Chinook Energy Inc. Announces $75 Million of Positive Working Capital, Reduced 2015 Capital Program, Production and Guidance Update, and Montney Operational Update

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CALGARY, ALBERTA--(Marketwired - Jan 19, 2015) - **Chinook Energy Inc. (TSX:CKE) ("Chinook")** today announced that it has positive working capital of approximately $75 million and is undrawn on its $125 million credit facility following the recent dispositions of its Karr and Gilby properties. Chinook also announced a decrease in its 2015 capital program as a result of significantly weaker commodity prices since announcing its original program on October 29, 2014.

Chinook's original program targeted $135 million in capital expenditures with projected 2015 average production growth of approximately 33 percent over 2014 volumes. Chinook has reduced its 2015 capital program to approximately $45 million to maintain its strong balance sheet and capital flexibility through 2015. Approximately $25.5 million of capital expenditures will be spent in the first quarter of 2015 and approximately $8.6 million in the second quarter. In addition, Chinook will shut-in approximately 300 to 500 boe/d of lower netback production in 2015.

Chinook's strategy through 2015 is to utilize its capital flexibility and balance sheet strength to maintain optionality throughout a lower commodity price cycle as debt to cash flow levels amongst its peer group become challenged. Chinook will continue to expand and delineate its large Montney resource in 2015 at a pace that does not impair its value creation or growth potential. By deferring facility installations, pipeline construction and a portion of its drilling program, Chinook will not compromise its most economic rates of return by bringing new wells on production in this weak price environment. Chinook remains encouraged about its growth potential and believes that preserving its optionality throughout 2015 will be of the greatest benefit to its shareholders.

The majority of Chinook's original 2015 capital program, or approximately $97 million, was directed toward accelerated development of its Birley/Umbach property in northeast British Columbia to drill 12 (11.1 net) wells, complete construction of a 6.6 kilometre 12 inch pipeline and complete a facility expansion from 10 million cubic feet per day currently to 35 million cubic feet per day in the third quarter of 2015. Chinook will defer approximately $65 million of such capital expenditures until such time as commodity prices support such expenditures. Chinook now intends to drill four (3.6 net) Birley/Umbach wells and complete two (1.75 net) of these wells in 2015. Infrastructure costs facilitating year-round access and program acceleration with stronger commodity prices will still be completed as part of the revised 2015 program. A summary of the revised 2015 capital program by category and area is as follows:

2015 Revised Capital Program by Category

Expenditure Type	$MM	%
Drilling, Completion, Equip and Tie-In	20.3	46
Facilities and Infrastructure	14.7	33
Land and Seismic	5.1	11
Optimizations/Turnarounds/Abandonments	4.4	10
Total	44.5	100

2015 Revised Capital Program by Area

Area - Zone	$MM
Birley/Umbach (Montney)	30.0
Grande Prairie (Montney)	7.6
Grande Prairie (Dunvegan)	0.0
Other	6.9
Total	44.5

Production and Guidance Update

Chinook's production at the beginning of 2015 is estimated to be approximately 7,900 boe/d after giving effect to the completion of the Gilby and Karr asset dispositions announced on December 19, 2014 and January 6, 2015, respectively. Chinook anticipates exiting 2015 at approximately 7,000 to 7,500 boe/d with average production in 2015 between 6,750 and 7,250 boe/d after factoring in voluntary production shut-ins, a major scheduled turnaround at Spectra's McMahon Gas Plant in June and July 2015 and production declines. Revised cash flow guidance for 2015 will be provided with Chinook's year end results in March 2015.

Chinook has updated its guidance for 2015 as follows:

	Previous 2015 Guidance (1)(2)	Updated 2015 Guidance (3)
Average production (boe/d)	9,000-10,000	6,750-7,250
Exit production (boe/d)	12,000-12,500	7,000-7,500
Capital expenditures ($mm)	$127	$45

Notes:

(1) Previous 2015 guidance was based on Canadian crude oil at Cdn.$84.49/bbl and Canadian natural gas at Cdn.$4.08/mcf.

(2) Represents guidance provided by Chinook on December 2, 2014.

(3) Updated 2015 guidance is based on Canadian crude oil at Cdn.$54.03/bbl and Canadian natural gas at Cdn.$3.19/mcf.

