Chinook Energy Announces Third Quarter 2014 Results and Board Appointment

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CALGARY, ALBERTA--(Marketwired - Nov 13, 2014) - **Chinook Energy Inc. ("our", "we", "us" or "Chinook") (TSX:CKE)** is pleased to announce its third quarter financial and operating results. We are also pleased to announce that Jill Angevine has been appointed to our Board of Directors.

Ms. Angevine is a Vice President and Portfolio Manager at Matco Financial Inc. with over 20 years of investment and research experience. She is a member of Matco Financial's Investment Committee and chairs the Canadian Equity Working Group. Prior to joining Matco Financial, Ms. Angevine was Vice President and Director, Institutional Research at FirstEnergy Capital Corp. Ms. Angevine graduated from the University of Calgary in 1989, having earned a Bachelor of Commerce and has earned the Chartered Accountant (CA), the Chartered Financial Analyst (CFA), and the Institute of Corporate Directors (ICD.D) designations.

Operational and financial highlights for the three and nine months ended September 30, 2014 are noted below and should be read in conjunction with our condensed consolidated financial statements for the three and nine months ended September 30, 2014 and 2013 and related management's discussion and analysis which have been posted on SEDAR (www.sedar.com).

THIRD QUARTER 2014 HIGHLIGHTS

	Three months ended September 30		Nine months ended September 30	
	2014	2013	2014	2013
CANADIAN CONTINUING OPERATIONS (2)				
Sales Volumes				
Crude Oil *(bbl/d)*	1,823	1,853	2,057	1,670
Natural gas liquids *(boe/d)*	678	753	780	877
Natural gas *(mcf/d)*	29,028	34,563	29,320	34,746
Average daily sales *(boe/d)*	7,339	8,367	7,724	8,338
Sales Prices				
Average oil price *($/bbl)*	$ 93.10	$ 97.53	$ 97.11	$ 91.35
Average natural gas liquids price *($/boe)*	$ 64.71	$ 62.36	$ 70.73	$ 58.61
Average natural gas price *($/mcf)*	$ 4.11	$ 2.55	$ 5.00	$ 3.20
Netback (1)				
Average commodity pricing *($/boe)*	$ 45.37	$ 37.76	$ 52.00	$ 37.82
Royalties *($/boe)*	$ (6.90)	$ (3.53)	$ (7.14)	$ (4.27)
Net production expenses *($/boe)* (1)	$ (17.44)	$ (16.42)	$ (17.13)	$ (15.64)
Cash G&A *($/boe)* (1)	$ (4.32)	$ (1.71)	$ (5.04)	$ (2.51)
Netback *($/boe)* (1)	$ 16.71	$ 16.10	$ 22.69	$ 15.40
Wells Drilled *(net)*				
Oil	1.26	3.00	4.52	6.61
Gas	0.75	-	1.87	-
Disposal/injection	0.37	-	0.37	-
Total wells drilled *(net)*	2.38	3.00	6.76	6.61

	Three months ended September 30		Nine months ended September 30	
	2014	2013	2014	2013
FINANCIAL *($ thousands, except per share amounts)*				
Petroleum & natural gas revenues, net of royalties	$ 25,972	$ 26,347	$ 94,597	$ 76,378
Cash flow (1)	$ 9,693	$ 12,213	$ 42,089	$ 32,328
Per share - basic and diluted *($/share)*	$ 0.05	$ 0.06	$ 0.20	$ 0.15

Net income (loss) from continuing operations	$	3,696	$	(316)	$	7,639	$	698
Per share - basic and diluted *($/share)*	$	0.02		-	$	0.04	$	0.01
Net income [3]	$	11,472	$	3,812	$	21,948	$	12,302
Per share - basic and diluted *($/share)*	$	0.05	$	0.02	$	0.10	$	0.06
Capital expenditures	$	14,301	$	10,014	$	56,913	$	32,732
Net debt (surplus) [1] [4]	$	(35,870)	$	65,105	$	(35,870)	$	65,105
Total assets [4]	$	472,241	$	593,192	$	472,241	$	593,192
Common Shares *(thousands)*								
Weighted average during period								
- basic		214,895		214,188		214,439		214,188
- diluted		216,773		214,188		215,590		214,188
Outstanding at period end		215,079		214,188		215,079		214,188

(1) Cash flow, net debt (surplus), netback, net production expense and cash G&A are non-IFRS measures. These terms do not have any standardized meanings as prescribed by IFRS and, therefore, may not be comparable with the calculations of similar measures presented by other companies. See headings entitled "Cash Flow", "Net Debt (Surplus)", "Netback", "Net Production Expense" and "Cash G&A" in the Reader Advisory below for further information on such terms.

