7G provides an in-depth update on business performance, strategy and operations

CALGARY, ALBERTA--(Marketwired - Jan 23, 2017) - Seven Generations Energy Ltd. (TSX:VII) has published its Annual Strategic Update, a comprehensive report that confirms that its assets are performing as expected. Growth for 2017 is underpinned by a rigorous plan built on continued strong well performance that is meeting or exceeding well production type curves in the Kakwa River Project. The update, posted on www.7genergy.com, provides stakeholders with a wide-ranging discussion of 7G's strategy, performance, leadership, culture and stakeholder service.

"Thorough business and investor communication are at the core of Seven Generations' service to stakeholders. By providing an in-depth report on all aspects of our business, we hope that every Seven Generations stakeholder will be very well informed about our company's operations, performance and strategy. Each year, we meet face-to-face with hundreds of individual stakeholders. We strive to ensure they understand our results and how we plan to achieve profitable and responsible growth," said Marty Proctor, 7G's President and Chief Operating Officer.

"Our annual strategic update outlines improving well performance, capital efficiency gains and an expanded inventory of Nest 2 drilling opportunities. All of these improvements confirm our confidence in the long term value proposition of Seven Generations," adds Proctor.

Improving type curves show significant condensate production increase since 7G's IPO

Seven Generations continues to apply and advance technology in its drilling, completions and production techniques. Since publishing production type curves within the Initial Public Offering prospectus in late 2014, technological advances have led to significant increases in Nest 2 well productivity, as outlined in the table below.

"Our improving type curves mean that we have significantly increased our average two year production and condensate yields over our original 2014 estimates. Innovation and optimization are paying dividends," said Chris Law, 7G's Chief Financial Officer. "The benefit of these improvements is clear. We see a marked increase in the return on investment for each well we drill and an ongoing reduction to full-cycle supply costs through the application of these enhanced drilling and completions techniques."

Year-over-year changes in Nest 2 type curves - management estimates

				First year average						First two year a	
Type Curve*	# of Wells	Stage count	Tonnes per stage	Gas (Mcf/d)	% Δ 2014	Condensate (boe/d)	% Δ 2014	Total (boe/d)	% Δ 2014	Gas (Mcf/d)	% &Del 2014
2014	25	25	110	4,491	-	458	-	1,207	-	3,200	-
2015	31	28	120	3,984	-11	491	+7	1,155	-1	3,155	-1
2016	46	28	160	4,573	+2	564	+23	1,326	+13	3,622	+13

* Type curves are defined below in Definitions

Type curve definitions, details and assumptions relating to Seven Generations' Nest 2, Nest 1 and Wapiti type curves are outlined in the company's Annual Strategic Update and corporate presentation on www.7genergy.com.

Strong production growth in 2016 despite fewer than expected wells brought online

7G's production is estimated to have averaged 117,500 boe/d for 2016, a 95 percent increase over 2015 production with capital investments expected to be less than $1 billion, as was described in the news release issued on January 6, 2017. This production level is about 2 percent below the lower end of 7G's previous 2016 guidance of 120,000 - 125,000 boe/d, while capital investments are expected to be more than 5 percent below the low end of 2016 capital guidance.

"A number of factors played into our lower than expected production and capital investments in 2016. Fourth quarter production was weighed down by a scheduled eight-day shutdown on the Alliance Pipeline that was extended by a day. When taking into account the shutdown and ramp time on either side of the outage, we were down for about a third of October," said Glen Nevokshonoff, Senior Vice President, Operations.

"We were slower than expected in ramping up production following the Alliance outage partially due to challenges related to removing injected water. Our scheduling delays were further amplified by weather conditions that impacted construction schedules. As a result, we got less work done, fewer wells online and less capital invested within the calendar year. Although we did not complete our full drilling and completions plan, the wells we added in 2016 are producing at or above expectations, which affirms our confidence in the Montney Kakwa reservoir and its resource potential," Nevokshonoff said.

