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**CEQUENCE ENERGY LTD. AND TEMPLE ENERGY INC. ANNOUNCE  
BUSINESS COMBINATION, DEEP BASIN ACQUISITION, EQUITY FINANCINGS  
AND OTHER TRANSACTIONS**

July 28, 2010, CALGARY, ALBERTA, Cequence Energy Ltd. ("Cequence") (TSX:CQE) and privately-held Temple Energy Inc. ("Temple") are pleased to announce they have entered into an arrangement agreement (the "Arrangement Agreement") providing for the combination of their businesses (the "Combination") as well as their directors and management teams to form a resource play focused, intermediate oil and gas exploration and development company.

Cequence is also pleased to announce that it has entered into separate agreements to (i) purchase certain assets in the Deep Basin for \$85 million (the "Deep Basin Acquisition"); (ii) issue up to \$51 million of equity securities (the "Equity Financings"); and (iii) divest of assets in the Sinclair area for \$36.9 million (the "Sinclair Divestiture") (all together with the Arrangement as defined below, the "Transactions"). Pro forma the Transactions, and as described further herein, Cequence expects to have current production of approximately 8,400 boe/d, estimated proved plus probable reserves of 43.1 million boe, net debt of \$76 million, and approximately 122 million basic shares outstanding.

**The Combination**

Under the terms of the Arrangement Agreement and the plan of arrangement (the "Arrangement"), Temple will amalgamate with a wholly-owned subsidiary of Cequence and Temple shareholders will receive 0.355 (the "Exchange Ratio") of a Cequence common share ("Cequence Share") for each Temple common share ("Temple Share"). Based on the five day weighted average trading price of the Cequence Shares on the Toronto Stock Exchange (the "TSX") for the period ending July 27, 2010, the Exchange Ratio implies an aggregate value of approximately \$106 million for all of the issued and outstanding Temple Shares, and a value of \$0.80 per Temple Share.

The management of the combined company will be comprised of existing members of the Cequence and Temple executive teams. Mr. Paul Wanklyn, currently the President and Chief Executive Officer of Temple, will become the President and Chief Executive Officer of Cequence. Mr. Howard Crone, currently President and Chief Executive Officer of Cequence, will assume the position of Executive Vice President and Chief Operating Officer. Mr. Donald Archibald, currently Chairman of Cequence, will continue in that role. The Board of Directors of Cequence following the Combination will, after receipt of Cequence shareholder approval, consist of five members from each of Cequence and Temple: Donald Archibald, Peter Bannister, Paul Colborne, Robert Cook, Howard Crone, Andrew Evans, Brian Felesky, James Gray, Francesco Mele and Paul Wanklyn.

Completion of the Combination is subject to the satisfaction of a number of conditions, including the approval of shareholders of each of Cequence and Temple. The Arrangement will need to be approved by 66⅔% of the Temple shareholders at a special meeting expected to be held in September 2010 (the "Temple Meeting"). The issuance of Cequence Shares to Temple shareholders pursuant to the Arrangement and the re-constitution of the Cequence Board of Directors, among other things, will need to be approved by a simple majority of the Cequence shareholders at a special meeting (the "Cequence Meeting") to be held concurrently with the Temple Meeting. For more information regarding the Combination, see "Additional Combination Details" below.

## **\$85 Million Deep Basin Acquisition**

Cequence has concurrently entered into a purchase and sale agreement with a large publicly traded oil and gas company pursuant to which Cequence has agreed to acquire oil and natural gas properties in the Simonette and Kaybob areas of Alberta with production of approximately 2,100 boe/d, 11.2 million boe of proved plus probable reserves based on an independent engineering report effective July 1, 2010, and 48,000 net acres of undeveloped land for \$85 million in cash, subject to post-closing adjustments. The properties acquired in the Deep Basin Acquisition are complementary to Temple's properties and will consolidate the holdings of the combined company in its key core area, expand the large inventory of resource based opportunities and provide exploration opportunities in the Gething, Wilrich and Montney formations. In addition, the Deep Basin Acquisition is expected to provide operating and financial synergies to the combined company. The Deep Basin Acquisition is subject to customary terms, conditions and approvals, and is expected to close in early September 2010.

