



For Immediate Release

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## **Palliser Exceeds Exit Guidance and Reduces Operating Costs**

January 11, 2012, Calgary, Alberta – **Palliser Oil & Gas Corporation** ("**Palliser**" or the "**Company**") (TSXV: **PXL**) is pleased to provide an operations update. The Company's December production, based on field estimates, averaged approximately 2,150 boe/d, weighted approximately 98% to heavy oil and 2% natural gas, exceeding the Company's exit production guidance range of 1,800 – 2,050 boe/d. In the fourth quarter of 2011, the Company grew production to an average of approximately 1,640 boe/d, up 16% from the third quarter of 2011 production average of 1,418 boe/d and up 77% compared to the fourth quarter of 2010 production average of 929 boe/d. The Company's estimated 2011 average production was 1,372 boe/d, within its guidance of 1,300 – 1,400 boe/d, and is an increase of 115% from 637 boe/d in 2010. Palliser's production has grown in each of the last twelve consecutive quarters achieving strong production per share growth in 2009, 2010 and 2011.

The fourth quarter 2011 heavy oil capital program included eleven (11.0 net) wells drilled (or re-entered) and one (1.0 net) well reactivated with an overall success rate of 92%. In addition, the Company drilled one (1.0 net) and re-entered two (2.0 net) salt water disposal ("SWD") wells. At Edam, Saskatchewan all three new SWD facilities were operational by the end of November and are performing at or above expectations. These new SWD facilities are expected to provide the Company with enough water capacity for all existing and newly drilled wells, with spare capacity for future growth in the Edam area.

The Company has realized significant reductions in operating costs largely as a result of increased production and reduced water handling costs. The Company estimates operating costs, based on field estimates, are in the range of \$25.00/boe for the month of December, trending towards 2010 levels where the Company achieved operating costs of \$19.97/boe.

Palliser continues to build an inventory of heavy oil prospects through the addition of new lands and the acquisition of additional proprietary seismic in the Company's greater Lloydminster core area. At the present time the Company's heavy oil prospect inventory has increased significantly and stands at 139 locations providing the Company with a multi-year drilling inventory and significant growth opportunities for future capital programs.

Palliser expects to issue its 2012 guidance in late January.

Palliser's corporate presentation is available on the Company's website at [www.palliserogc.com](http://www.palliserogc.com). A copy of this press release is available at [www.sedar.com](http://www.sedar.com) or the Company's website at [www.palliserogc.com](http://www.palliserogc.com).

### *About Palliser*

Palliser is a Calgary-based emerging junior oil and gas company currently focused on high netback heavy oil production in the greater Lloydminster area of both Alberta and Saskatchewan.

### *Forward-Looking Statements*

*Certain statements contained in this Press Release constitute forward-looking statements or information (collectively "**forward-looking statements**") within the meaning of applicable securities legislation, including, but not limited to management's assessment of future plans and operations, including: commodity focus; drilling plans and potential locations; expected production levels; development plans; reserves growth; production and operating sales and expenses; reservoir characteristics; the results of applying certain operational development techniques; certain economic factors; and capital expenditures. Forward-looking statements are typically identified by words such as "anticipate", "estimate", "expect", "forecast", "may", "will", "project" and similar words suggesting future events or performance or may be identified by reference to a future date. In addition, statements relating to oil and gas reserves and resources are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions, that the reserves or resources described, as the case may be, exist in the quantities predicted or estimated and can be profitably produced in the future. With respect to forward-looking statements herein, Palliser has made assumptions regarding, among other things; future capital expenditure levels; future oil and natural gas prices; "differentials" between West Texas Intermediate and Western Canadian Select benchmark pricing; future oil and natural gas production levels; future water disposal capacity; future exchange rates and interest rates; ability to obtain equipment and services in a timely manner to carry out development activities; ability to market oil and natural gas successfully to current and new customers; the impact of increasing competition; the ability to obtain financing on acceptable terms; and the ability to add production and reserves through development and exploitation activities. Although Palliser believes that the expectations reflected in the forward-looking statements contained herein, and the assumptions on which such forward-looking statements are made, are reasonable, there can be no assurance that such expectations will prove to be correct. Readers are cautioned not to place undue reliance on forward-looking statements included herein, as there can be no assurance that the plans, intentions or expectations upon which the forward-looking statements are based will occur. By their nature, forward-looking statements involve numerous risks and uncertainties that contribute to the possibility that the forward-looking statements will not occur, which may cause Palliser's actual performance and financial results in future periods to differ materially from any estimates or projections. Additional information on these and other factors that could affect Palliser's results are included in reports on file with Canadian securities regulatory authorities, including the Company's Annual Information Form, and may be accessed through the SEDAR website at [www.sedar.com](http://www.sedar.com).*

*The forward-looking statements contained herein speak only as of the date hereof. Except as expressly required by applicable securities laws, Palliser does not undertake any obligation to, nor does it intend to, publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained herein are expressly qualified by this cautionary statement. In addition, readers are cautioned that historical results are not necessarily indicative of future performance.*

***The TSX Venture Exchange has neither approved nor disapproved the contents of this press release.***

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