

# Chinook Energy Enters Into Two Asset Disposition Agreements and Announces Reaffirmation of Its Credit Facility

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CALGARY, ALBERTA--(Marketwired - Dec 2, 2014) - **Chinook Energy Inc. (TSX:CKE) ("Chinook")** is pleased to announce that it has entered into two agreements to sell certain of its assets located in the Gilby and Karr areas of Alberta (the "**Divested Assets**") for total aggregate consideration of approximately \$72 million, subject to customary closing adjustments. The effective date for the Gilby asset disposition is July 1, 2014 and the effective date for the Karr asset disposition is October 1, 2014. The anticipated closing dates of the Gilby and Karr dispositions are December 15, 2014 and January 6, 2015, respectively. Chinook's third quarter 2014 average production from the Divested Assets was approximately 1,385 boe/d (54% natural gas and 46% oil and natural gas liquids). Average production for October 2014 from the Divested Assets was 1,265 boe/d (59% natural gas and 41% oil and natural gas liquids). Chinook has received confirmation from its banking syndicate that its credit facility will remain unchanged at \$125 million following the disposition of the Divested Assets. Chinook estimates that it will have positive working capital of approximately \$80 to \$83 million on January 6, 2015, assuming the Divested Assets are sold as disclosed above.

Chinook is pleased to have executed these agreements in advance of its 2015 Montney capital programs at Birley/Umbach and Gold Creek. Assuming the Divested Assets are sold as disclosed above, Chinook will be fully funded through 2015 and anticipates exiting 2015 undrawn on its \$125 million credit facility. Notwithstanding a strong balance sheet through 2015, as a result of current commodity price volatility, Chinook will evaluate the economic merits of its second half 2015 capital program during the second quarter of 2015 to determine if its project economics are in line with realized commodity pricing and third party service costs. Chinook management has entered into a natural gas hedge for calendar 2015 for 5,000 GJ/day at price of \$3.50/GJ. Approximately \$70 million of Chinook's updated \$127 million 2015 capital program is budgeted for the first half of 2015 with the majority of Chinook's production growth in 2015 anticipated to result from the first half of the 2015 program.

In light of the foregoing pending dispositions, Chinook is updating its guidance for 2014 and 2015 as set forth below:

	<u>Previous 2014 Guidance</u>	<u>Updated 2014 Guidance</u>	<u>Previous 2015 Guidance</u>	<u>Updated 2015 Guidance</u>
Average production (boe/d)	7,900-8,000	7,800-7,900	10,500-11,500	9,000-10,000
Exit production (boe/d)	9,100-9,400	8,250-8,550	13,250-13,750	12,000-12,500
Cash flow (\$mm) <sup>1,2</sup>	\$54-\$56	\$51-\$53	\$62-\$66	\$47-\$52
Capital expenditures (\$mm)	\$82	\$79	\$135	\$127
Net acquisitions (dispositions) (\$mm)	\$11	\$(17)	-	\$(41)
Net capital expenditures (\$mm) <sup>3</sup>	\$93	\$62	\$135	\$86
Net debt (positive working capital) (\$mm) <sup>1,2,4</sup>	\$(8)	\$(38)	\$60-\$65	\$(1)-(\$5)

#### Notes:

<sup>1</sup> 2014 Pricing Assumptions: Canadian crude oil - \$92.95/bbl; Canadian natural gas - \$4.79/mcf.

<sup>2</sup> 2015 Pricing Assumptions: Canadian crude oil - \$84.49/bbl; Canadian natural gas - \$4.08/mcf.

<sup>3</sup> Net of acquisitions/dispositions.

<sup>4</sup> Management is forecasting positive working capital and no drawn debt at year end 2014 and 2015.

## 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: various matters relating to the pending dispositions of the Divested Assets, including satisfaction of the closing conditions thereto, the anticipated closing dates, the effect of the dispositions on our production volumes and the benefits anticipated to be derived therefrom, that our 2015 capital program will be fully funded and that we will exit 2015 undrawn on our \$125 million credit facility, that the majority of our production growth in 2015 is anticipated to result from the first half of our 2015 capital program, as well as our expectations regarding average production, exit production, cash flow, net acquisitions (dispositions), net capital expenditures and net debt (positive working capital) set out in the table above.

With respect to the forward-looking statements contained in this news release, we have made assumptions regarding, among other things: that the dispositions of the Divested Assets will be completed on substantially the terms and on the time frames set forth herein, 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, that the dispositions of the Divested Assets may not be completed on the terms disclosed herein or at all, 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](http://www.sedar.com)) and at our website ([www.chinookenergyinc.com](http://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.

### *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 (Positive Working Capital)*

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 (positive working capital) 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 (positive working capital), 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.

#### *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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