CEQUENCE ENERGY LTD. ANNOUNCES FIRST QUARTER RESULTS

CALGARY, ALBERTA, May 10, 2012 – Cequence Energy Ltd. ("Cequence" or the "Company") (TSX: CQE) is pleased to announce its operating and financial results for the first quarter ended March 31, 2012. Selected financial and operational information is outlined below and should be read in conjunction with the interim unaudited consolidated financial statements and the related management's discussion and analysis ("MD&A") which have been filed on Sedar at www.sedar.com.

Financial and Operating Highlights

(000's except per share and per unit amounts)	Three months ended March 31		
	2012	**2011**	**% Change**
Financial ($)			
Production revenue (1)	**$ 19,864**	$ 24,032	**(17)**
Comprehensive loss	**(7,936)**	(1,975)	**302**
Per share, basic and diluted	**(0.05)**	(0.02)	**150**
Funds flow from operations (2)	**6,755**	9,780	**(31)**
Per share, basic and diluted	**0.04**	0.07	**(43)**
Production volumes			
Natural gas (Mcf/d)	**49,924**	42,514	**17**
Crude oil (bbls/d)	**684**	686	**-**
Natural gas liquids (bbls/d)	**459**	413	**11**
Total (boe/d)	**9,464**	8,185	**16**
Sales prices			
Natural gas, including realized hedges ($/Mcf)	**$ 2.44**	$ 4.21	**(42)**
Crude oil ($/bbl)	**89.58**	88.38	**1**
Natural gas liquids ($/bbl)	**76.63**	66.12	**16**
Total ($/boe)	**$ 23.07**	$ 32.62	**(29)**
Operating Netbacks ($/boe)			
Price	**$ 23.07**	$ 32.62	**(29)**
Royalties	**(2.53)**	(4.40)	**(43)**
Transportation	**(2.08)**	(2.48)	**(16)**
Operating costs	**(7.97)**	(9.15)	**(13)**
Operating netback	**$ 10.49**	$ 16.59	**(37)**
Capital Expenditures ($)			
Capital expenditures	**$ 40,934**	$ 45,574	**(10)**
Property acquisitions (net)	**(10,942)**	(21,644)	**(49)**
Total capital expenditures	**$ 29,992**	$ 23,930	**25**
Net debt and working capital (deficiency) ($) (3)	**(75,132)**	(44,059)	**71**
Weighted average shares outstanding (basic and diluted)	**161,856**	131,161	**23**
Undeveloped land (net acres)	**238,600**	266,000	**(10)**

(1) Production revenue is presented gross of royalties and includes realized gains on commodity contracts.
(2) Funds flow from operations is calculated as cash flow from operating activities before adjustments for decommissioning liabilities expenditures and net changes in non-cash working capital.
(3) Net debt and working capital (deficiency) is calculated as cash and net working capital less commodity contract asset and demand credit facilities and excluding other liabilities.

HIGHLIGHTS

The first quarter of 2012 was highlighted by the following:

- Drilled 5 gross (3.0 net) horizontal wells and completed 6 gross (4.0 net) horizontal wells in the Montney at Simonette, the results of which further support or exceed Cequence's Montney working model at Simonette (see table below);
- Increased average production to 9,464 boe/d for the quarter (49.9 MMcf/d of natural gas plus 1,143 bbls/d of oil and NGLs), a 16 percent increase over the first quarter of 2011 and a 7 percent increase over the fourth quarter of 2011;
- Shut in production in the first and second quarters of 2012 totalling 1,400 boe/d, including shut ins of 600 boe/d due to economic reasons and 800 boe/d of behind pipe production due to capacity constraints. The Company's current production capability is 10,700 boe/d;
- Disposed of primarily undeveloped land in the Deep Basin and Northwest Alberta for $17.7 million;
- Continued the improvement in operating costs per boe to $7.97, a reduction of 13 percent from the first quarter of 2011;
- Realized transportation expense per boe of $2.08, an improvement of 16 percent from the first quarter of 2011; and
- Reduced general and administrative expenses by 15 percent to $2.06 per boe from $2.43 per boe in the first quarter of 2011.