## **\$51 Million in Equity Financings**

Cequence has concurrently entered into an agreement with a syndicate of underwriters co-led by FirstEnergy Capital Corp. and Peters & Co. Limited, and including Cormark Securities Inc., Macquarie Capital Markets Canada Ltd., Mackie Research Capital Corporation and National Bank Financial Inc., pursuant to which Cequence will issue an aggregate of 16,667,000 subscription receipts ("Subscription Receipts") at a price of \$2.10 per Subscription Receipt, by way of a 'bought deal' short form prospectus offering for gross proceeds of \$35 million. In addition, Cequence has granted the underwriters a 15% over-allotment option to purchase additional Subscription Receipts for additional gross proceeds of up to \$5.3 million if the over-allotment option is exercised in full (collectively, the "Prospectus Financing").

Cequence and the same syndicate, as agents, have also entered into an agreement pursuant to which Cequence will offer, on a private placement basis (the "Private Placement Financings"), up to:

- \$6.2 million in Cequence Shares to certain major shareholders, directors and officers of Cequence at a price of \$2.10 per Cequence Share;
- \$8 million of Cequence Shares to be issued on a "CEE flow-through" basis pursuant to the *Income Tax Act* (Canada) (the "CEE Flow-Through Shares") at a price of \$2.50 per CEE Flow-Through Share; and
- \$2 million of Cequence Shares to be issued on a "CDE flow through basis" pursuant to the *Income Tax Act* (Canada) (the "CDE Flow-Through Shares") at a price of \$2.30 per CDE Flow-Through Share.

If the Private Placement Financings are fully subscribed, and the over-allotment option on the Prospectus Financing is exercised in full, the gross proceeds from the Equity Financings will be \$56.5 million.

## **Other Transactions**

Cequence has closed an agreement with the Canadian subsidiary of another large publicly traded oil and gas company (the "Purchaser") to divest Cequence's entire interest in the Sinclair area of Alberta for \$36.9 million in cash. Currently there is no production from the Sinclair assets. Cequence's assets at Sinclair include 8,960 gross and net acres of land, and 1.5 million boe and 3.6 million boe of proven and proved plus probable reserves, respectively, based upon Cequence's December 31, 2009 year end independent reserves report.

Cequence has initiated a process to begin selling the long term floating rate notes which Cequence holds as a result of a previously announced restructuring of asset backed commercial paper inherited with the recapitalization of Sabretooth Energy Ltd. (the "MAV II Notes"). Market conditions permitting, Cequence expects that the sale of the MAV II Notes will conclude prior to the completion of the Combination.

## Highlights of the Pro Forma Combined Company

In commenting on the benefits of the proposed transactions Mr. Howard Crone, President & Chief Executive Officer of Cequence stated: "Cequence is very pleased to announce these transactions, which simultaneously accomplish several steps in building value for Cequence shareholders. We remain a high growth, gas-weighted producer with even greater exposure to emerging resource plays, and also the size and critical mass with which to explore and develop them. We believe that the prospects in front of us will position Cequence for significant ongoing growth for years to come, and look forward to having the Temple team join us in delivering that growth."

Paul Wanklyn, President & Chief Executive Officer of Temple noted: "This merger, in concert with the accompanying transactions, is very exciting for both Cequence and Temple and our shareholders. Temple has established key land positions in emerging resource plays in the Simonette and Bonanza areas, which complement Cequence's successes in the Peace River Arch and Garrington areas. This business combination will create a company with the technical expertise and financial strength to compete in the resource based play types in our joint inventory, focusing on multi-zone horizontal and vertical potential in liquids rich natural gas formations in the Deep Basin."

