Rock Energy Inc. Reports Strong Q3 2014 Results, Increases Capital Spending and Provides Guidance for 2015

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CALGARY, ALBERTA--(Marketwired - Nov 5, 2014) - Rock Energy Inc. (TSX:RE) ("Rock" or the "Company") is pleased to report its financial and operating results for the three and nine months ended September 30, 2014. Rock is a Calgary-based crude oil exploration, development and production company.

Rock has filed its unaudited condensed interim Consolidated Financial Statements for the period ended September 30, 2014 and related Management's Discussion and Analysis ("MD&A"). Copies of Rock's materials may be obtained on www.sedar.com and on our website at www.rockenergy.ca.

CORPORATE SUMMARY

FINANCIAL		Three Months Ended September 30, 2014		Three Months Ended September 30, 2013		Nine Months Ended September 30, 2014		Nine Months Ended September 30, 2013
Crude oil and natural gas revenue ('000)	$	32,995	$	28,874	$	102,858	$	60,317
Funds from operations ('000) (1)	$	16,677	$	11,499	$	51,268	$	21,204
Per share								
- basic	$	0.41	$	0.29	$	1.29	$	0.54
- diluted	$	0.40	$	0.29	$	1.23	$	0.54
Net income (loss) ('000)	$	3,829	$	5,041		(5,178)	$	1,533
Per share								
- basic	$	0.10		0.13	$	(0.13)	$	0.04
- diluted	$	0.09		0.13	$	(0.13)	$	0.04
Capital expenditures, net ('000)	$	39,532	$	12,530	$	74,425	$	29,547

		As at September 30, 2014		As at September 30, 2013
Net debt ('000) (2)	$	39,433	$	9,286
Common shares outstanding		40,374,997		39,364,578
Options outstanding		3,094,981		3,142,941

OPERATIONS		Three Months Ended September 30, 2014		Three Months Ended September 30, 2013		Nine Months Ended September 30, 2014		Nine Months Ended September 30, 2013
Average daily production								
Crude oil and natural gas liquids (bbls/d)		4,531		3,585		4,628		3,023
Natural gas (mcf/d)		1,293		1,805		1,503		2,279
Barrels of oil equivalent (boe/d)		4,747		3,886		4,879		3,403
Average product prices								
Crude oil and natural gas liquids ($/bbl)	$	77.85	$	86.27	$	79.70	$	70.55
Natural gas ($/mcf)	$	4.54	$	2.61	$	5.33	$	3.37
Total ($/boe)	$	75.56	$	80.77	$	77.25	$	64.93

Field netback ($/boe) [1]	$	40.63	$	38.27	$	42.75	$	27.75

(1) Funds from operations, funds from operations per share and field netback are not terms prescribed by International Financial Reporting Standards (IFRS), and so are considered non-GAAP measures. Funds from operations represents cash generated from operating activities before changes in non-cash working capital and decommissioning expenditures. Rock considers funds from operations a key measure as it demonstrates the Company's ability to generate the cash necessary to fund future growth through capital investment. Funds from operations per share is calculated using the same share basis which is used in the determination of net income (loss) per share. Field netback is calculated as crude oil and natural gas revenues after deducting royalties, operating costs and transportation costs, resulting in an approximation of initial cash margin in the field on crude oil and natural gas production. Rock's use of these non-GAAP measurements may not be comparable with the calculation of similar measures for other companies.

(2) Net debt excludes commodity price contracts.

LETTER TO THE SHAREHOLDERS

During the third quarter of 2014, Rock was able to make significant progress in the development of the Mantario EOR project, and further delineate the Viking resource play at Onward to confirm a number of development drilling locations.

The quarter was highlighted by the following specific accomplishments:

- Drilled 30 (30.0 net) oil wells including 14 (14.0 net) horizontal Viking light oil wells at Onward, 12 (12.0 net) Mannville oil wells and 4 (4.0) dry and abandoned exploration wells;
- Averaged 4,747 boe per day (95% crude oil and liquids) of production representing a 22% increase from a year ago;
- Spent a total of $39.5 (net) million on the capital expenditure program, including $22.0 million on drilling and completions, and $16.3 million on facilities;
- Generated funds from operations for the quarter of $16.7 million ($0.41/ basic share) which is an increase of 45% from a year ago;
- Net debt at the end of Q3 was $39.4 million against the Company's bank lending facility of $80.0 million; and
- To date in Q4, the company has drilled another 8 (8.0 net) horizontal Viking oil wells at Onward, and 4 (4.0 net) horizontal oil wells at Mantario.

