CALGARY, ALBERTA--(Marketwired - Jan. 4, 2017) - Chinook Energy Inc. (TSX:CKE) ("Chinook" or the "Company") is pleased to provide the following operational and corporate update.

Drilling Update

Chinook has successfully completed its three well (2.62 net) drilling program at Birley/Umbach, announced on November 9, 2016. The drilling of these wells was completed on schedule and under budget by approximately 26% with average drilling costs of approximately $1.28 million per well ($1.12 million, net). The Company expects to complete and tie-in the three wells during the first quarter of 2017.

New Credit Facility

Chinook has secured an $8.0 million demand revolving credit facility with a Canadian chartered bank. Borrowings under the credit facility are limited to $2.0 million subject to confirmation that the foregoing three wells of the Company are on production and producing to the lender's satisfaction. The credit facility is subject to an annual review beginning on June 1, 2017. Chinook estimates its working capital surplus to be $13.5 million at December 31, 2016.

Natural Gas Hedges

Chinook has entered into hedges to fix the AECO price of natural gas on 7,500 gigajoules per day of natural gas production at an average of $3.205 per gigajoule in Canadian dollars for 2017.

Proposed Asset Disposition

In connection with its announced strategic review process, Chinook set out to create a stronger Montney focused company which would be better positioned to pursue a more aggressive drilling program on its core Birley/Umbach acreage while maintaining a sound balance sheet. In furtherance of this objective, Chinook is pleased to announce that it has entered into a letter of intent to sell, effective February 1, 2017, certain of its assets located in the Gold Creek area of Alberta (the "Divested Assets") for net consideration of approximately $10.5 million, subject to customary closing adjustments. The proposed disposition is anticipated to close on or before February 20, 2017 and is highly accretive to Chinook. The Divested Assets include 15.6 net sections of land and related pipelines and production facilities. As at December 31, 2015, Chinook had total proved and total proved plus probable reserves associated with these properties of 151.8 thousands of barrels of oil equivalent ("mboe") and 223.1 mboe, respectively, with associated estimated net present values of approximately $1.84 million and $2.48 million using forecast pricing at a 10% discount. Chinook's average production from the Divested Assets for the first three quarters of 2016 was 99 boe/d (65% natural gas and 35% oil and natural gas liquids). The Company expects the proposed disposition to have minimal impact on its funds flow.

"We are pleased to have executed the asset disposition proposal as the funds received, together with our new credit facility, further strengthens our financial position and provides us with improved financial flexibility throughout 2017 to support an increased level of activity on our Birley/Umbach property." stated Walter Vrataric, President and Chief Executive Officer of Chinook. "Upon closing of the proposed disposition, we will focus solely on our Montney acreage at Birley/Umbach where we hold 55,090 acres (44,733 net) of Montney rights with an upper Montney drilling inventory of over 270 (227 net) management identified locations along with additional potential to reduce inter-well spacing in the upper Montney (from four to five or six horizontal wells per section) and also develop middle and lower Montney layers throughout a 250 meter thick Montney interval", added Mr. Vrataric.

Chinook is continuing to investigate opportunities to maximize the value of its remaining Alberta Montney acreage at Knopcik/Pipestone where it holds approximately 21,280 acres (12,070 net) of Montney rights in this emerging area which has witnessed an increased level of industry drilling activity over the last several years.

Chinook's current production, (excluding volumes from the proposed Gold Creek disposition) is approximately 3,030 boe/d and the Company expects to exit the first quarter of 2017 at approximately 5,300 boe/d. Chinook will provide its full year 2017 capital spending and production guidance upon closing of the proposed asset disposition.

Conclusion of Strategic Review Process

With the foregoing proposed asset disposition, Chinook has concluded its ongoing review of strategic alternatives. Chinook will utilize its sound balance sheet and cash flow to focus on realizing per share growth on its existing core Montney assets at Birley/Umbach.

About Chinook Energy Inc.

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

Reader Advisory

Forward-Looking Statements

This news release contains forward-looking statements as to Chinook's internal projections, forecasts, expectations or beliefs relating to future events or future performance, including: the expected time frame to complete and tie-in the three wells at Birley/Umbach, Chinook's estimated working capital surplus as at December 31, 2016, various matters relating to the proposed disposition of the Divested Assets, including the anticipated closing date of the proposed disposition, the effect of the proposed disposition on Chinook's production volumes and reserves and the benefits anticipated to be derived therefrom, management's intention to concentrate on Chinook's Montney acreage at Birley/Umbach, including potentially reducing inter-well spacing and how it intends to manage the Company, the Company's expected production at the end of the first quarter of 2017 and the timing of the release of the Company's full year 2017 capital spending and production guidance. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expects", "projects", "plans", "anticipates" and similar expressions. The projections, estimates and beliefs contained in such forward-looking statements are based on certain assumptions that management of Chinook believes are reasonable at this time, including Chinook's ability to obtain equipment in a timely manner to carry out exploration, development and completion activities, that the proposed disposition of the Divested Assets will be completed on substantially the terms and the time frame set forth herein, future capital expenditure levels, certain cost assumptions, and the continued availability of adequate debt and cash flow to fund Chinook's planned expenditures. Although management of 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, Chinook's inability to retain drilling rigs and other services in a timely fashion, that the letter of intent in respect of the proposed disposition of the Divested Assets is non-binding and such disposition 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, volatility of commodity prices and currency fluctuations, environmental risks, competition from other producers, unanticipated increases in 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 foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect Chinook's operations or financial results are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com), or Chinook's website (www.chinookenergyinc.com).

The forward-looking statements and information contained in this news release are made as of the date hereof and Chinook 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.

Drilling Locations

This news release discloses drilling locations in three categories: (i) proved locations; (ii) probable locations; and (iii) unbooked locations. Proved locations and probable locations are derived from the Company's most recent independent reserves evaluation as prepared by McDaniel & Associates Consultants Ltd. as of December 31, 2015 and account for drilling locations that have associated proved and/or probable reserves, as applicable. Unbooked locations are internal estimates based on Chinook's prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have attributed reserves or resources. Of the over 270 gross (227 net) additional drilling locations identified herein, 10 gross (8.4 net) are proved locations, 6 gross (5.1 net) are probable locations and 254 gross (213.5 net) are unbooked locations. Unbooked locations have been identified by management as an estimation of our multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that Chinook will drill all unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and natural gas reserves, resources or production. The drilling locations on which we actually drill wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the unbooked drilling locations have been derisked by drilling existing wells in relative close proximity to such unbooked drilling locations, the majority of other unbooked drilling locations are farther away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves, resources or production.

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.

Working Capital Surplus

The reader is cautioned that this news release contains the term working capital surplus, which is not a recognized measure under IFRS and is calculated as current assets less current liabilities both of which exclude derivative contracts and assets and liabilities held for sale and current liabilities excludes any current portion of decommissioning obligation. Management uses working capital surplus to assist them in understanding our liquidity at specific points in time. Mark-to-market derivative contracts are excluded from working capital 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 the estimated working capital surplus at December 31, 2016 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 variations may be material. Our management believes that the FOFI has been prepared on a reasonable basis, reflecting management's best estimates and judgments.

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