The key attributes of the combined company pro forma the Transactions are as follows;

- Significant production of approximately 8,400 boe/d, approximately 10% percent of which is light oil and natural gas liquids;
- Proved plus probable reserves of approximately 43.1 million boe<sup>1</sup> estimated as of July 1, 2010 (updated from 37.5 million boe<sup>2</sup>) and 23.9 million boe<sup>1</sup> on a proved basis estimated as of July 1, 2010 (updated from 22.0 million boe<sup>2</sup>);
- Large inventory of drilling locations in key resource plays, including high impact Wilrich, Gething and Montney liquids rich natural gas locations at Simonette and Cardium light oil locations at Garrington;
- Long reserve life index of 14.1 years<sup>1</sup> on a proved plus probable basis (7.8 years<sup>1</sup> on a proved basis);
- Extensive landholdings with total land of 465,000 net acres, including undeveloped land of 316,000 net acres;
- Attractive aggregate operating costs of approximately \$11 / boe;
- Pro forma indebtedness of approximately \$76 million<sup>3</sup>, providing financial flexibility for ongoing capital expenditures;
- Market capitalization of approximately \$275 million<sup>4</sup> (approximately 122 million basic shares outstanding) and an enterprise value of approximately \$351 million; and
- Tax pools estimated at \$425 million.

1) In order to provide more current figures than those contained in Temple's December 31, 2009 reserves report as prepared by GLJ Petroleum Consultants Ltd. ("GLJ"), GLJ prepared a "mechanical update" to Temple's December 31, 2009 year-end reserves report using GLJ's January 1, 2010 pricing assumptions and "looked ahead" to July 1, 2010 utilizing GLJ's July 1, 2010 pricing assumptions. In the Temple mechanical update, GLJ also incorporated Temple's first quarter 2010 drilling results effective March 31, 2010 using GLJ's April 1, 2010 pricing assumptions "looked ahead" to July 1, 2010 utilizing GLJ July 1, 2010 pricing assumptions. In order to provide more current figures than those contained in Cequence's December 31, 2009 reserves report as prepared by GLJ, GLJ prepared a "mechanical update" to Cequence's December 31, 2009 year-end reserves report

using GLJ's January 1, 2010 pricing assumptions and "looked ahead" to July 1, 2010 utilizing GLJ July 1, 2010 pricing assumptions. In the Cequence mechanical update, GLJ also incorporated Cequence's first quarter 2010 drilling results effective March 31, 2010 using GLJ's April 1, 2010 pricing assumptions "looked ahead" to July 1, 2010 utilizing GLJ's July 1, 2010 pricing assumptions. In order to provide more current figures than those contained in Peloton's December 31, 2009 reserves report as prepared by GLJ, GLJ prepared a "mechanical update" to Peloton's December 31, 2009 year-end reserves report using GLJ's January 1, 2010 pricing assumptions "looked ahead" to July 1, 2010 utilizing GLJ's July 1, 2010 pricing assumptions. This estimate also includes reserves to be acquired pursuant to the Deep Basin Acquisition as per AJM Petroleum Consultants reserves report, as of July 1, 2010.

- (2) Based on Cequence (including Peloton Exploration Corp., which was acquired in June 2010) and Temple NI 51-101 reserves reports each as per GLJ, as of December 31, 2009 and reserves acquired pursuant to the Deep Basin Acquisition as per a reserves report prepared by AJM Petroleum Consultants, as of July 1, 2010.
- (3) Based on the estimated net debt for Cequence (including Peloton) and Temple as at June 30, 2010, net of estimated transaction costs, assuming full subscription of the Private Placement Financings, and no exercise of the over-allotment option on the Prospectus Financing. In calculating the estimated net debt of Cequence and Temple, assumptions have been made in respect of: capital expenditures, revenue, royalties, operating costs, transportation charges and G&A expenditures for the three month period ended June 30, 2010.
- (4) Based on Cequence's closing trading price on July 27, 2010, giving effect to the Arrangement, assuming full subscription of the Private Placement Financings, and no exercise of the over-allotment option on the Prospectus Financing.