(2) Continuing Canadian Operations refers to our remaining Canadian operations in western Canada after completing the sale of our Tunisian operations on August 19, 2014.

(3) Includes the financial results from our disposed Tunisian operations sold on August 19, 2014.

(4) The comparative periods include our disposed Tunisian operations' assets or working capital excluding marked-to-market derivative contracts.

Highlights for the three and nine months ended September 30, 2014

- Completed the disposition of our Tunisian operations, effective January 1, 2014, for gross proceeds of US$128.5 million on August 19, 2014.
- Repaid all outstanding balances drawn on our Canadian revolving credit facility and exited the quarter with $47.5 million cash-on-hand.
- Spent $56.9 million on capital expenditures in the nine months ended September 30, 2014, including $13.9 million to acquire 19 additional sections of prospective Montney lands in British Columbia.
- Drilled and completed our second Montney horizontal well at Birley/Umbach where we now hold 54 gross (45 net) contiguous sections of Montney lands.
- Cash flow for the nine months ended September 30, 2014 was $42.1 million, up 30% over the same period in 2013.
- Increased our operating netback by 18% in the third quarter of 2014 over the same period of 2013 and by 55% in the nine months ended September 30, 2014 compared to the same period of 2013.

Third Quarter 2014 Financial Results

Upon completing the disposition of our Tunisia operations on August 19, 2014, our continuing operations are focused on resource growth opportunities in western Canada. The following financial and operational highlights relate to only our continuing operations.

Production in the third quarter of 2014 averaged 7,339 boe/d, down 12% from the same period in 2013 and down 7% from the second quarter of 2014. Production was negatively impacted by third party turnarounds and pipeline maintenance as well as natural reservoir declines which have not yet been offset by new production which is expected to come on stream in the fourth quarter of 2014. Despite the decrease in volumes from the comparative 2013 period, revenue was up over 5% from the third quarter of 2013 as a result of increased commodity prices and our increased proportion of crude oil production. Our third quarter 2014 realized oil price was lower than the comparative period in 2013 and the second quarter of 2014, as our realized oil price followed the benchmark pricing of Edmonton par and world oil prices. Our realized natural gas and NGL prices in the third quarter 2014, while higher than the comparative period in 2013, also decreased from the second quarter of 2014 as benchmark prices softened during the summer season.

Our operating netback increased by 18% in the third quarter to $21.03/boe from $17.80/boe in the third quarter 2013 and by 55% in the nine months ended September 30, 2014 to $27.73/boe compared to $17.91/boe in the same period of 2013, principally as a result of stronger overall commodity prices in 2014 as compared to 2013.

Cash flow for the quarter decreased by 21% to $9.7 million compared to the same quarter in 2013 as a result of lower production volumes, higher royalties, G&A expenses and higher realized derivative losses. However, as a result of higher commodity prices, our cash flow for the nine months ended September 30, 2014 was 30% higher than the same period in 2013. Subsequent to the completion of the disposition of our Tunisian operations and the repatriation of the sale proceeds from that transaction, we ended the third quarter with an undrawn credit facility and a cash balance to fund our expanded 2014 capital program and ongoing operations.

Third Quarter 2014 Operational Results

We drilled and/or participated in four (2.38 net) wells during the third quarter, including our second Montney natural gas well (0.75 net) on our Birley/Umbach lands and two (1.26 net) Dunvegan wells, one (1.0 net) on our Albright property and the second well (0.26 net) on our non-operated Karr property.

At Birley/Umbach, we have drilled two (1.5 net) successful horizontal wells in 2014 which have delineated the Montney potential over a large portion of our 54 (45 net) sections of contiguous lands. Our most recent well at d-A83-H/94-H-3 was completed and tested in October with on stream production expected by mid-November. An expansion of our facility in the area is underway to increase capacity to 10 mmcf/d and an additional expansion of the facility is planned in the first quarter of 2015 to increase capacity to 35 mmcf/d by July, 2015. We have identified 216 potential Upper Montney drilling locations across our lands and we are closely monitoring nearby drilling and completion operations in the mid and lower Montney intervals by other operators which could significantly increase the number of potential Montney drilling locations on our lands.