OPERATIONS REVIEW

Capital expenditures in the first quarter of 2012 were approximately $30 million (net), consisting primarily of: drilling and completion expenditures related to the Company's winter drilling program of $25.7 million; equipment and facilities expenditures related mainly to tie-ins, field gathering, and expansion and construction related to the Aux Sable project at Simonette of $12.7 million; and net dispositions in the Deep Basin and Northwest Alberta of $10.9 million.

Drilling and Completions

Drilling activity in the first quarter of 2012 was focused on the continued delineation of the Montney at Simonette with 5 gross (3.0 net) horizontal wells drilled and 6 gross (4.0 net) horizontal wells completed in the Montney. With the completion of the recent winter drilling program, Cequence has drilled a total of 8 Montney gas/condensate wells with the following results:

Well	Lateral Length (m)	Number of Frac Stages	Test Rate up Casing (MMcf/d) (1)	IP 30 Rate (MMcf/d)	IP 90 Rate (MMcf/d)	Cumulative Gas Produced (MMcf)	Current Gas Rate (MMcf/d)	Current Free Condensate Rate (bbls/d)
1-31-61-26W5 (2)	1,642	16	14.7	6.0	6.0	1,431	1.8	24
2-22-61-27W5	1,315	15	6.4	3.1	2.2	563	0.7	25
4-04-62-26W5	1,888	16	5.9	4.0	2.8	366	1.8	59
5-35-61-26W5 (3)	1,922	22	11.0	3.0	N/A	101	-	-
1-11-61-27W5	1,829	16	8.9	4.9	N/A	205	2.6	30
10-09-62-26W5	1,900	16	3.2	1.4	N/A	62	0.7	63
9-25-61-27W5 (4)	2,366	24	14.0	9.0	N/A	337	8.0	154
13-22-61-26W5	1,828	18	12.0	7.3	N/A	267	6.4	125
Average	1,836	18	9.5	4.8	3.7	N/A	3.1	69

(1) Represents test rates up casing, which are not necessarily indicative of long-term well performance or recovery.
(2) Well produced at a restricted rate for first 43 days on production.
(3) Well produced at a restricted rate for first 35 days on production and was subsequently shut in due to processing capacity constraints at Simonette.
(4) Well producing at a restricted rate due to processing capacity constraints at Simonette.

The Company believes the success of its Montney horizontal drilling program, in addition to existing vertical well control in the area, serves to de-risk approximately 36 net sections of land at Simonette for Montney liquids-rich gas development. This success further solidifies Cequence's view that the Montney, coupled with numerous shallower horizons, makes the Simonette/Resthaven area one of the most prolific resource plays in the Deep Basin. Cequence is excited about the low cost, repeatable nature of the resource play at Simonette and looks forward to capturing the full potential of its land base at Simonette as natural gas prices recover.

Production

Production for the first quarter of 2012 averaged 9,464 boe/d, representing an increase of 16 percent from the first quarter of 2011, and an increase of 7 percent from the fourth quarter of 2011. Production growth compared to the fourth quarter of 2011 resulted from the success of the Company's winter drilling program and facility expansions completed in 2011, offset by shut ins discussed below.

In response to low natural gas prices, Cequence shut in approximately 3.6 MMcf/d (600 boe/d) of high cost natural gas production during the first and second quarters of 2012 and also shut in 4.8 MMcf/d (800 boe/d) of natural gas production due to capacity constraints, which are expected to be resolved over the next six months as winter access allows for the installation of additional compression at Simonette. The above has resulted in total shut in volumes of 8.4 MMcf/d (1,400 boe/d). These production curtailments had a minimal impact on cash flows during the first quarter of 2012.

Cequence will continue to monitor changes to natural gas prices and will adjust shut in volumes in light of the prevailing natural gas price environment. Production for the second quarter of 2012 is expected to average 8,900 boe/d, after taking into account the shut ins discussed above and further taking into account anticipated plant turnarounds at Kaybob and Simonette that are expected to reduce second quarter 2012 average production by an additional estimated 450 boe/d.

Gathering and Facilities

Gathering and facilities spending in the first quarter of 2012 focused on the tie-in of new wells drilled, completion of the Company's previously disclosed field gathering and expansion project at Simonette and pre-payment for the construction of the meter station to tie in to the Alliance pipeline at Simonette related to the Aux Sable arrangement.