The combined company will have three main core areas, highlights of which are as follows:

*Deep Basin (Simonette), Alberta*

- Emerging multi-zone resource, liquids rich prospects with over 260 net sections of land;
- Current production of approximately 4,000 boe/d; and
- Preparing to drill a horizontal Wilrich well on 100% lands in early August 2010.

*Greater Peace River Arch / British Columbia*

- Expansion of Montney resource play at Mica and Red Creek with activity commencing Q4 2010;
- Farm-in agreement on 43 sections of land at Bonanza with multi-zone potential, excellent infrastructure, and year round access targeting the Cretaceous formations; and
- Current production of approximately 4,100 boe/d, and over 450 net sections of land.

*Garrington, Alberta*

- Drilling to commence August 2010 with horizontal locations targeting Cardium oil and Elkton liquids rich natural gas formations; and
- Planned use of multi-stage completion horizontal techniques to expand resource potential.

**Additional Combination Details**

The Arrangement will be effected pursuant to the provisions of the *Business Corporations Act* (Alberta). The completion of the Combination is subject to the satisfaction of a number of conditions, including the receipt of requisite shareholder, court and regulatory approvals.

Under the terms of the Arrangement Agreement, each of Temple and Cequence has agreed that it will not solicit or initiate any inquiries or discussions regarding any other business combination or sale of assets. Each of Temple and Cequence has granted the other the right to match any superior proposals. The Arrangement Agreement also provides for the payment of a reciprocal non-completion fee of \$5 million under certain circumstances. Complete details of the terms of the Combination are set out in the Arrangement Agreement and plan of arrangement, which will be filed by Cequence on SEDAR and will be available for viewing under Cequence's profile on [www.sedar.com](http://www.sedar.com).

The Board of Directors of Temple has unanimously approved the Arrangement Agreement, determined that the consideration to be received by Temple shareholders pursuant to the Arrangement is fair to holders of Temple

Shares, is in the best interests of Temple and the holders of Temple Shares and unanimously resolved to recommend that holders of Temple Shares vote in favour of the Arrangement. Management, directors and certain shareholders of Temple holding approximately 51.4% of the issued and outstanding Temple Shares have entered into support agreements to vote their Temple Shares in favour of the Arrangement at the Temple Meeting.

Cequence anticipates that it will issue approximately 46.7 million Cequence Shares to acquire all the issued and outstanding Temple Shares under the Arrangement, which represents more than 25% of the currently issued and outstanding Cequence Shares. As such, under the rules of the Toronto Stock Exchange, Cequence will be required to obtain the approval of a simple majority of its shareholders for the issuance of Cequence Shares pursuant to the Arrangement. The Board of Directors of Cequence has approved the Arrangement Agreement, and resolved to recommend that holders of Cequence Shares approve the issuance of Cequence Shares pursuant to the Arrangement. Management, directors and certain shareholders of Cequence holding approximately 34.8% of the issued and outstanding Cequence Shares have entered into support agreements pursuant to which they have agreed to vote in favour of the issuance of Cequence Shares pursuant to the Combination and election of the reconstituted board of directors at the Cequence Meeting.

The mailing of a joint information circular to the respective shareholders of Cequence and Temple regarding the meetings is expected to occur in mid-August 2010, with the respective shareholder meetings and closing of the Arrangement expected to be held in September 2010, provided that all shareholder, court and regulatory approvals are obtained.

FirstEnergy Capital Corp. is acting as exclusive financial advisor to Cequence in connection with the Arrangement and has provided Cequence's Board of Directors with its verbal opinion that, as of the date of such opinion, the Exchange Ratio pursuant to the Arrangement is fair, from a financial point of view, to the Cequence shareholders. Cormark Securities Inc. acted as strategic advisor to Cequence in connection with the Arrangement. Peters & Co. Limited is acting as exclusive financial advisor to Temple in connection with the Arrangement and has provided Temple's Board of Directors with its verbal opinion that, as of the date of such opinion, the consideration to be received by the Temple shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Temple Shareholders.

