Chinook Energy Inc. Announces Budget and Guidance for 2014

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CALGARY, ALBERTA -- (Marketwired - Dec. 19, 2013) - Chinook Energy Inc. (TSX:CKE) ("Chinook", "we", "our" or "us") announced today its capital and operating budget and associated guidance for 2014. Our 2013 drilling success in the Beaverlodge, Albright and Karr areas added significant oil production volumes to our Canadian business which has a multi-year development drilling inventory and an expandable cash flow based 2014 budget. In Tunisia, we recently received approval to drill six (4.3 net) vertical wells on our BBT concession which generated an average operating netback of $75 per barrel of oil in 2013. Our guidance for 2013 remains unchanged from that provided with the release of our second quarter results on August 14, 2013.

Our Board of Directors has approved an initial 2014 capital budget of $85 million focused on light oil development to replace less profitable production from normal declines associated with our natural gas properties. Approximately $49 million is expected to be spent in Canada and $36 million in Tunisia allocated as follows:

	Canada	Tunisia
Drilling, Completions & Tie-Ins	$ 30.0 million	$ 23.6 mi
Facilities	$ 6.9 million	$ 5.4 million
Land & Seismic	$ 4.0 million	$ 1.9 million
Other (1)	$ 8.1 million	$ 5.1 million

Note:
(1) Capitalized g&a, abandonment and reclamation, recompletions, optimizations and turnarounds.

The majority of our budgeted 2014 Canadian capital expenditures ($35 million, representing 70% of budgeted Canadian capital expenditures) is expected to be allocated to our Karr, Beaverlodge, Albright and Gold Creek properties in the Grande Prairie area to drill 11 (7.0 net) wells in 2014, of which we will operate nine. The majority of the wells will be targeting high quality light oil from the Dunvegan (8 gross/5.6 net) and Montney (2 gross/0.9 net) formations. We have commenced drilling the first well of a six well Dunvegan program at Beaverlodge/Albright in mid-December. In January 2014, we anticipate spudding our first Montney horizontal well at Gold Creek upon receipt of the well licence. We have 50 gross (35 net) sections of Montney rights within the upper and middle Montney oil fairway at Gold Creek.

The balance of our budgeted 2014 Canadian capital expenditures ($8.3 million, representing 17% of budgeted Canadian capital expenditures) will be allocated to our Birley/Umbach and Gordondale properties in the Peace River Arch area to drill 2 (1.1 net) wells targeting liquids rich Montney, 1 (0.75 net) well at Birley/Umbach and 1 (0.37 net) well targeting Halfway oil at Gordondale. We have 35 gross (26 net) sections of Montney rights at Birley/Umbach and anticipate spudding our first well in late January 2014.

The majority of our budgeted 2014 Tunisian capital expenditures ($29 million, representing 80% of budgeted Tunisian capital expenditures) will be allocated to develop our BBT concession located within our one million acre Sud Remada Permit in the prolific Ghadames Basin. On December 18, 2013, we spud the TT15 well which is the first of a six well continuous drilling program targeting Ordovician oil in the Jeffara and Bir Ben Tartar formations. In addition, we expect to complete the construction of a central gathering facility and oil battery which will serve to reduce operating costs and improve an already strong operating netback.

We anticipate exiting 2013 with 7,600 barrels of oil equivalent per day in Canada and 1,700 barrels of oil equivalent per day in Tunisia. Our 2014 corporate average production is anticipated to be 9,500 to 10,250 barrels of oil equivalent per day with an oil and natural gas liquids weighting of approximately 46%. Our 2014 operating netbacks are anticipated to be $30 per barrel of oil equivalent. General and administrative costs for 2014 are forecasted to be $3.14 per barrel of oil equivalent for a corporate netback of approximately $26.86 per barrel of oil equivalent. Our 2014 cash flow is estimated to be $82 to $90 million and net debt at the end of 2014 is forecast to be $70 to $80 million, or approximately 0.8 times forecast 2014 cash flow.