On August 18, 2016, Seven Generations closed the acquisition of approximately 155 net sections of Montney land and, concurrent with the acquisition, 7G increased its original production guidance from an average of 100,000 - 110,000 boe/d to an average of 120,000 - 125,000 boe/d.

"We were too ambitious in our projection of the amount of work that we could get accomplished in the second half of the year when we increased our production guidance by about 17 percent. As a result, we did not realize all of the incremental production we expected, even though our original 7G assets produced near the high end of our initial 2016 guidance range," Proctor said. "While we are not satisfied with our fourth quarter execution, we have learned from this experience and are confident in our ability to improve."

60 new producing wells in 2016 with a significant inventory of in-process wells

Seven Generations added 60 new producing wells during 2016, including five new wells brought online in late December, compared to the planned addition of 67 wells. With the completion and tie-in of the 2016 delayed wells pushed into 2017, 7G has a large inventory of in-process wells. As of January 1, 2017, 7G had 84 wells in various stages of drilling, completions and tie-in. With 10 rigs now running, 7G plans to drill 100 - 110 wells in 2017.

"While substantial productive capacity was deferred into 2017, the first quarter is typically a very active quarter that results in significant downtime due to concurrent operations on our Super Pads," Nevokshonoff said. "We expect first quarter production to track in line with the approximate 150,000 boe/d we averaged in December. Production from our in-process well inventory is expected to accrue to our planned production ramps in the second quarter and beyond, which is why we remain confident in our average 2017 production guidance of 180,000 - 190,000 boe/d."

Montney acquisition integration expands Nest 2 acreage

Preliminary drilling and completion of wells on the acquired Montney lands has shown strong results. They confirm 7G's expectations that these new well results are aligning with the prolific production rates that have defined the company's Nest 2 lands.

"We have early production results that show improved well performance where we have applied 7G's completion practices to the acquired land base. We now have 45 days of production data from two wells that 7G completed on the acquired lands that are adjacent to two existing, acquired wells. A comparison shows that the new 7G completed wells have significantly better condensate-to-gas ratios, are holding production flat and showing similar to better pressure decline. These wells have produced almost the same amount of condensate in 45 days that the acquired producing wells did in a full year. We are confident that by applying 7G's drilling, completions and production techniques to these acquired lands will unlock significant incremental value which will accrue to our shareholders as we develop these assets," says Nevokshonoff.

The preliminary results from these two wells justify expanding the southern boundary of 7G's Nest 2 lands, the company's most prolific reservoir, by approximately by six sections which equates to about 40 drilling locations.

Slickwater completions lowering costs by up to $1.5 million per well

During the second quarter of 2016, Seven Generations shifted its proppant carrying medium from a nitrogen based foam to slickwater. Slickwater completions cost approximately $1.0 million to $1.5 million less than nitrogen foam based fractures, representing a savings of about 10 percent on drilling and completions costs for each well. With slickwater, 7G is injecting five to seven times more water into each well, which results in a significantly higher proportion of water flowing back when these wells start producing. There are higher water handling charges that impact operating costs, however those increased costs are more than offset by the upfront capital cost savings.

"We have gone to great lengths to understand the impact that our shift to slickwater completions has had on the amount of water we are seeing in our wells. We have direct analogs from completions using nitrogen foam and oil-based fractures that give us confidence that we are not observing pervasive water issues within our Montney holdings. That being said, we do believe that there is initial communication between wells, or to put it another way, water that we pump in one well may be initially introduced to another, nearby well. This communication is intentional as we want to ensure that we are not leaving resource stranded between adjacent wells and that we fracture and contact as much reservoir as possible with our completions. Given this is an early stage interaction between wells and because production is performing on type curve, we believe we are optimizing our well spacing. Our wells completed with slickwater are producing as expected, with slightly higher liquids yields. This helps to confirm our view on our slickwater completions and our understanding of how water impacts our Montney holdings. In short, this Montney reservoir continues to deliver among the lowest supply cost liquids-rich natural gas in North America. Kakwa is a great asset, and we continue to see improved performance as we advance our innovation to generate long-term value," Nevokshonoff said.