Birley/Umbach Montney Operational Update

Chinook's 2014 capital program at Birley/Umbach included drilling two (1.5 net) successful Montney wells which delineated the Montney potential over a large portion of Chinook's 65 (54 net) sections of contiguous Montney lands. Chinook's first well at a-60-K/94-H-3 (0.75 net) was initially brought on at a restricted rate of 3.9 mmcf/d and 135 bbls of free condensate per day (785 boe/d). The well, which now has 170 days of operated production, is currently producing 3.6 mmcf/d and 35 bbls of free condensate per day (628 boe/d). Chinook's second well (0.75 net) at b-71-F/94-H-3 was completed in September with a 23 stage (60 tonnes/stage) slickwater fracture stimulation and was tested over a nine day period with a final test rate of 9 mmcf/d and 60 bbls of free condensate per day (1,560 boe/d). The well has 45 days of operated production at a restricted average day rate of 4.6 mmcf/d and 58 bbls of free condensate per day (826 boe/d). The b-71-k well is approximately 10 kilometres away from the a-60-k well with 100% Chinook owned lands between the two wells.

Chinook's first quarter 2015 operations include two (1.8 net) follow up locations to the b-71-F well from the same pad, one (0.8 net) follow up location to the a-60-K well from the same pad and one (1.0 net) location on a new pad at d-26-K which is located at approximately the midpoint between the a-60-K and b-71-F producing wells. Chinook will complete one (0.75 net) well on the a-60-K pad prior to spring break-up due to seasonal access and will complete one (1.0 net) well on the new a-73-L pad after spring break-up in anticipation of lower service costs. Completion of the two (1.75 net) follow up locations on the b-71-F pad will be deferred pending an evaluation of service costs in the second half of 2015. Production from the two completed wells along with the current two producing wells will keep the current facility running at or near full capacity through 2015. Chinook will also install a 1.6 kilometre 12 inch gathering line to the b-71-K pad and can accelerate the completion of the two existing wells, along with drilling an additional three wells on that pad, should commodity prices improve in the second half of 2015. The facility expansion can also be accelerated with improved commodity prices as the fabrication of equipment will be complete with only installation of the new equipment required to increase capacity to 35 mmcf/d.

Gold Creek Montney Operational Update

Chinook drilled two (1.13 net) Montney wells at Gold Creek in 2014 where it has an interest in 50 gross (35 net) sections of Montney rights. Chinook's previously announced first well (0.375 net) at 16 -30 -67-3 W6 was brought on production on November 7, 2014 and has 63 days of operated production with an initial 30 day production rate of 403 bopd and 3.9 mmcf/d (1,053 boe/d). Average production over the 63 day period was 328 bopd and 3.8 mmcf/d (966 boe/d). Current production from the well is approximately 220 bopd and 3.5 mmcf/d (807 boe/d). Chinook's second well (0.75 net) at 14-12-69-6 W6 was completed in December with a 29 stage (50 tonnes/stage) slickwater hybrid frac and tested over a nine day period with final test rates of 342 bopd and 3.2 mmcf/d (860 boe/d). Chinook anticipates that this well will be on stream sometime in the third quarter of 2015. Chinook plans to drill one additional Montney well in Gold Creek in the fourth quarter of 2015, subject to completing an assessment of commodity prices and service costs.

About Chinook Energy Inc.

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

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 particular, this news release contains, without limitation, forward-looking statements pertaining to: budgeted amounts in fiscal 2015 and the expectation that such amounts will be spent in the manner, location and timeframes set forth herein; Chinook's expectations of its drilling plans by geographic area and the timing thereof; the number of wells budgeted for drilling at certain of Chinook's core areas; future exploration and development activities of Chinook and the timing thereof; as well as management's future expectations regarding production and capital expenditures set out in the table under the heading "Production and Guidance Update".

With respect to the forward-looking statements contained in this news release, Chinook has made assumptions regarding, among other things: future oil and natural gas prices, future currency, exchange and interest rates, future oil and natural gas production levels, that Chinook will continue to conduct its operations in a manner consistent with past operations, future capital expenditure levels, Chinook's 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 Chinook has 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, the ability of Chinook to replace and expand production and reserves through exploration and development activities, certain cost assumptions, the results of negotiations and the plans of Chinook's partners in certain of its areas; and that the budgeted amounts and expenditures set forth herein, which are subject to the discretion of the Board of Directors of Chinook, will not be amended in the future. 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, volatility of commodity prices, currency fluctuations, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, the Board of Directors of Chinook may amend the revised 2015 capital program based on its discretion, 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.

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 the aggregate production for Chinook. 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.

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