At Gold Creek, during the quarter, we completed the facility construction and pipeline tie-in for our first horizontal well (0.37 net) drilled in the first quarter of 2014. As previously noted, the well tested over a 320 hour period at rates of up to 500 barrels of oil per day and 6 mmcf/d of natural gas (total 1,500 boe/d. We have over 50 (35 net) sections of prospective Montney acreage in the Gold Creek area.

In the Grande Prairie area, we have ownership in six established Dunvegan oil pools. During the quarter, we drilled one (1.0 net) successful oil well on our Albright property, participated in the drilling of one well (0.26 net) at our non-operated Karr property and re-drilled the horizontal section of a well drilled in the first quarter of 2014. We have identified an additional 79 (48 net) horizontal drilling locations on our Dunvegan lands in the area with drilling activity on just two of six properties over the last two years.

Outlook

As previously announced, our Board of Directors has approved a $135 million capital program for 2015 focusing on the development of liquids rich natural gas at Birley/Umbach, British Columbia and light oil at Grande Prairie, Alberta. In 2015, we intend to move towards full scale development and facility expansion at Birley/Umbach, further delineation at Gold Creek and continue with our Dunvegan oil development program. Approximately 55% of the capital program will be spent in the first half of 2015. In order to protect a strong balance sheet entering into 2015, and maintain a debt to trailing cash flow ratio of less than one, we have built our 2015 capital program with the flexibility to increase or decrease our capital expenditures should commodity prices be above or below our 2015 pricing assumptions. Please see our news release dated October 29, 2014 for a description of our 2015 capital program.

Further to our news release dated October 29, 2014, we have acquired, effective September 1, 2014, approximately 1,200 boe/d (86% natural gas) of production near our Birley/Umbach operations along with operatorship of strategic infrastructure that will provide us flexibility with respect to our gas processing and transportation options as we continue to develop this area. The purchase price of the acquisition was $17 million in cash plus 3.5 net sections of non-core lands in the Wapiti area of Alberta.

In our October 29, 2014 news release, we updated our 2014 guidance in light of the foregoing acquisition, lower forecasted fourth quarter commodity prices, timing delays in the on stream date of our first Gold Creek Montney well and the closing of the disposition of our Tunisian operations. We also provided guidance for 2015. Both are set forth below:

	Previous 2014 Guidance	Updated 2014 Guidance	2015 Guidance
Average production (boe/d)	7,750-8,250	7,900-8,000	10,500-11,500
Exit production (boe/d)	N/A	9,100-9,400	13,250-13,750

Cash flow ($mm)(1)(2)	$	58-$60	$	54-$56	$	62-$66
Capital expenditures ($mm)(3)	$	81	$	93	$	135
Net debt/(surplus) ($mm)(1)(2)(4)		N/A	$	(8)	$	60-$65

(1) 2014 Pricing assumptions: Canadian crude oil-$92.95/bbl; Canadian natural gas-$4.79/mcf.

(2) 2015 Pricing assumptions: Canadian crude oil-$84.49/bbl; Canadian natural gas-$4.08/mcf.

(3) Updated 2014 capital expenditures guidance includes net acquisitions/dispositions anticipated for the year.

(4) Management is forecasting positive working capital and no drawn bank debt as at December 31, 2014.

About Chinook Energy Inc.

Chinook is a Calgary-based public oil and gas exploration and development company that combines multi-zone conventional production and resource plays in western Canada.

Reader Advisory

Forward-Looking Statements

In the interest of providing our shareholders and readers with information regarding our company, including management's assessment of our future plans and operations, 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 particular, this news release contains, without limitation, forward-looking statements pertaining to: budgeted amounts in fiscal 2015, expectations that such amounts will be spent in the manner, location and timeframes set forth herein, expectations as to how we will fund the 2015 capital program, expectations of our 2015 capital program by category and geographic area, the number of wells budgeted for drilling and the timing thereof at certain of our core areas, future exploration and development activities and the timing thereof, including the anticipated time that our horizontal well at Gold Creek drilled in the first quarter is expected to be on production, our identified drilling locations at Birley/Umbach and the potential for a significant increase in these locations, our identified horizontal drilling locations on our lands in the Grande Prairie area, various matters related to the recently completed Birley/Umbach acquisition, including the effect of the acquisition on our continuing operations and on our production volumes and the benefits anticipated to be derived therefrom, as well as our expectations regarding production, cash flow, capital expenditures and net debt (surplus) set out in the table under the heading "Outlook".