Stakeholders are encouraged to review the Annual Strategic Update and 7G's updated corporate presentation that are posted on www.7genergy.com. Seven Generations plans to issue its year-end 2016 financial and operating results on March 8, 2017.

Seven Generations Energy

Seven Generations is a low-cost, high-growth Canadian natural gas developer generating long-life value from its liquids-rich Kakwa River Project, located about 100 kilometres south of its operations headquarters in Grande Prairie, Alberta. 7G's corporate headquarters are in Calgary and its shares trade on the TSX under the symbol VII.

Reader Advisory

This news release contains certain forward-looking information and statements that involves various risks, uncertainties and other factors. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "should", "believe", "plans", and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this news release contains forward-looking information and statements pertaining to the following: expected production and capital investments for 2016, production targets for 2017; expectation that production from a portion of the acquired properties will align with the high growth production rate achieved from the Company's Nest 2 properties; that production from the in-process well inventory will come on-stream in the second quarter of 2017 and beyond; anticipated liquids yields; the number of wells to be drilled in 2017; the expectation that applying 7G's drilling and completion techniques to newly acquired lands will unlock significant value beyond the purchase price that was paid for those assets and substantial value will accrue to 7G's shareholders as the properties are developed; the expected number of additional drilling locations in the Company's expanded Nest 2 area; and the release of 7G's 2016 year-end financial and operating results on March 8, 2017.

With respect to forward-looking information contained in this news release, assumptions have been made regarding, among other things: the accuracy of the tabulation of early production results and capital expenditures in 2016; that wells drilled in the same fashion in the same formations in proximity to the type-wells that were used in 7G's type-curve forecasts will deliver similar production results, including liquids yields; future oil, natural gas liquids and natural gas prices; the company's ability to obtain qualified staff and equipment in a timely and cost efficient manner; the company's ability to market production of oil, natural gas liquids and natural gas successfully to customers; the company's future production levels; the applicability of technologies for the company's reserves and resources; future capital investments by the company; future funds from operations from production; future sources of funding for the company's capital program; the company's future debt levels; geological and engineering estimates in respect of the company's reserves and resources; the geography of the areas in which the company is conducting exploration and development activities; the access, economic and physical limitations to which the company may be subject from time to time; the impact of competition on the company; and the company's ability to obtain financing on acceptable terms.

Actual results could differ materially from those anticipated in this forward-looking information as a result of the risks and risk factors that are described in the company's annual information form dated March 8, 2016 for the year ended December 31, 2015 (the AIF) and the Short Form Prospectus dated July 19, 2016, which are available on SEDAR at www.sedar.com, including, but not limited to: the possible failure to realize all of the anticipated benefits from the 2016 acquisition of assets from Paramount Resources Ltd. (Paramount); volatility in market prices and demand for oil, natural gas liquids and natural gas and hedging activities related thereto; general economic, business and industry conditions; variance of the company's actual capital costs, operating costs and economic returns from those anticipated; the ability to find, develop or acquire additional reserves and the availability of the capital or financing necessary to do so on satisfactory terms; risks related to the exploration, development and production of oil and natural gas reserves and resources; negative public perception of oil sands development, oil and natural gas development and transportation, hydraulic fracturing and fossil fuels; actions by governmental authorities, including changes in government regulation, royalties and taxation or the enforcement thereof; the rescission, or amendment to the conditions of, groundwater licenses of the company; management of the company's growth; the ability to successfully identify and make attractive acquisitions, joint ventures or investments, or successfully integrate future acquisitions or businesses; the availability, cost or shortage of rigs, equipment, raw materials, supplies or qualified personnel; the absence or loss of key employees; uncertainty associated with estimates of oil, natural gas liquids and natural gas reserves and resources and the variance of such estimates from actual future production; dependence upon compressors, gathering lines, pipelines and other facilities, certain of which the company does not control; the ability to satisfy obligations under the company's firm commitment transportation arrangements; unforeseen difficulties integrating the assets acquired from Paramount into the company's operations;
the uncertainties related to the company's identified drilling locations; operating hazards and uninsured risks; the possibility that company's drilling activities may encounter sour gas; execution of the company's business plan; failure to acquire or develop replacement reserves; the concentration of the company's assets in the Kakwa River Project area; unforeseen title defects; Aboriginal claims; failure to accurately estimate abandonment and reclamation costs; development and exploratory drilling efforts and well operations may not be profitable or achieve the targeted return; dependence on employees and contractors; third-party claims regarding the company's right to use technology and equipment; expiry of certain leases for undeveloped leasehold acreage in the near future; potential conflicts of interests; actual results differing materially from management estimates and assumptions; seasonality of the company's activities and the Canadian oil and gas industry; weather related risks, fires and natural disasters; extensive competition in the company's industry; changes in the company's credit ratings; dependence upon a limited number of customers; terrorist attacks or armed conflict; loss of information and computer systems; security deposits may be required under provincial liability management programs; reassessment by taxing authorities of the company's prior transactions and filings; variations in foreign exchange rates and interest rates; third-party credit risk including risk associated with counterparties in risk management activities related to commodity prices and foreign exchange rates; sufficiency of insurance policies; litigation; sufficiency of internal controls; third-party breach of agreements or failure of counterparties to meet their commitments; impact of expansion into new activities on risk exposure; risks related to the company's senior unsecured notes and other indebtedness, including potential inability to comply with the covenants in the credit agreement related to the company's credit facilities and/or the covenants in the indentures in respect of the senior secured notes.