Rock's average realized price in the third quarter of 2014 was $75.76 per boe compared to $82.45 per boe in the second quarter of 2014. The decrease in price realization is primarily attributed to a decrease in WTI pricing, however has been partially offset by the lower WTI - WCS differential and foreign exchange rate.

Operating costs have continued to improve, and decreased 5% during the quarter to $14.03 per boe compared to $14.82 per boe in the second quarter of 2014, which also represents a 27% decrease over the same period last year. This decrease is attributable to a change in production mix resulting from the sale of the heritage heavy oil assets, combined with the increase in lower cost production from Mantario.

Rock generated a field netback of $40.47 per boe in the third quarter of 2014 compared to $47.82 per boe in the second quarter of 2014. Though operating costs were lower on a per boe basis, royalties were higher, and product prices were lower resulting in an overall reduction in the field netback for the quarter.

Net capital expenditures for the third quarter of 2014 were $39.5 million, including $22.0 million for the drilling program, $16.3 million for facility construction at Mantario and $1.2 million for land, seismic and capitalized G&A.

Rock's daily production for the third quarter was adversely affected by poor weather which delayed the drilling program, and was further impacted by the development drilling program at Mantario which required the shut in of existing offset producers while new infill producers were being drilled. During the third quarter production averaged 4,747 boe/d (95% oil and liquids). Since that time, the Company has been able to catch up with the drilling program and restore production, which is currently averaging approximately 5,300 boe per day.

Mantario

Rock has made significant progress with the construction of the battery and infrastructure for the implementation of the water/chemical flood at Mantario. During the third quarter the Company completed the construction of the Production Battery and water injection (pressure maintenance) has begun. To date in 2014 the Company has drilled 10 (10.0 net) horizontal wells and 8 (8.0 net) verticals to further develop the pool and this development drilling has identified a pool extension to the north east. For the remainder of the year the Company will drill another 2 vertical locations, and convert 7 more wells into injectors. The Company is working to accelerate the EOR scheme (polymer flood) and have it operational during Q1, 2015. Once the EOR project is operational the Company will be eligible to receive its royalty credit which will markedly increase cash flows.

Onward Viking

During the third quarter of 2014, the Company was able to drill 14 (14.0 net) horizontal wells and complete 8 (8.0 net) of those wells. The uncompleted wells from Q3 are now completed and will begin to contribute to production in the coming weeks. Viking production from this area has now reached approximately 800 boe per day. The Company continues to refine its drilling and production techniques, and among other things has recently moved to increase the number of frac stages per well from 15 to 18, then to 21. This change has resulted in a material improvement in the production profile and economic returns.

To date in the fourth quarter, Rock has drilled 8 (8.0 net) additional horizontal wells at Onward, and plans to drill another 8 horizontal development wells by the end of the year to confirm a more rigorous production profile, demonstrate a reduction in drilling costs and build a robust production platform. With this additional activity, Rock is now forecasting Viking light oil production to exceed 1,000 boe per day by year end.

Rock has now drilled a total of 41 (41.0 net) horizontal wells into this resource play, and given the results of this delineation activity the Company believes it has de-risked the play on approximately 34 net sections, yielding over 500 development locations.

Onward Mannville

During the third quarter of 2014, Rock drilled another follow-up to the discovery well in the Onward west pool. The well at 15-16-34-24W3 has been brought on production at approximately 100 boe per day. This has confirmed for Rock that the pool extends further to the North and needs to be further evaluated. Rock is planning to shoot a 3D seismic program over 33 sections in this area to exploit this discovery and confirm 3 - 4 other exploration leads. This program will also help to determine the extent of the Bakken play in this area as was discovered in the second quarter with the drilling of the well at 7-16-34-24W3.

Rock is very encouraged by the success of the Mannville exploration program in this area and as such this will become a focus area for 2015 exploratory capital spending.

2014 Guidance

The Board of Directors have approved expansion of the 2014 capital program by $5 million to $115 million for the year. The incremental capital will be used to accelerate the implementation of polymer injection at Mantario. While this additional capital spending will not have a meaningful impact on 2014 results, it will provide substantial benefits in 2015 as it accelerates the receipt of the royalty credit.

The Company is forecasting to generate average 2014 production of 4,900 - 5,100 boe/d (95% oil). For the remainder of 2014, Rock is assuming that WTI averages $80.00 US/bbl (with December at $75.00 US/bbl), WTI - WCS differential averages $15.00 US/bbl, AECO gas price averages $4.00 CDN/mcf and the exchange rate averages $1.13 CDN/US. Given these assumptions, the Company is forecasting funds from operations of $66 - $68 million ($1.63 - $1.69/share). With the forecasted funds from operations and capital spending plan, the net debt at the end of the year is now targeted to be $63 - $65 million against its credit facility of $80 million.