Alliance Pipeline Limited Partnership received National Energy Board approval for the construction of a 120 MMcf/d meter station to tie in to the Alliance pipeline at Simonette in April, 2012 and construction is currently underway. As such, commencement of the Aux Sable arrangement has been delayed and start up is now expected for June, 2012.

Other Capital

In the first quarter of 2012, Cequence added to its land base in the Deep Basin with an additional 16 net sections of land for a total cost of $6.7 million.

The Company has continued to rationalize its asset base by disposing of non-core assets and redeploying the capital to lower cost assets in the Deep Basin. In the first quarter of 2012, Cequence closed the dispositions of properties primarily including undeveloped land in the Deep Basin and Northwest Alberta for proceeds of $17.7 million. Subsequent to quarter end, Cequence completed the disposition of non-core properties in April, 2012 for proceeds of $3.0 million.

FINANCIAL

Cequence achieved another successful quarter in terms of improving the Company's cost structure on a per boe basis with reductions in royalty expense, operating costs, transportation expense and general and administrative expense of 43 percent, 13 percent, 16 percent and 15 percent, respectively, as compared to the first quarter of 2011. The reduction to costs discussed above is a product of the improved quality of the Company's asset base resulting from the disposition of high cost, non-core properties and drilling in the low cost area of Simonette in 2011 and 2012. Cequence expects a continued improvement to operating costs with the expected commencement of the Aux Sable arrangement in June, 2012.

Funds flow from operations decreased to $6.8 million or $0.04 per share from $9.8 million or $0.07 per share in the first quarter of 2011 due to a 29 percent decrease to realized sales prices. The Company recorded a comprehensive loss of $7.9 million compared to a comprehensive loss of $2.0 million in the first quarter of 2011.

Net debt and working capital deficiency at the end of the first quarter totalled $75.1 million.

The Company renewed its credit facilities on May 10, 2012 resulting in total lines of $100 million.

In response to the current low gas price environment, Cequence has taken steps to prudently manage its assets and preserve its balance sheet. Capital expenditures for the first quarter of 2012 were limited to capital projects critical to land retention, delineation of the Company's extensive Montney resource base at Simonette, and to capturing value through the Aux Sable arrangement.

The Company considers a substantial portion of its remaining 2012 budget to be discretionary and Cequence will determine whether revisions to its capital program are required based on the gas price environment in the third quarter of 2012. The Company will continue to focus on the strength of its balance sheet through the 2012 fiscal year.

PRESIDENT'S MESSAGE

Natural gas prices have declined to decade lows over the past several months resulting from an over-supplied North American gas market, exacerbated by a record warm winter. We believe that a re-balancing is starting to occur and expect that gas prices will strengthen in 2013 to a level where the Company's resource plays become attractive to develop.

Our efforts in 2012 are focused on prudently evaluating our extensive resource base while maintaining balance sheet flexibility. We have taken a number of steps to respond to the current natural gas price environment and to position the Company to react quickly as business conditions improve, with the balance of our capital spending forecast for 2012 remaining highly flexible.

We have significantly improved the Company's cost structure over the past 18 months and further improvements are expected in 2012. We have de-risked a significant portion of our Montney land base at Simonette and now control a repeatable, low-cost resource base which will be used as a platform to generate value as gas prices improve.

The table presented above illustrates that the Montney well results support our original model for deliverability and expected reserves. Producing free condensate rates are still variable throughout our initial 36 section area and range from 12 to 90 bbls per MMcf.

We have now hedged approximately 15 percent of our expected gas volumes through the fall of 2012 at an average price of $2.20 per gj which will provide some cushion to an expected poor summer for natural gas prices.

I look forward to the period when shareholders will realize the benefits of Cequence's efforts in building a high quality resource base and would like to extend my thanks to the Cequence staff, management and board of directors for their efforts during this challenging period.

The Company's financial statements and MD&A for the three months ended March 31, 2012 are available on SEDAR at www.sedar.com.