The forward-looking information and statements contained in this news release speak only as of the date hereof, and the company does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required

pursuant to applicable laws.

Definitions

2014 Type Curve is the type curve that was presented in 7G's 2014 Initial Public Offering prospectus, which was used for 2015 budgeting and guidance purposes. It was based on a 2,200m lateral length with 25 stages and 110 tonnes of proppant per stage and was developed using production data from 2014 and prior years.

2015 Type Curve is the type curve that was created in the fourth quarter of 2015, which was used for 2016 budgeting and guidance purposes. It was based on a 2,450m lateral length with 28 stages and 120 tonnes of proppant per stage and was developed using production data from 2015 and prior years.

2016 Type Curve is the type curve that was created in fourth quarter of 2016, which was used for 2017 budgeting and guidance purposes. It is based on a 2,700m lateral length with 28 stages and 160 tonnes of proppant per stage and was developed using production data from 2016 and prior years. This type curve was used for 2017 budgeting and guidance.

IPO or Initial Public Offering means the company's initial public offering that was completed on November 5, 2014.

Initial Public Offering prospectus means the supplemented PREP prospectus of the Company dated October 29, 2014 filed in connection with the Company's IPO.

Nest means the primary development block of the Kakwa River Project.

Nest 1 is the portion of the company's Nest area that does not form part of Nest 2, which is shown on the maps that are contained in the company's corporate presentation that is available on its website at www.7genergy.com.

Nest 2 means the higher return prospects that are located within the Nest, which are shown on the maps that are contained in the company's corporate presentation that is available on its website at www.7genergy.com.

Wapiti is the area shown as "Wapiti" on the maps that are contained in the company's corporate presentation that is available on its website at www.7genergy.com.

Seven Generations Energy Ltd. is also referred to as Seven Generations, Seven Generations Energy, 7G or the company.

TSX means the Toronto Stock Exchange.

Abbreviations

Δ	difference or change in figures compared
boe	barrels of oil equivalent [(1)]
boe/d	barrels of oil equivalent per day
Mcf	thousand cubic feet
Mcf/d	thousand cubic feet per day

1. 7G has adopted the standard of 6 Mcf:1 bbl when converting natural gas to oil equivalent. Condensate and other natural gas liquids are converted to oil equivalent at a ratio of 1 bbl:1 bbl. Boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 bbl is based roughly on an energy equivalency conversion method primarily applicable at the burne tip and does not represent a value equivalency at 7G's sales point. Given the value ratio based on the current price of oil as compared to natural gas is significantly different from the energy equivalency of 6 Mcf: 1 bbl, utilizing a conversion ratio at 6 Mcf: 1 bbl may be misleading as an indication of value.

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