mcf

Notes:

(1) The market capitalization is calculated based on the April 20, 2010 Cequence Share closing price of \$2.44 and pro-forma diluted share capital.

(2) Estimated net debt is calculated by adding the estimated net debt for Cequence at March 31, 2010 and the estimated net debt at March 31, 2010 for Peloton including transaction costs. In calculating estimated net debt the Company has made assumptions in respect of: capital expenditures, revenue, royalties, operating costs, transportation and general and administrative expenditures for the three month period ended March 31, 2010 for both Peloton and Cequence. Net debt does not include the long term debt on investments of Cequence.

(3) Proved plus probable reserves was calculated by adding Cequence's year end 2009 independently evaluated reserves and Peloton's year end 2009 independently evaluated reserves.

(4) Based on current production of 3,800 boe/d.

(5) Physical hedges expire December 31, 2010.

## **Transaction Details**

The transaction is expected to be completed by way of a take-over bid and is subject to stock exchange, Cequence shareholder approval and regulatory approval. It is expected that the take-over bid circular will be mailed to Peloton shareholders by early May, 2010 and the Offer will remain open for acceptance by Peloton shareholders for at least 35 days following the mailing of the Offer.

Cequence anticipates that it will issue approximately 12.1 million Cequence Shares to acquire the Peloton Shares, which represents more than 25% of the currently issued and outstanding Cequence Shares. As such, under the rules of the TSX, Cequence will be required to obtain the approval of its shareholders for the issuance of the Cequence Shares pursuant to the Offer. Cequence will seek the approval of its shareholders for the issuance of the Cequence Shares at its annual and special meeting which is scheduled to be held on June 9, 2010.

The Board of Directors of Peloton has unanimously approved the Offer, determined that the Offer is fair to holders of Peloton Shares, is in the best interests of Peloton and the holders of Peloton Shares and unanimously resolved to recommend that holders of Peloton Shares accept the Offer. The management directors and certain shareholders of Peloton holding approximately 89% of the issued and outstanding Peloton Shares (on a fully diluted basis) have entered into lock-up agreements to tender to the Offer.

The Board of Directors of Cequence has unanimously approved the making of the Offer, and unanimously resolved to recommend that holders of Cequence Shares approve the issuance of Cequence Shares pursuant to the Offer. The management and directors of Cequence holding approximately 19% of the issued and outstanding Cequence Shares (on a fully diluted basis) are expected to enter into support agreements pursuant to which they will vote in favour of the issuance of Cequence Shares pursuant to the Offer at the meeting of Cequence shareholders.

Peloton has agreed that it will not solicit or initiate any inquiries or discussions regarding any other business combination or sale of assets. Peloton has also granted Cequence the right to match any superior proposals. The Agreement provides for the payment of a reciprocal non-completion fee under certain circumstances. Cequence has agreed to appoint one person to its board of directors following the successful completion of the Offer, which person shall be mutually acceptable to Cequence and Peloton.

The Offer will be conditional upon, among other conditions, at least 90% of the outstanding Peloton Shares being validly deposited and not withdrawn under the Offer, receipt of the approval of the Cequence shareholders and all necessary regulatory approvals.

## **Financial Advisors**

Cormark Securities Inc. is acting as exclusive financial advisor to Cequence and has provided Cequence's Board of Directors with its verbal opinion that the transaction is fair from a financial point of view to Cequence shareholders. FirstEnergy Capital Corp. is acting as financial advisor to Peloton and has provided Peloton's Board of Directors with its verbal opinion that, subject to review of final documentation, the consideration to be received by the Peloton security holders is fair from a financial point of view.

Cequence is a publicly traded Canadian energy company involved in the acquisition, exploitation, exploration, development and production of natural gas and crude oil in western Canada. Further information about Cequence may be found in its continuous disclosure documents filed with Canadian securities regulators at [www.sedar.com](http://www.sedar.com).

For further information: Howard Crone, President and Chief Executive Officer, (403) 806-4040, hcrone@cequence-energy.com; or David Gillis, Vice President Finance and Chief Financial Officer, (403) 806-4041, dgillis@cequence-energy.com.

### ***Forward Looking Information***

*Certain information included in this press release constitutes forward-looking information under applicable securities legislation. Such forward-looking information is provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that reliance on such information may not be appropriate for other purposes, such as making investment decisions. Forward-looking information typically contains statements with words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", "project" or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking information in this press release may include, but is not limited to, information with respect to: operational decisions and the timing thereof, development and exploration plans and the timing thereof; and future production levels. Forward-looking information is based on a number of factors and assumptions which have been used to develop such information but which may prove to be incorrect. Although the Company believes that the expectations reflected in such forward-looking information is reasonable, undue reliance should not be placed on forward-looking information because the Company can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified in this press release, assumptions have been made regarding and are implicit in, among other things: field production rates and decline rates; the estimate of March 31, 2010 net debt; the ability of the Company to secure adequate product transportation; the ability of the Company to complete the acquisition of Peloton and, once completed, to realize the anticipated benefits of such acquisition; the timely receipt of any required regulatory approvals; the ability of the Company to obtain qualified staff, equipment and services in a timely and cost efficient manner to develop its business; Cequence's ability to operate the properties in a safe, efficient and effective manner; the ability of the Company to obtain financing on acceptable terms; the ability to replace and expand oil and natural gas reserves through acquisition, development of exploration; the timing and costs of pipeline, storage and facility construction and expansion; future oil and natural gas prices; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters; and the ability of the Company to successfully market its oil and natural gas products. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which have been used.*

*Forward-looking information is based on current expectations, estimates and projections that involve a number of risks and uncertainties which could cause actual results to differ materially from those anticipated by the Company and described in the forward-looking information. The material risk factors affecting the Company and its business are contained in the Company's Annual Information Form which is available under the Company's issuer profile on SEDAR at [www.sedar.com](http://www.sedar.com).*

*The forward-looking information contained in this press release is made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, unless required by applicable securities laws. The forward looking information contained in this press release is expressly qualified by this cautionary statement.*

### ***Additional Advisories***

*Boes are presented on the basis of one Boe for six Mcf of natural gas. Disclosure provided herein in respect of Boes 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.*

*The Toronto Stock Exchange has neither approved nor disapproved the contents of this press release*