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Forward looking Statements or Information

Certain statements contained within this press release constitute forward-looking statements. These statements relate to future events or the Company's future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", and similar expressions. Forward-looking statements in this press release include, but are not limited to, statements with respect to: projections with respect to growth of natural gas production; the projected impact of land access and regulatory issues; projections relating to the volatility of crude oil and natural gas prices in 2012 and beyond and reasons therefore; the Company's projected capital investment levels for 2012 and the source of funding therefore; the effect of the Company's risk management program, including the impact of derivative financial instruments; the Company's defence of lawsuits; the impact of the climate change initiatives on operating costs; the impact of Western Canada pipeline constraints. Readers are cautioned not to place undue reliance on forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur.

By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur, which may cause the Company's actual performance and financial results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements. These assumptions, risks and uncertainties include, among other things: volatility of and assumptions regarding oil and natural gas prices; assumptions based upon Cequence's current guidance; fluctuations in currency and interest rates; product supply and demand; market competition; risks inherent in the Company's marketing operations, including credit risks; imprecision of reserves estimates and estimates of recoverable quantities of oil, natural gas and liquids from resource plays and other sources not currently classified as proved; the Company's ability to replace and expand oil and gas reserves; the Company's ability to generate sufficient cash flow from operations to meet its current and future obligations; the Company's ability to access external sources of debt and equity capital; the timing and cost of well and pipeline constructions; the Company's ability to secure adequate product transportation; changes in royalty, tax, environmental and other laws or regulations or the interpretations of such laws or regulations; risks associated with existing and potential future lawsuits and regulatory actions made against the Company; and other risks and uncertainties described from time to time in the reports and filings made with securities regulatory authorities by Cequence. Statements relating to "reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the resources and reserves described can be profitably produced in the future.

The forward looking statements contained herein concerning production, sales prices, and capital spending are based on Cequence's 2012 capital program. The material assumptions supporting the 2012 capital program are: i) 2012 annual production of approximately 9,800 boe/d; ii) a $2.50 Cdn$/gj AECO gas price; iii) capital spending of approximately $92,000.

Financial outlook information contained in this press release about prospective results of operations, financial position or cash flows is based on assumptions about future events, including economic conditions and proposed courses of action, based on management's assessment of the relevant information currently available. The purpose of such financial outlook is to enrich this press release. Readers are cautioned that such financial outlook information contained in this press release should not be used for purposes other than for which it is disclosed herein.

Forward-looking statements or information are 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 statements or information. These risks and uncertainties may cause actual results to differ materially from the forward-looking statements or information. The material risk factors affecting the Company and its business are contained in the Company's Annual Information Form which is available on SEDAR at www.sedar.com.

Although Cequence believes that the expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Readers are cautioned that the foregoing list of important factors is not exhaustive. Furthermore, the forward-looking statements contained in this press release are made as of the date of this press release and, except as required by law, Cequence 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. The forward-looking statements contained in this press release are expressly qualified by this cautionary statement.

Additional Advisories

This press release contains references to terms commonly used in the oil and gas industry. Netback is not defined by IFRS in Canada and is referred to as a non-GAAP measure. Netbacks equal total revenue less royalties, operating costs and transportation costs. Management utilizes this measure to analyze operating performance.

Funds flow from operations is a non-GAAP term that represents cash flow from operating activities before adjustments for decommissioning liabilities expenditures and changes in non-cash working capital. The Company evaluates its performance based on earnings and funds flow from operations. The Company considers funds flow from operations to be a key measure as it demonstrates the Company's ability to generate the cash flow necessary to fund future growth through capital investment and to repay debt. The Company's calculation of funds flow from operations may not be comparable to that reported by other companies. Funds flow from operations per share is calculated using the same weighted average number of shares outstanding used in the calculation of income (loss) per share.

Non-GAAP measures do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers.

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.

For the first quarter of 2012, the ratio between the average price of West Texas Intermediate ("WTI") crude oil at Cushing and NYMEX natural gas was approximately 41:1 ("Value Ratio"). The Value Ratio is obtained using the first quarter 2012 WTI average price of $102.99 (US$/Bbl) for crude oil and the NYMEX average price of $2.50 (US$/Mcf) for natural gas. This Value Ratio is significantly different from the energy equivalency ratio of 6:1 and using a 6:1 ratio would be misleading as an indication of value.

The TSX has neither approved nor disapproved the contents of this news release.