Our 2014 commodity price assumptions are as follows:

Canadian Oil Price (WTI):	$87.89/barrel
Tunisia Oil Price (Brent):	$103.47/barrel
Canadian Nat Gas (Aeco):	$3.29/mcf
Canadian Dollar (US$):	$0.97

We have entered into the following crude oil and natural gas hedges for 2014:

Indexed Price	Notional Volumes	Company's Received Price	Remaining period
AECO	5,000 GJ/d	$3.25/GJ to $3.50/GJ	January 1, 2014 to December 31, 201
AECO	5,000 GJ/d	$3.68/GJ	January 1, 2014 to December 31, 201
AECO	5,000 GJ/d	$3.5025/GJ	April 1, 2014 to October 31, 2014
WTI	500 bbl/d	$101.30/bbl	January 1, 2014 to December 31, 201
Brent	500 bbl/d	$98.00 US/bbl to $108.00 US/bbl	January 1, 2014 to December 31, 201

We have an exciting 2014 oil-focused capital program in Canada and Tunisia. We will test two material liquids-rich Montney prospects early in the year and will look to joint venture the accelerated evaluation of the considerable upside identified in our exploration portfolio in Tunisia. Approximately 55% of our Canadian program will be spent in the first quarter and is directed to continued development of our Dunvegan oil properties in the Grande Prairie area along with evaluating a significant Montney resource at Gold Creek and Birley/Umbach. With continued drilling success in the first quarter of 2014, we have the ability to expand and fully fund an increased Canadian program. In Tunisia, we have re-commenced our drilling program at BBT which we anticipate will continue to generate high netbacks in 2014. In 2014, we will continue to divest non-strategic assets and pursue acquisitions within our Grande Prairie and Peace River Arch focus areas.

About Chinook Energy Inc.

Chinook is a Calgary-based public oil and gas exploration and development company that combines high quality natural gas-weighted assets in Western Canada with an exciting high growth oil business onshore and offshore Tunisia in North Africa.

Reader Advisory

Forward-Looking Statements

In the interest of providing shareholders and potential investors with information regarding Chinook, including management's assessment of the future plans and operations of Chinook, certain statements contained in this news release constitute forward- looking statements or information (collectively "forward-looking statements") within the meaning of applicable securities legislation. Forward-looking statements are typically identified by words such as "anticipate", "continue", "estimate", "expect", "forecast", "may", "will", "project", "could", "plan", "intend", "should", "believe", "outlook", "potential", "target" and similar words suggesting future events or future performance. In addition, 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 reserves described exist in the quantities predicted or estimated and can be profitably produced in the future. In particular, this news release contains, without limitation, forward-looking statements pertaining to: budgeted amounts in fiscal 2014 and the expectation that such amounts will be spent in the manner, location and timeframes set forth herein; Chinook's expectations on its drilling plans by geographic area and the timing thereof; Chinook's expectation on the production profile and commodity type expected to be realized from its drilling activities and corporate production weighting between natural gas, oil and liquids volumes; Chinook's plans for the completion of certain infrastructure projects in Tunisia; future plans regarding Chinook's Canadian non-core asset sale process; the volume and product mix of Chinook's oil and natural gas production on certain newly drilled wells, and the anticipated production volumes therefrom; Chinook's expectations to internally fund certain capital expenditures and development programs; matters relating to Chinook's estimates of fiscal 2014 production volumes, expected 2013 production exit rates, corporate and operating netbacks, general and administrative expenses, cash-flows and net debt; the number of wells budgeted for drilling at certain of Chinook's core areas; intentions to enter into joint venture arrangements in Tunisia; and future development, exploration, acquisition and development activities; and Chinook's expectations on improving operating costs and netbacks as a result of certain infrastructure investments in Tunisia.