### **Additional Equity Financing Details**

Upon the closing of the Prospectus Financing, the gross proceeds from the sale of the Subscription Receipts will be deposited in escrow with a Canadian trust company and will be released to Cequence upon delivery to the escrow agent of a notice from Cequence confirming that all of the conditions to the completion of the Deep Basin Acquisition have been satisfied and the parties to the agreement in respect of the Deep Basin Acquisition are able to complete the Deep Basin Acquisition in all material respects in accordance with the terms of such agreement as previously publicly disclosed without material amendment or waiver adverse to Cequence, but for the payment of the purchase price to be satisfied in part by the release of the gross proceeds from the Prospectus Financing from escrow (the "Escrow Release Conditions"). In the event that the Escrow Release Conditions are not satisfied at or before 4:00 p.m. (Calgary time) on September 30, 2010 (the "Deadline"), the agreement providing for the Deep Basin Acquisition is terminated at any earlier time or Cequence announces to the public that it does not intend to proceed with the Deep Basin Acquisition at any earlier time, the escrow agent will return to the holders of Subscription Receipts an amount equal to the issue price thereof and their pro rata entitlement to interest earned on such amount. Closing of the Prospectus Financing is anticipated to occur on or before August 19, 2010, and is subject to the receipt of applicable regulatory approvals, including approval of the TSX. Each Subscription Receipt will entitle the holder thereof to receive, without payment of additional consideration or further action, one Cequence Share upon the satisfaction of the Escrow Release Conditions.

As may be required by the rules of the TSX, the Private Placement Financings are expected to be subject to the approval of the shareholders of Cequence excluding the votes of any insiders of Cequence participating in such

private placement. Closing of the Private Placement Financings is anticipated to occur on or before the effective date of the Combination and is subject to the receipt of applicable regulatory approvals, including approval of the TSX.

The purchasers of CEE Flow-Through Shares will be entitled to renunciations of Canadian exploration expenses in an amount equal to the subscription amount from Cequence while purchasers of CDE Flow-Through Shares will be entitled to renunciations of Canadian development expenses in an amount equal to the subscription amount from Cequence. Net proceeds from the private placement of Cequence Shares to certain major shareholders, directors and officers of Cequence will be used for general corporate purposes.

### **Further Information**

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](mailto:hcrone@cequence-energy.com); or Paul Wanklyn, President and Chief Executive Officer, (403) 218-8850 or [pwanklyn@temple-energy.com](mailto:pwanklyn@temple-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; future production level; timing for completion of the Arrangement, the Sinclair Divestiture, the Prospectus Financing, the sale of the MAV II Notes, the Deep Basin Acquisition, the Private Placement Financings, and, the anticipated benefits resulting from the transactions described in this press release. 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 Cequence believes that the expectations reflected in such forward-looking information is reasonable, undue reliance should not be placed on forward-looking information because Cequence 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 ability of Cequence to secure adequate product transportation; the ability of Cequence to complete the combination with Temple and the other transactions described in this press release and, once completed, to realize the anticipated benefits of such business combination and other transactions; the timely receipt of any required regulatory approvals (including Court and shareholder approvals); the ability of Cequence 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 Cequence 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 Cequence 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 Cequence and described in the forward-looking information. The material risk factors affecting Cequence and its business are contained in Cequence's Annual Information Form which is available under Cequence'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 Cequence 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.*

*The MAV II Notes currently trade with some regularity on the over the counter market and market liquidity is not certain. Valuations vary based on a number of factors including interest rates, credit premiums, macro economic factors and the current values of the underlying assets. Cequence has recorded the MAV II Notes on its balance sheets at its best estimate of fair value.*

***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.*

*This press release shall not constitute an offer to sell or the solicitation of an offer to buy securities in the United States, nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. The Subscription Receipts and Cequence Shares to be offered have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended and may not be offered or sold in the United States or to a U.S. person absent registration or an applicable exemption from the registration requirements.*