

HOUSTON, TX--(Marketwired - May 09, 2016) - [Sanchez Energy Corp.](#) (NYSE: SN) ("Sanchez Energy" or the "Company"), today announced financial results for the first quarter 2016. Highlights include:

- Total production of 5.1 million barrels of oil equivalent ("MMBoe") during the first quarter 2016, up approximately 26% over the first quarter 2015
- Average production of approximately 56,500 barrels of oil equivalent per day ("Boe/d"), which exceeded the high end of the Company's guidance to 52,000 Boe/d for the first quarter 2016 by over 8.5%
- Revenues of \$79.8 million (approximately \$133 million inclusive of hedge settlements) and Adjusted EBITDA (a non-GAAP financial measure) of \$100.5 million
- Total liquidity of approximately \$662 million as of March 31, 2016, which consisted of \$362 million in cash and cash equivalents, a revolving credit facility with an elected commitment amount of \$300 million
- Average drilling and completion costs during the first quarter 2016 of \$3.3 million per well at Catarina and \$3.4 million per well at the Company's best wells coming in at approximately \$3.0 million per well in both areas
- South-Central Catarina wells continue to exceed expectations, with average 30-day rates of greater than 1,300 Boe/d from all wells. The Company has brought on-line to date
- The Company has met its 50 well annual drilling commitment at Catarina for the period July 2015 through June 2016 and has 20 well annual drilling commitment for the period July 2016 through June 2017
- The Carnero Pipeline, constructed by Sanchez Energy's joint venture with a subsidiary of Targa Resources Corp. (NYSE: TRGP) in March 2016 and now transports the majority of Catarina gas volumes

MANAGEMENT COMMENTS

"We are off to a strong start in 2016," said Tony Sanchez, III, Chief Executive Officer of Sanchez Energy. "As previously reported, well production results in the first quarter 2016, exceeding the high end of our guidance by over 8.5%. Process improvements and efficiencies improved our performance, with several wells coming in at a cost of approximately \$3.0 million. This combination of lower costs and strong production to achieve positive returns on our capital program, even in today's challenging commodity price environment, which provides us with a strong foundation for responding to current industry conditions."

"During the first quarter 2016, our development focus remained on Catarina and further delineation of the South-Central region of the field. In this area continue to meet or exceed our expectations, with 11 additional wells brought on-line in South-Central Catarina during the first quarter. Wells brought on-line as of March 31, 2016 in South-Central Catarina have averaged 30-day production rates of greater than 1,300 Boe/d. The Company has also brought the E15 pad on-line, which is a 5-well pad that appraises the area between Western and South-Central Catarina. Initial pressure results from the E15 pad exceeded expectations and are in line with recent results in South-Central Catarina. The extension of the two most productive regions of Catarina expands an already significant growth of inventory in South-Central Catarina."

"As a result of design and process improvements, we are currently averaging 8 days spud to total depth at Catarina and 6 days at the Company's best wells. Continued optimization, one of our most recent wells was drilled with a spud to total depth time of 4.35 days at a cost of \$66 per foot. In addition to having already met our drilling commitments at Catarina for the period July 2015 through June 2016, as of March 31, 2016, 20 wells toward our 50 well annual drilling commitment for the period July 2016 through June 2017. We anticipate that our two rig drilling program will drop to one rig by mid-year 2016, at which time we anticipate a bank of approximately 20 wells toward our next annual drilling commitment for the period July 2016 through June 2017. This provides us with considerable financial flexibility as we execute our 2016 program and plan for future opportunities that may emerge as a result of distress in the industry."

"With respect to our midstream strategy, the Carnero Pipeline, constructed by the Targa joint venture, went in-service in March 2016 and transports the majority of our Catarina gas volumes. The joint venture continues construction of a new cryogenic natural gas processing plant in Louisiana. When complete, the project is expected to provide a path to improved yields, lower processing fees, and significant marketing benefits to Sanchez Energy."

"Based on the strong showing in the first quarter 2016, we reiterate our 2016 upstream capital spending guidance of \$200 million to \$250 million. Our capital budget is expected to maintain production consistent with 2015 levels, with approximately 70% of the capital expected to be spent in 2016."