With respect to the forward-looking statements contained in this news release, Chinook has made assumptions regarding, among other things: that Chinook will continue to conduct its operations in a manner consistent with past operations, the ability of Chinook to continue to operate in Tunisia with limited logistical security and operational issues, future capital expenditure levels, future oil and natural gas prices, future oil and natural gas production levels, Chinook's ability to obtain equipment in a timely manner to carry out development activities, the impact of increasing competition, the ability of Chinook to add production and reserves through development and exploitation activities, the results of seismic and other appraisal activities (including waterflood modeling and seismic data gathering); certain commodity price and other cost assumptions, the results of negotiations and the plans of Chinook's partners in certain of its areas, including in Tunisia; the ability of Chinook to enter into a joint venture arrangement on terms acceptable to it or at all; that the budgeted amounts and expenditures set forth herein, which are subject to the board's discretion, will not be amended in the future; the continued availability of adequate debt and equity financing and cash flow to fund its planned expenditures. Although Chinook believes that the expectations reflected in the forward-looking statements contained in this news release, 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 in this news release, 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 assumptions, known and unknown risks and uncertainties that contribute to the possibility that predictions, forecasts, projections and other forward-looking statements will not occur, which may cause Chinook'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 risks and uncertainties include, without limitation, political and security risk associated with Chinook's Tunisian operations, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve and resource estimates, the board may amend Chinook's budget based on its discretion; the continued impact of shut-in production, environmental risks, competition from other producers, inability to retain drilling rigs and other services, capital expenditure costs, including drilling, completion and facilities costs, unexpected decline rates in wells, delays in projects and/or operations resulting from surface conditions, wells not performing as expected, delays resulting from or inability to obtain the required regulatory approvals and ability to access sufficient capital from internal and external sources. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements. Readers are cautioned that the forgoing list of factors is not exhaustive. Additional information on these and other factors that could affect Chinook's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com) and at Chinook's website (www.chinookenergyinc.com). Furthermore, the forward-looking statements contained in this news release are made as at the date of this news release and Chinook does not undertake any obligation to update publicly or to revise any of the forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

Barrels of Oil Equivalent

Barrels of oil equivalent (boe) is calculated using the conversion factor of 6 mcf (thousand cubic feet) of natural gas being equivalent to one barrel of oil. Boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf:1 bbl (barrel) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

Non-IFRS Measures

This news release contains the terms "corporate netbacks", "operating netbacks" and "net debt" which are not recognized measures under Internal Financial Reporting Standards ("IFRS"). Chinook's method of calculating these measures may differ from other companies, and accordingly these measures may not be comparable to measures used by other companies.

Corporate Netback

Corporate netback is calculated as a period's sales of petroleum and natural gas, net of royalties less net production and operating expenses as divided by the period's sales volumes and cash G&A. Management uses this measure to assist them in understanding Chinook's profitability relative to current commodity prices and it provides an analysis tool to benchmark changes in operational performance against prior periods and to peers on a comparable basis. Readers are cautioned, however, that this measure should not be construed as an alternative to other terms such as net income determined in accordance with IFRS as a measure of performance.

Operating Netbacks

Operating netback per barrel of oil equivalent is the net result of Chinook's revenue, royalty, lease operating and transportation expenses divided by total sales volumes in the period. Management considers operating netback an important measure as it demonstrates its property level profitability on a unit of production basis.

Net Debt

Net debt is calculated as bank debt adjusted for working capital excluding mark-to-market derivative contracts. Working capital excluding mark-to-market derivative contracts is calculated as current assets less current liabilities both of which exclude derivative contracts and current liabilities excludes the current portion of debt. Management uses net debt to assist them in understanding Chinook's liquidity at specific points in time. Mark-to-market derivative contracts are excluded from working capital, in addition to net debt, as management intends to hold each contract through to maturity of the contract's term as o pposed to liquidating each contract's fair value or less.

Future Oriented Financial Information

This news release, in particular the information in respect of anticipated cash flows, may contain Future Oriented Financial Information ("FOFI") within the meaning of applicable securities laws. The FOFI has been prepared by management of Chinook to provide an outlook of Chinook's activities and results and may not be appropriate for other purposes. The FOFI has been prepared based on a number of assumptions including the assumptions discussed under the heading "Forward-Looking Statements" and assumptions with respect to production rates and commodity prices. The actual results of operations of Chinook and the resulting financial results may vary from the amounts set forth herein, and such variation may be material. Chinook and its management believe that the FOFI has been prepared on a reasonable basis, reflecting management's best estimates and judgments.

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