The fourth quarter of 2014 will see the Company invest approximately $40 million towards constructing infrastructure at Mantario, drilling the infill locations for the development of the Mantario pool, drilling the development wells in the Viking light oil play at Onward, and testing another 1 - 2 new exploration ideas at

Onward and Mantario.

Outlook and 2015 Guidance

For 2015 Rock's Board of Directors have approved a preliminary capital spending program of $90 million. This will provide for the completion of the EOR project at Mantario and the drilling of 70-75 wells. This capital program is designed to focus on the completion of the Mantario project in the first quarter, with a limited amount of drilling, and as we gain more clarity on pricing, the drilling program can be completed in the second half of the year. This strategy is intended to provide flexibility in these uncertain times so that it can be adjusted quickly to capture opportunities that may present themselves in the coming months.

The $90 million approved capital spending specifically includes $4 million for facility construction, and $17 million for the remaining infill drilling (16 wells) and conversion of wells for polymer injection (8 - 10 wells) at Mantario, $51 million for 45 - 50 horizontal Viking wells to continue development of the resource at Onward, $4 million for heavy oil well development (2 - 4 wells) at Onward, and $14 million for exploration and development including land, seismic and exploratory drilling of 8 - 10 wells.

Rock is committed to a long term approach to maximize reserve values and recovery rates. It also remains focused on production and cash flow per share growth in 2015, while guarding its balance sheet and maintaining debt under targeted levels (1:1 debt to funds from operations ratio) during an uncertain commodity price environment. Based on its planned capital spending program, the Company targets production to be approximately 5,400 boe per day, representing a year over year increase of approximately 10% from average 2014 projected levels.

Rock's forecast assumes 2015 crude oil prices average US $81.25 WTI per barrel. This assumes an $80.00/bbl for the first nine months, expanding to $85.00/bbl for the final three months, which is integrated into our budgeted capital spending plans. In addition, the pricing forecast assumes the WTI to WCS differential averages $15.00/bbl and natural gas at AECO averages $3.75 CDN/mcf with an exchange rate of $1.13 CDN$/US$. With these assumptions, the Company is forecasting annual cash flow of $81 million ($2.00/share) and year-end debt of $73 million (0.7 times cash flow).

The Company has continued to make progress in delivering on production growth and cost reduction targets. Rock's asset base is generating predictable cash flow for the Company. With ample opportunity, a strong balance sheet and a foundation of cash flow, Rock has the capability to provide its future growth. We remain focused on building a suite of assets that will continue to provide our shareholders with a solid, long-life, predictable base of sustainable cash flow.

Advisory Regarding Forward-Looking Information and Statements

This press release contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. The use of any of the words "will", "expects", "believe", "plans", "potential" and similar expressions are intended to identify forward-looking statements or information. More particularly and without limitation, this press release contains forward looking statements and information concerning: forecast average production; forecast funds from operations; forecast net debt; forecast capital spending; anticipated in-service date for, and royalty rates and royalty credits from the Mantario water/chemical flood program; and Rock's drilling plans for its crude oil properties.

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 can be profitably produced in the future.

The forward-looking statements and information in this press release are based on certain key expectations and assumptions made by Rock, including prevailing commodity prices and exchange rates; applicable royalty rates and tax laws; future well production rates; reserve and resource volumes; the performance of existing wells; the success obtained in drilling new wells; the sufficiency of budgeted capital expenditures in carrying out planned activities; the availability and cost of labour and services; and the receipt, in a timely manner, of regulatory and other required approvals. Although Rock believes that the expectations and assumptions on which such forward-looking statements and information are based are reasonable, undue reliance should not be placed on the forward-looking statements and information because Rock can give no assurance that they will prove to be correct. There is no certainty that Rock will achieve commercially viable production from its undeveloped lands and prospects.

Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risks associated with the oil and natural gas industry in general, such as: operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to reserves, production, costs and expenses; health, safety and environmental risks; commodity price and exchange rate fluctuations; marketing and transportation of petroleum and natural gas and loss of markets; environmental risks; competition; incorrect assessment of the value of acquisitions; failure to realize the anticipated benefits of acquisitions; ability to access sufficient capital from internal and external sources; stock market volatility; and changes in legislation, including but not limited to tax laws, royalty rates and environmental regulations.

Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the operations or financial results of Rock are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com). The forward-looking statements and information contained in this press release are made as of the date hereof and Rock undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

For further information please visit Rock's website at www.rockenergy.ca.

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