OPERATIONS UPDATE

The Company's Eagle Ford development plan remains primarily focused on Catarina, where the Company is currently running two rigs. The Company's activity to one rig by the end of the second quarter 2016. First quarter 2016 development activity was primarily focused in South-Central Catarina. The Company has realized some of the best production results on the lease. South-Central Catarina well results continue to trend above the Company's current estimates, currently tracking estimated ultimate recoveries ("EURs") of approximately 1,100 thousand barrels of oil equivalent ("MMBoe"). The Company has met its 50 well annual drilling commitment at Catarina for the period July 2015 through June 2016 and, as of March 31, 2016, has banked 13 wells toward its 50 well annual drilling commitment for the period July 2016 through June 2017.

Drilling and completion costs in the first quarter 2016 averaged approximately \$3.3 million per well at Catarina and \$3.4 million per well at the Company's best wells coming in at approximately \$3.0 million per well in both areas. Nearly all of the Company's recent well cost reductions are due to process and design improvements, which have resulted in reductions in drill time. The Company's well cost reductions are expected to continue in this rising commodity price environment.

As of March 31, 2016, the Company had 640 gross (522 net) producing wells with 17 gross (15.5 net) wells in various stages of completion.

following table:

Project Area	Gross Producing Wells	Gross Wells Waiting/ Undergoing Completion
Catarina	298	11
Marquis	103	--
Cotulla / Wycross	149	3
Palmetto	76	3
TMS / Other	14	--
Total	640	17

PRODUCTION VOLUMES, AVERAGE SALES PRICES, AND OPERATING COSTS PER BOE

The Company's production mix during the first quarter 2016 consisted of approximately 32% oil, 33% natural gas liquids ("NGLs"), and 35% natural gas. The Company's production mix by area, Catarina, Marquis, Cotulla, and Palmetto/Other comprised approximately 81%, 6%, 10%, and 3%, respectively, of the Company's production volumes.

Revenue, inclusive of realized hedge gains, for the three months ended March 31, 2016 totaled approximately \$133 million, a decrease of approximately 10% compared to the same period a year ago. The effect of the decrease in commodity prices was partially offset by higher production and efficiency gains across the portfolio.

Production, average sales prices, and operating costs and expenses per Boe for the first quarter 2016 are summarized in the tables below.

	Three Months Ended	
	March 31, 2016	2015
Net Production:		
Oil (MBbl)	1,639	1,784
Natural gas liquids (MBbl)	1,689	1,121
Natural gas (MMcf)	10,895	6,992
Total oil equivalent (MBoe)	5,144	4,070
Average Sales Price Excluding Derivatives ⁽¹⁾ :		
Oil (\$ per Bbl)	\$ 26.04	\$ 42.35
Natural gas liquids (\$ per Bbl)	8.91	12.36
Natural gas (\$ per Mcf)	2.03	3.03
Oil equivalent (\$ per Boe)	\$ 15.52	\$ 27.18
Average Sales Price Including Derivatives ⁽²⁾ :		
Oil (\$ per Bbl)	\$ 52.71	\$ 57.33
Natural gas liquids (\$ per Bbl)	8.91	12.36
Natural gas (\$ per Mcf)	2.89	3.41
Oil equivalent (\$ per Boe)	\$ 25.85	\$ 34.39
Average unit costs per Boe:		
Oil and natural gas production expenses	\$ 8.69	\$ 8.39
Production and ad valorem taxes	\$ 0.77	\$ 2.13
General and administrative ⁽³⁾	\$ 3.14	\$ 3.39
Depreciation, depletion, amortization and accretion	\$ 9.13	\$ 25.22
Impairment of oil and natural gas properties	\$ 4.29	\$ 108.46

(1) Excludes the impact of derivative instrument settlements.

(2) Includes the impact of derivative instrument settlements.

(3) Excludes stock based compensation.

2016 GUIDANCE

The Company reiterated its 2016 upstream capital spending guidance of \$200 million to \$250 million, with approximately 70% of the

incurred in the first half of the year. At this level of capital spending, the Company anticipates it will be able to maintain production co. Additional detail concerning the Company's capital program can be found in the investor presentation available in the Investors section of the Company's website, provided below.