With respect to the forward-looking statements contained in this news release, we have made assumptions regarding, among other things: that we will continue to conduct our operations in a manner consistent with past operations, future capital expenditure levels, future oil and natural gas prices, future oil and natural gas production levels, future currency, exchange and interest rates, our ability to obtain equipment in a timely manner to carry out exploration and development activities, the ability of the operator of the projects of which we have an interest in to operate in the field in a safe, efficient and effective manner, the impact of increasing competition, field production rates and decline rates, anticipated production volumes, our ability to replace and expand production and reserves through exploration and development activities, certain commodity price and cost assumptions, the results of negotiations and the plans of our partners in certain of our areas; that the budgeted amounts and expenditures set forth herein, which are subject to the discretion of our Board of Directors, will not be amended in the future, and the continued availability of adequate debt and cash flow to fund our planned expenditures.

Although we believe 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 our 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, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices and currency fluctuations, our Board of Directors may amend the 2015 capital program based on its discretion; environmental risks, competition from other producers, inability to retain drilling rigs and other services, unanticipated increased or unforeseen 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 inability 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 our 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 our 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 we do 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.

Netback

The reader is cautioned that this news release contains the term netback, which is not a recognized measure under IFRS and is calculated as a period's sales of petroleum and natural gas, net of royalties less net production and operating expenses and cash G&A as divided by the period's sales volumes. Management uses this measure to assist them in understanding our 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. Our method of calculating this measure may differ from other companies, and accordingly, it may not be comparable to measures used by other companies.

Operating Netback

The reader is cautioned that this news release contains the term operating netback, which is not a recognized measure under IFRS and 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. Management uses this measure to assist them in understanding our 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. Our method of calculating this measure may differ from other companies, and accordingly, it may not be comparable to measures used by other companies.

Net Production Expense

The reader is cautioned that this news release contains the term net production expense, which is not a recognized measure under IFRS and is calculated as production and operating expense less processing and gathering income. Management uses net production expense to determine the current periods' cash cost of operating expenses. Our method of calculating this measure may differ from other companies, and accordingly, it may not be comparable to measures used by other companies.

Cash G&A

The reader is cautioned that this news release contains the term cash G&A, which is not a recognized measure under IFRS and is calculated as G&A less stock-based compensation and the amortization of the deferred lease liability.

Cash Flow

The reader is cautioned that this news release contains the term cash flow, which is not a recognized measure under IFRS and is calculated from cash flow from continuing operations adjusted for changes in non-cash working capital and decommissioning obligation expenditures. Management believes that cash flow is a key measure to assess our ability to finance capital expenditures and debt repayments. Readers are cautioned, however, that this measure should not be construed as an alternative to other terms such as cash flow from operating activities, net income or other measures of financial performance calculated in accordance with IFRS. Our method of calculating this measure may differ from other companies, and accordingly, it may not be comparable to measures used by other companies.

Net Debt (Surplus)

The reader is cautioned that this news release contains the term net debt, which is not a recognized measure under IFRS and 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 any current portion of debt. Management uses net debt (surplus) to assist them in understanding our liquidity at specific points in time. Mark-to-market derivative contracts are excluded from working capital, in addition to net debt (surplus), as management intends to hold each contract through to maturity of the contract's term as opposed 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 our management to provide an outlook of our 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 our operations and the resulting financial results may vary from the amounts set forth herein, and such variation may be material. Our management believes that the FOFI has been prepared on a reasonable basis, reflecting management's best estimates and judgments.

Initial Production Levels

Any references in this news release to initial, early and/or test production/performance rates are useful in confirming the presence of hydrocarbons, however, such rates are not determinative of the rates at which such wells will continue production and decline thereafter. While encouraging, readers are cautioned not to place reliance on such rates in calculating our aggregate production. The initial production rate may be estimated based on other third party estimates or limited data available at this time. The initial production is generally estimated using boes. In all cases in this news release initial production or test rates are not necessarily indicative of long-term performance of the relevant well or fields or of ultimate recovery of hydrocarbons.

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.

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