Chinook Energy Announces Non-Core Asset Disposition and 2017 Capital Program and Guidance

08.02.2017 | Marketwired

CALGARY, Feb 8, 2017 - Chinook Energy Inc. (TSX:CKE) ("Chinook" or the "Company") is pleased to announce the following non-core asset disposition and its capital program and guidance for 2017.

Disposition of Non-Core Knopcik/Pipestone Assets

On January 23, 2017, Chinook completed the sale of certain of its non-core assets located in the Knopcik/Pipestone area of Alberta (the "Knopcik/Pipestone Assets") for net consideration of approximately $7.5 million, subject to customary closing adjustments pursuant to a sale agreement dated January 20, 2017. The Knopcik/Pipestone Assets included 15.8 net sections of land, of which 5.25 net sections would have necessitated drilling activity in 2017 prior to expiry. The disposition has no impact on Chinook's funds flow or reserves and is consistent with its strategy of rationalizing its non-core assets to further focus on its Montney liquids-rich natural gas positions at Birley/Umbach, British Columbia where it is in the process of completing and tying-in three (2.6 net) wells.

Chinook filed a material change report in respect of the asset disposition on a confidential basis in reliance on subsection 7.1(2) of National Instrument 51-102 on January 23, 2017 pursuant to a request from the purchaser due to its need for confidentiality until this time.

Chinook estimates that its working capital surplus will be $25 million as at March 31, 2017.

2017 Capital Budget

Chinook's Board of Directors approved a $40 million capital program for 2017 focusing on the development of liquids-rich natural gas at Birley/Umbach, British Columbia. This capital budget will allow Chinook to drill, complete and tie-in six (4.5 net) wells prior to December 31, 2017 in addition to the three (2.6 net) wells currently being completed and tied-in. This capital budget will also fund the expansion of Chinook's 25 mmcf/d compressor station at Birley/Umbach to 50 mmcf/d. Chinook's pace of Montney development will continue to be prudently managed to demonstrate growth from its Montney assets while maintaining a strong balance sheet.

2017 Guidance

Chinook's guidance for 2017 is as follows:

(millions, except boe/d)	FY 2017 Guidance
Average production (boe/d)	4,070 - 4,170
Exit production (boe/d)	6,000 - 6,150
Capital expenditures	$40
Working capital surplus as at December 31, 2017	$3

About Chinook Energy Inc.

Chinook is a Calgary-based public oil and natural gas exploration and development company which is focused on realizing per share growth from its large contiguous Montney liquids-rich natural gas position at Birley/Umbach, British Columbia.

Website: www.chinookenergyinc.com

Reader Advisory

Forward-Looking Statements

In the interest of providing shareholders and readers with information regarding Chinook, including management's assessment of Chinook's 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", "guidance", "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: the anticipated benefits to Chinook from completing the non-core asset disposition; Chinook's estimated working capital surplus as at March 31, 2017; the amount and composition of Chinook's 2017 capital program; future exploration and development activities and the timing thereof and how management intends to manage Chinook as well as Chinook's 2017 guidance regarding production, capital expenditures and working capital surplus set out in the table under the heading "2017 Guidance".

With respect to the forward-looking statements contained in this news release, Chinook made assumptions regarding, among other things: that Chinook will continue to conduct its operations in a manner consistent with that expressed herein, future capital expenditure levels, future oil and natural gas prices, future oil and natural gas production levels, future currency, exchange and interest rates, 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 in 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, anticipated production volumes, Chinook's ability 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 areas; that the budgeted 2017 capital, which is subject to the discretion of the Board of Directors of Chinook, will not be amended in the future, and the continued availability of adequate debt and cash flow to fund Chinook's planned expenditures. Although management 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, risks associated with oil and natural gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices and currency fluctuations, the Board of Directors of Chinook may amend the 2017 capital program based on its discretion; environmental risks, competition from other producers, inability to retain drilling rigs and other services, 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 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.

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 bank debt adjusted for working capital excluding mark-to-market derivative contracts, current portion of decommissioning obligation and assets and liabilities held for sale. Working capital excluding mark-to-market derivative contracts, current portion of decommissioning obligation and assets and liabilities held for sale 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 debt and decommissioning obligation. Management uses working capital surplus to assist them in understanding Chinook's 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 anticipated capital expenditures and working capital surplus as at March 31, 2017 and as set out in the table under the heading "2017 Guidance", may contain Future Oriented Financial Information ("FOFI") within the meaning of applicable securities laws. The FOFI has been prepared by management to provide an outlook of Chinook's 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 Chinook's operations and the resulting financial results may vary from the amounts set forth herein, and such variations may be material. Management of Chinook 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.

Contact

Walter Vrataric, President and Chief Executive Officer
Chinook Energy Inc.
(403) 261-6883
Jason Dranchuk, Vice President, Finance and Chief Financial Officer
Chinook Energy Inc.
(403) 261-6883
www.chinookenergyinc.com