First quarter 2016 results and second quarter and full year 2016 guidance are summarized in the table that follows:

	Actual 1Q 2016
Production Volumes:	
Oil (Bbls/d)	18,000
NGLs (Bbls/d)	18,500
Natural Gas (Mcf/d)	119,000
Barrel of Oil Equivalent (Boe/d)	56,500
Operating Costs & Expenses :	
Cash Production Expense (\$/Boe) ⁽¹⁾	\$9.4
Non-Cash Production Expense (\$/Boe)	\$0.7
Production & Ad Valorem Taxes (% of O&G Revenue)	5%
Cash G&A (\$/Boe) ⁽²⁾	\$3.1
DD&A Expense (\$/Boe)	\$9.1
Interest Expense (\$MM)	\$31.0
Preferred Dividend (\$MM)	\$4.0

(1) Cash Production Expense guidance only relates to production expenses reported on the cash flow statement and does not include the effect from the deferred gain related to the Western Catarina Midstream Divestiture.

(2) Excludes stock based compensation.

CAPITAL EXPENDITURES

Capital expenditures incurred during the first quarter 2016 related to upstream activities, including accruals, totaled approximately \$5.2 million. In addition to upstream activities, the Company incurred approximately \$5.2 million of capital expenditures in the first quarter 2016 related to the Targa joint venture. The Company expects capital expenditures totaling approximately \$60 million during the remainder of 2016 related to the Targa joint venture.

FINANCIAL RESULTS

The Company reported Adjusted EBITDA of \$64.6 million and Adjusted Net Income (Loss) of (\$17.6) million for the first quarter 2016 compared to Adjusted EBITDA of \$55.2 million and Adjusted Net Income (Loss) of (\$55.2) million reported in the first quarter 2015. Adjusted EBITDA and Adjusted Net Income (Loss) are non-GAAP measures defined in the tables included with today's news release.

On a GAAP basis, the Company reported a net loss attributable to common stockholders of \$(69.8) million for the first quarter 2016, after tax impairment charge of \$22.1 million and a non-cash mark-to-market loss on the value of the Company's hedge portfolio of \$10.9 million.

HEDGING UPDATE

In April 2016, the Company entered into swaps to hedge 1,000 Bbl/d of oil in 2017 at a fixed price of \$50.00/Bbl and 10,000 MMBtu/d of natural gas in 2016 at a fixed price of \$3.00/MMBtu. The Company's counterparty on the swaps has the right, under certain circumstances, to expand the hedge to 2,000 Bbl/d of oil in 2017 and an additional 10,000 MMBtu/d of natural gas in 2018 at the same fixed prices. In May 2016, the Company entered into a swap to hedge 10,000 MMBtu/d of natural gas in 2018 at a fixed price of \$3.00/MMBtu. This brings the Company's current total hedge to 2,000 Bbl/d of oil and 99,154 MMBtu/d of natural gas in 2016, 1,000 to 2,000 Bbls/d of oil and 76,562 MMBtu/d of natural gas in 2017, and 20,000 MMBtu/d of natural gas in 2018.

LIQUIDITY AND CREDIT FACILITY

The Company had liquidity of approximately \$662 million as of March 31, 2016, which consisted of \$362 million in cash and cash equivalents and a bank credit facility with an elected commitment amount of \$300 million and a borrowing base of \$350 million. The Company's elected bank credit facility is expected to remain at \$300 million until the next semi-annual redetermination of the borrowing base by the lender in the fourth quarter 2016.

SHARE COUNT

As of March 31, 2016, the Company had 64.3 million total common shares outstanding. Assuming all Series A Convertible Perpetual B Convertible Perpetual Preferred Stock were converted, total outstanding common shares as of March 31, 2016 would have been 100 million. For the three months ended March 31, 2016, the weighted average number of unrestricted common shares used to calculate net loss attributable to common shareholders, adjusted net income (loss) per common share, basic and diluted, which are determined in accordance with GAAP, was 58.1 million.

CONFERENCE CALL

Sanchez Energy will host a conference call for investors on Monday, May 9, 2016, at 1:00 p.m. Central Time (2:00 p.m. Eastern Time). To listen to the call by visiting our website at www.sanchezenergycorp.com or via webcast, both live and rebroadcast, over the internet at <http://edge.media-server.com/m/p/dwmsgbao/lan/en>.

UPDATED INVESTOR PRESENTATION

An updated investor presentation has been uploaded to the Investors section of the Company's website, provided below.

