Petrus Resources Announces Operations Update and 2018 Outlook

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CALGARY, ALBERTA--(Marketwired - Dec. 15, 2017) - Petrus Resources Ltd. ("Petrus" or the "Company") (TSX:PRQ) is pleased to announce an operations update as well as a 2018 outlook.

PRODUCTION AND OPERATIONS UPDATE

Petrus' 2017 drilling program has been focused exclusively in the Ferrier area targeting liquids rich natural gas in the Cardium formation. Throughout 2017, the Company drilled or participated in 18 gross (13.1 net) wells. This included two Extended Reach Horizontal ("ERH") wells related to the previously announced Ferrier farm-in agreement ("Farm-In"), each with approximately 100 stages of fracture stimulations. One of these ERH wells came on production on November 27, 2017, while the second ERH well is scheduled to be fracture stimulated and on production by the end of 2017. Subject to completion, the Farm-In is expected to contribute 16 gross (5.2 net) Cardium locations to the Company's drilling inventory. In December, the Company also participated in a non-operated ERH Cardium well (28% working interest) which is expected to come on production early in 2018. Petrus' field estimated production for the first week of December was approximately 10,800 boe/d. Petrus has grown its production by 52% since the third quarter of 2016 (average production of 7,100 boe/d). This production growth is all attributed to drilling in the Ferrier area.

Based on the Company's estimated year-end production of 11,000 boe/d and estimated 2017 capital expenditures ($70.2 million, including $13.7 million of capital for the Ferrier gas plant expansion), Petrus estimates its cost to add production in 2017 will be approximately $14,000 per boe/d. The capital expenditures exclude acquisition and disposition investment.

In November, Petrus completed the semi-annual review of its revolving credit facility ("RCF"). As a result of drilling in the Ferrier area and operating efficiency improvements, Petrus' RCF syndicate of lenders increased the borrowing base from $120 million to $130 million. In addition, the Company's total debt borrowing limit was increased from $141 million to $155 million. Petrus' second lien term loan ("Term Loan") has $35 million outstanding therefore lender consent, from both the RCF syndicate and Petrus' Term Loan lender, is required for total borrowings against the RCF that exceed $120 million.

2018 OUTLOOK

Petrus' Board of Directors has approved a 2018 capital budget of $25 to $30 million, with excess funds flow to be directed toward debt repayment. The reduced capital budget, relative to the 2017 capital budget, is in response to the current commodity price outlook as well as the $10 million 2017 capital budget increase in the fourth quarter of 2017. Petrus estimates debt repayment between $10 and $15 million in 2018, based on a current forecast for commodity futures pricing, anticipated service costs and current activity levels. Assuming capital investment of $25 million and a current forecast for commodity futures pricing, Petrus estimates the 2018 capital program will increase production year over year by 2% to an average annual 2018 production of approximately 10,350 boe/d. The 2018 capital is expected to be directed primarily to the development of the Company's Ferrier liquids rich Cardium asset based on its economics and predictability. The program is expected to include the drilling of nine gross (4.4 net) Cardium wells targeting the most condensate rich areas within the reservoir. The 2018 capital program is expected to be funded through cash flow and working capital.

As part of the Company's ongoing risk mitigation strategy, Petrus continues to actively utilize commodity financial derivative contracts. Petrus has derivative contracts in place for 59% and 64% of its natural gas and total liquids production, respectively for 2018 (based on third quarter 2017 production). The average price of these 2018 derivative contracts for natural gas and oil are $2.41/GJ and $65.11/bbl, respectively. These contracts are summarized in Petrus' third quarter 2017 financial statements.

The Company expects to release its annual reserve information as well as its annual financial results on March 8, 2018.

ABOUT PETRUS

Petrus is a public Canadian oil and gas company focused on property exploitation, strategic acquisitions and risk-managed exploration in Alberta.

READER ADVISORIES

This press release contains forward-looking statements. More particularly, this press release contains statements concerning plans related to (i) the expected timing of: (A) the fracture of wells; and (B) when wells will come on production; (ii) the resulting of the Farm-In, including, but not limited to, the addition of Cardium locations; (iii) Petrus' costs to add production; (iv) the use of excess funds flow; (v) the amount of debt to be repaid by Petrus in 2018; (vi) the impact of Petrus' 2018 capital program on production; (vii); (viii) the planned use of Petrus' 2018 capital budget; and (ix) Petrus 2018 drilling program. The forward-looking statements contained in this document are based on certain key expectations and assumptions made by Petrus, including: (i) with respect to capital expenditures, generally, and at particular locations, the availability of adequate and secure sources of funding for Petrus' proposed capital expenditure program and the availability of appropriate opportunities to deploy capital; (ii) with respect to drilling plans, the availability of drilling rigs, expectations and assumptions concerning the success of future drilling and development activities and prevailing commodity prices; (iii) with respect to Petrus' ability to execute on its exploration and development program, the performance of Petrus' personnel, the availability of capital and prevailing commodity prices; and (iv) with respect to anticipated production, the ability to drill and operate wells on an economic basis, the performance of new and existing wells and accounting risks typically associated with oil and gas exploration and production; (v) oil and gas prices; (vi) currency exchange rates; (vii) royalty rates; (viii) operating costs; (ix) transportation costs; and (x) the availability of opportunities to deploy capital effectively. Although Petrus believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because Petrus can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks.
These include, but are not limited to, the failure to obtain necessary regulatory approvals, risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses; health, safety and environmental risks; commodity price and exchange rate fluctuations; and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures). Readers are cautioned that the foregoing list is not exhaustive of all possible risks and uncertainties.

The forward-looking statements contained in this document are made as of the date hereof and Petrus 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.

The term barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet of natural gas to one boe (6 mcf/bbl) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. All boe conversions in this report are derived from converting gas to oil in the ratio of six thousand cubic feet of gas to one barrel of oil. 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. The forward-looking statements contained in this document are made as of the date hereof and Petrus 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 press release discloses drilling locations, which are unbooked locations based on Petrus' prospective acreage and internal estimates as to the number of wells that can be drilled per section. Unbooked locations do not have attributed reserves or resources (including contingent and prospective). Unbooked locations have been identified by management as an estimation of the Company's multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information.

There is no certainty that the Company will drill any unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas reserves, resources or production. The drilling locations on which the Company will actually drill wells, including the number and timing thereof is ultimately *dependent upon the availability of funding, 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 de-risked 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.*

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