



## PRESS RELEASE

### WESTFIRE ANNOUNCES REDWATER VIKING ASSET ACQUISITION AND 2012 OPERATING PLAN

CALGARY, Alberta, (December 12, 2011) WestFire Energy Ltd. ("WestFire" or the "Company") (TSX:WFE) is pleased to announce that it has completed an asset acquisition in its core Viking area at Redwater, Alberta. The Board of Directors has also approved an operating plan focused on the development of its considerable Viking light oil resources in 2012.

#### **Redwater Viking Acquisition**

As previously reported, the Viking development at Redwater has exceeded Company expectations. Predicated on its success and confidence in the area, WestFire has completed an acquisition of additional Viking assets in this area for \$40.3 million, subject to customary post-closing adjustments. The purchase price was funded by the Company's credit facilities.

The assets are comprised of production, 10 sections of prospective undeveloped land in the Viking and complementary infrastructure and facilities. The production averaged 600 barrels of oil equivalent per day ("boepd") production (36 percent oil) between the effective and closing dates. The purchase adds 1.8 million barrels of oil equivalent ("Mmboe") of proved plus probable reserves as determined by independent reserves evaluators. WestFire has identified over 110 (104 net) potential Viking horizontal oil drilling locations, of which 100 net locations are not currently reflected in the reserves evaluation. WestFire believes that these additional drilling locations represent upside potential of 6.5 Mmboe of reserves to the Company which can be developed at an estimated cost of \$115 million. The projected finding, development and acquisition costs of \$18.71 per boe translates into a recycle ratio of 4.0 based on WestFire's current Viking operating netback of approximately \$75.00 per boe.

WestFire now holds 52.3 (49.1 net) sections of undeveloped land on the Redwater Viking play with 26.3 (23.8 net) sections in the higher reservoir quality trend. This high quality acreage holds the potential for 347 (310 net) Viking horizontal drilling locations. This position ranks the Company as one of the leaders on the Redwater Viking play and represents multiple years of drilling inventory.

#### **Plato Viking Update**

WestFire is encouraged by recent well results in the Plato area of west central Saskatchewan. Prior to 2011, the Company had drilled 10 (10.0 net) Viking horizontal oil wells with modest production results. This early drilling did, however, contribute valuable data about reservoir quality and completion techniques which are now being applied to drilling in the area.

During the third quarter, WestFire drilled four horizontal oil wells at Plato. Two of these wells, on trend and three miles apart, have shown considerably better results than the industry average in this area. The first well commenced production in late September and flowed at a restricted rate until early November when pumping equipment was installed. Over the past month, the well has averaged 75 bopd at controlled pumping rates and has produced in excess of 4,500 barrels of oil since September. The second well has pumped at a controlled rate of 60 bopd over the past month, after flowing initially. The cumulative production from this well is in excess of 2,500 barrels of oil to-date.

During 2011, the Company also embarked on a 10 well Viking vertical core hole program to better define reservoir quality and thickness at Plato. Eight core holes drilled to date confirmed the presence of hydrocarbons and show consistently high reservoir quality over the area studied.

WestFire currently holds 45.6 (45.1 net) sections of land in this area, representing 264 (260 net) potential Viking horizontal drilling locations. This position makes WestFire one of the largest stakeholders in the Plato area.

## **2012 Operating Plan**

The Board of Directors has approved a capital expenditure budget for 2012 of \$155 million focused on the development of the Company's considerable Viking resources. Approximately 85 percent of this budget is directed to drilling at Redwater and Provost, Alberta and to Plato, Saskatchewan where 110 (105 net) wells in aggregate are planned during the year. The remainder of the budget will be spent on land, seismic and maintenance capital on existing properties.

The budget is expected to generate average production of 9,750 boepd, which represents a per share production growth of approximately 30 percent over 2011. WestFire's 2012 production mix is targeted to be 71 percent crude oil and liquids and 29 percent natural gas. Based on current strip commodity prices and exchange rates, this capital program will essentially be funded by funds flow from operations, thereby allowing WestFire to maintain its prudent financial strategy and sound balance sheet.