ABOUT SANCHEZ ENERGY CORPORATION

[Sanchez Energy Corp.](#) is an independent exploration and production company focused on the acquisition and development of unconsolidated resources in the onshore U.S. Gulf Coast, with a current focus on the Eagle Ford Shale in South Texas where we have assembled approximately 100,000 acres, and the Tuscaloosa Marine Shale. For more information about Sanchez Energy Corporation, please visit our website: www.sanchezenergycorp.com.

FORWARD LOOKING STATEMENTS

This press release contains, and our officers and representatives may from time to time make, forward-looking statements within the meaning of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, included in this press release that address activities, events or developments that Sanchez Energy expects, believes or anticipates will occur in the future are forward-looking statements, including statements relating to estimates of our future production, revenues, well cost reductions, commercial benefits of the Targa joint venture, capital expenditures regarding the Targa joint venture, our strategy and plans, our vision, drilling plans, and our capital plans for the remainder of 2016 and beyond. These statements are based on certain assumptions made by management's experience, perception of historical trends and technical analyses, current conditions, anticipated future developments, and other factors to be appropriate and reasonable by management. When used in this press release, the words "will," "potential," "believe," "estimate," "should," "anticipate," "could," "plan," "predict," "project," "profile," "model," "strategy," "future," or their negatives, other similar expressions, include those words, are intended to identify forward-looking statements, although not all forward-looking statements contain such identifiers.

Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond the control of Sanchez Energy. Actual results may differ materially from those implied or expressed by the forward-looking statements, including, but not limited to, failure to produce as anticipated, failure or delays on the part of our joint venture partners, failure to continue to produce oil and gas at historical rates, delays, and any other difficulties related to producing oil or gas, the price of oil or gas, marketing and sales of produced oil and gas, changes in reserves, competition, general economic conditions and the ability to manage our growth, our expectations regarding our future liquidity, and regarding the results of our efforts to improve the efficiency of our operations to reduce our costs and other factors described in Sanchez Energy's Annual Report on Form 10-K and any updates to those risk factors set forth in Sanchez Energy's Quarterly Reports on Form 10-Q. A detailed description of the assumptions, risks and uncertainties is available in Sanchez Energy's filings with the U.S. Securities and Exchange Commission (the SEC). Sanchez Energy's filings with the SEC are available on our website at www.sanchezenergycorp.com and on the SEC's website at www.sec.gov. In light of the risks and assumptions, the events anticipated by Sanchez Energy's forward-looking statements may not occur, and, if any of such events do occur, they may not have correctly anticipated the timing of their occurrence or the extent of their impact on its actual results. Accordingly, you should not place reliance on any of Sanchez Energy's forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made, and Sanchez Energy undertakes no obligation to correct or update any forward-looking statement, whether as a result of new information or otherwise, except as required by applicable law.

SANCHEZ ENERGY CORPORATION CONSOLIDATED STATEMENT OF OPERATIONS DATA (unaudited)

REVENUES:

Oil sales
Natural gas liquid sales
Natural gas sales
Total revenues

OPERATING COSTS AND EXPENSES:

Oil and natural gas production expenses

Production and ad valorem taxes

Depreciation, depletion, amortization and accretion

Impairment of oil and natural gas properties

General and administrative (inclusive of stock-based compensation expense of \$3,344 and \$7,694, respectively, for the three months ended March 31, 2016 and 2015)

Total operating costs and expenses

Operating loss

Other income (expense):

Interest income and other expense

Interest expense

Earnings from equity investments

Net gains on commodity derivatives

Total other income (expense)

Income (loss) before income taxes

Income tax expense

Net loss

Less:

Preferred stock dividends

Net income allocable to participating securities

Net income allocable to participating securities

Net loss attributable to common stockholders

Net loss per common share - basic and diluted

Weighted average number of shares used to calculate net loss attributable to common stockholders - basic and diluted

SANCHEZ ENERGY CORPORATION**CONSOLIDATED BALANCE SHEET**

(unaudited)

ASSETS

Current assets:

Cash and cash equivalents

Oil and natural gas receivables

Joint interest billings receivables

Accounts receivable - related entities

Fair value of derivative instruments

Deferred tax asset

Other current assets

Total current assets

Oil and natural gas properties, at cost, using the full cost method:

Unproved oil and natural gas properties

Proved oil and natural gas properties

Total oil and natural gas properties

Less: Accumulated depreciation, depletion, amortization and impairment

Total oil and natural gas properties, net

Other assets:

Debt issuance costs, net

Fair value of derivative instruments

Deferred tax asset

Investments

Other assets

Total assets

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable

Accounts payable - related entities

Other payables

Accrued liabilities:
Capital expenditures
Other
Deferred premium liability
Fair value of derivative instruments
Deferred tax liability
Other current liabilities
Total current liabilities
Long term debt
Long term debt, net of premium, discount and debt issuance costs
Asset retirement obligations
Deferred tax liability
Deferred premium liability
Fair value of derivative instruments
Other liabilities
Total liabilities
Commitments and contingencies (Note 16)
Stockholders' equity:
Preferred stock (\$0.01 par value, 15,000,000 shares authorized; 1,838,985 shares issued and outstanding as of March 31, 2016 and December 31, 2015 of 4.875% Convertible Perpetual Preferred Stock, Series A; 3,527,830 shares issued and outstanding as of March 31, 2016 and December 31, 2015 of 6.500% Convertible Perpetual Preferred Stock, Series B)
Common stock (\$0.01 par value, 150,000,000 shares authorized; 64,296,945 and 61,928,089 shares issued and outstanding as of March 31, 2016 and December 31, 2015, respectively)
Additional paid-in capital
Accumulated deficit
Total stockholders' deficit
Total liabilities and stockholders' deficit

[Sanchez Energy Corp.](#)

Non-GAAP Reconciliation - Adjusted EBITDA

	Three Months Ended March 31, 2016	2015
Net income (loss)	\$ (65,774)	\$ (497,345)
Plus:		
Interest expense	31,606	31,558
Net gains on commodity derivative contracts	(22,757)	(41,303)
Net settlements received on commodity derivative contracts ⁽¹⁾	53,159	29,355
Depreciation, depletion, amortization and accretion	46,965	102,657
Impairment of oil and natural gas properties	22,084	441,450
Stock-based compensation expense	3,344	7,694
Write off of joint venture receivable, non-recurring	--	2,251
Income tax expense	--	7,442
Less:		
Amortization of deferred gain on Western Catarina Midstream Divestiture	(3,703)	--
Interest income	(326)	(93)
Adjusted EBITDA	\$ 64,598	\$ 83,666

(1) This amount includes premiums accrued but not paid as of the end of the period.

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Non-GAAP Reconciliation - Adjusted Net Income

	Three Months Ended March 31, 2016
Net loss	\$ (65,774)

Less: Preferred stock dividends	(3,98
Net loss attributable to common shares and participating securities	(69,7
Plus:	
Non-cash preferred stock dividends associated with conversion	--
Non-cash write off of joint venture receivables	--
Net gains on commodity derivatives contracts	(22,7
Net settlements received (paid) on commodity derivative contracts ⁽¹⁾	53,1
Premiums on commodity derivative contracts ⁽¹⁾	--
Impairment of oil and natural gas properties	22,0
Stock-based compensation expense	3,34
Acquisition and divestiture costs included in general and administrative	--
Amortization of deferred gain on Western Catarina Midstream Divestiture	(3,70
Tax impact of adjustments to net income (loss) ⁽²⁾	--
Adjusted net income (loss)	(17,6
Adjusted net income allocable to participating securities ⁽³⁾	--
Adjusted net income (loss) attributable to common stockholders	\$ (17,6
Adjusted net income (loss) per common share - basic and diluted ⁽⁴⁾⁽⁵⁾	\$ (0.30
Weighted average number of unrestricted outstanding common shares to calculate adjusted net income (loss) per common share - basic and diluted	58,0

(1) This amount includes premiums accrued but not paid as of the end of the period.

(2) The tax impact is computed by utilizing the Company's effective tax rate on the adjustments to reconcile net income (loss) to adjusted net income.

(3) The Company's restricted shares of common stock are participating securities.

(4) The three months ended March 31, 2016 excludes 685,597 shares of weighted average restricted stock and 12,520,179 shares resulting from an assumed conversion of the Company's Series A Convertible Stock and Series B Convertible Perpetual Preferred Stock of the denominator for diluted earnings per common share as these shares were anti-dilutive.

(5) The three months ended March 31, 2015 excludes 1,556,115 shares of weighted average restricted stock and 12,530,695 shares resulting from an assumed conversion of the Company's Series A Convertible Stock and Series B Convertible Perpetual Preferred Stock of the denominator for diluted earnings per common share as these shares were anti-dilutive.

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