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*The Toronto Stock Exchange has neither approved nor disapproved  
the information contained herein.*

### **Cautionary Statements**

#### **Forward-looking information and statements**

*This news release contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this news release contains forward-looking information and statements pertaining to the following; the anticipated benefits of the Redwater Viking asset acquisition and the projected finding, development and acquisition costs, recycle ratio, additional drilling locations and reserve additions associated therewith; the number of potential Viking drilling locations; internal estimates of barrels of oil-in-place per section; 2012 capital expenditures; the number of wells planned for drilling in 2012, production to be generated from the 2012 capital expenditure budget and targeted production mix; funding of the 2012 capital expenditure budget; the Company's financial strategy and balance sheet; the timing for completion and equipping of wells; the volume and product mix of WestFire's oil and gas production; the ability to develop the Company's Viking light oil resource play, benefits from employing modern reservoir techniques; the use of the Company's cash flow from operations; future production guidance and growth, per share growth, the number of wells to be drilled and potential development drilling and number of potential horizontal Viking oil development locations.*

*In addition, forward-looking statements or information are based on a number of material factors, expectations or assumptions of WestFire which have been used to develop such statements and information but which may prove to be incorrect. Although*

WestFire believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because WestFire can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified herein, assumptions have been made regarding, among other things: results from drilling and development activities consistent with past operations; the continued and timely development of infrastructure in areas of new production; continued availability of debt and equity financing and cash flow to fund WestFire's current and future plans and expenditures; the impact of increasing competition; the general stability of the economic and political environment in which WestFire operates; the timely receipt of any required regulatory approvals; the ability of WestFire to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects in which WestFire has an interest in to operate the field in a safe, efficient and effective manner; the ability of WestFire to obtain financing on acceptable terms; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development and exploration; the timing and cost of pipeline, storage and facility construction and expansion and the ability of WestFire to secure adequate product transportation; future commodity prices; currency, exchange and interest rates; regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which WestFire operates; the ability of WestFire to successfully market its oil and natural gas products; that all necessary regulatory approvals will be obtained as and when required, that there will be no material adverse change in the Company's affairs or laws, rules or regulations relating to the Company, its securities or business, there will be no regulatory proceedings involving the Company or any of its directors or officers, or any cease trade or other order prohibiting or restricting trading in the Company's securities and no major national or international event will have occurred that has or could reasonably be expected to have a material adverse effect on financial markets or the business, operations or affairs of the Company.

The forward-looking information and statements included in this news release are not guarantees of future performance and should not be unduly relied upon. Such information and statement, including the assumptions made in respect thereof, involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements including, without limitation: changes in commodity prices; changes in the demand for or supply of WestFire's products; unanticipated operating results or production declines; changes in tax or environmental laws, royalty rates or other regulatory matters; changes in development plans of WestFire or by third party operators of WestFire's properties, increased debt levels or debt service requirements; inaccurate estimation of WestFire's oil and gas reserve and resource volumes; limited, unfavorable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; and certain other risks detailed from time-to-time in WestFire's public disclosure documents, (including, without limitation, those risks identified in this news release and WestFire's Annual Information Form filed on SEDAR).

The forward-looking information and statements contained in this news release speak only as of the date of this news release, and WestFire does not assume any obligation to publicly update or revise any of the included forward-looking statements or information, whether as a result of new information, future events or otherwise, except as may be expressly required by applicable securities laws.

### **BOE Equivalent**

Barrel of oil equivalents or 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.

### **Non-IFRS Measures Advisory**

Readers are cautioned that this press release includes non-IFRS measures not defined under International Financial Reporting Standards ("IFRS"), including "projected finding, development and acquisition costs", "operating netback" and "recycle ratio". Non-IFRS measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. "Projected finding, development and acquisition costs" means WestFire's estimate of the projected finding, development and acquisition costs attributable to the interests that it has acquired pursuant to the Redwater Viking acquisition described above. "Operating netback" is calculated as revenue minus royalties, operating expenses and transportation expenses. Operating netback is specific to a point in time and therefore will be unique to the period stated. "Recycle ratio" is operating netback per boe divided by projected finding, development and acquisition costs per boe.

References to WestFire's estimate of future "projected finding, development and acquisition costs" pertain to the interests it has acquired pursuant to the Redwater Viking acquisition described above. These estimated "projected finding, development and acquisition costs" are based on certain assumptions and are by their nature a projection which is different than "finding and development costs" calculated in accordance with National Instrument 51-101 ("NI 51-101"), which is an historical calculation. The estimate of "projected finding, development and acquisition costs" has been provided as WestFire believes it provides a

*reasonable estimate of the long-term economics of the acquisition. The measure of "projected finding, development and acquisition costs" disclosed herein does not have a standardized meaning prescribed by NI 51-101, the COGE Handbook or CSA Notice 51-324 and therefore this measure, as defined by WestFire, may not be comparable to similar measures (including "finding and development costs" and "finding, development and acquisition costs") presented by other issuers. The estimate of "projected finding, development and acquisition costs" constitutes forward-looking information and therefore reflects several material factors, expectations and assumptions and is subject to a number of risk factors. See "Forward-looking information and statements" above for further information.*