

**Q3**  
2015

**News Release**



Chinook Energy Inc. | 1000, 517 – 10th Avenue S.W. Calgary, Alberta T2R 0A8 **TSX:CKE**

**CALGARY, ALBERTA – November 9, 2015** – Chinook Energy Inc. ("our", "we", "us" or "Chinook") (TSX: CKE) is pleased to announce its third quarter financial and operating results.

Our operational and financial highlights for the three and nine months ended September 30, 2015 are noted below and should be read in conjunction with our condensed consolidated financial statements for the three and nine months ended September 30, 2015 and 2014 and related management's discussion and analysis which have been posted on the SEDAR website ([www.sedar.com](http://www.sedar.com)) and our website ([www.chinookenergyinc.com](http://www.chinookenergyinc.com)).

**Third Quarter 2015 Financial and Operating Highlights**

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
<b>CONTINUING CANADIAN OPERATIONS <sup>(2)</sup></b>				
<b>Production Volumes</b>				
Crude oil (bbl/d)	1,065	1,823	1,276	2,057
Natural gas liquids (boe/d)	395	678	559	780
Natural gas (mcf/d)	20,641	29,028	26,268	29,320
Average daily production (boe/d)	4,900	7,339	6,214	7,724
<b>Sales Prices</b>				
Average oil price (\$/bbl)	\$ 51.34	\$ 93.10	\$ 54.33	\$ 97.11
Average natural gas liquids price (\$/boe)	\$ 31.68	\$ 64.71	\$ 36.98	\$ 70.73
Average natural gas price (\$/mcf)	\$ 2.56	\$ 4.11	\$ 2.58	\$ 5.00
<b>Netback <sup>(1)</sup></b>				
Average commodity pricing (\$/boe)	\$ 24.48	\$ 45.37	\$ 25.39	\$ 52.00
Royalties (\$/boe)	\$ (1.13)	\$ (6.90)	\$ (1.40)	\$ (7.14)
Net production expenses (\$/boe) <sup>(1)</sup>	\$ (12.49)	\$ (17.44)	\$ (16.29)	\$ (17.13)
G&A expense (\$/boe)	\$ (4.39)	\$ (4.32)	\$ (4.01)	\$ (5.04)
Netback (\$/boe) <sup>(1)</sup>	\$ 6.47	\$ 16.71	\$ 3.69	\$ 22.69
<b>Wells Drilled (net)</b>				
Oil	-	1.26	-	4.52
Gas	-	0.75	2.75	1.87
Disposal/injection	-	0.37	-	0.37
Total wells drilled (net)	-	2.38	2.75	6.76

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
<b>FINANCIAL</b> (\$ thousands, except per share amounts)				
Petroleum & natural gas revenues, net of royalties	\$ 10,527	\$ 25,972	\$ 40,701	\$ 94,597
Funds from operations <sup>(1)</sup>	\$ 3,299	\$ 9,693	\$ 7,517	\$ 42,089
Per share - basic and diluted (\$/share)	\$ 0.02	\$ 0.05	\$ 0.03	\$ 0.20
Net (loss) income from continuing operations	\$ (80,669)	\$ 3,696	\$ (78,303)	\$ 7,369
Per share - basic and diluted (\$/share)	\$ (0.37)	\$ 0.02	\$ (0.36)	\$ 0.04
Net (loss) income <sup>(3)</sup>	\$ (80,669)	\$ 11,472	\$ (78,303)	\$ 21,948
Per share - basic and diluted (\$/share)	\$ (0.37)	\$ 0.05	\$ (0.36)	\$ 0.10
Capital expenditures	\$ 7,313	\$ 14,301	\$ 34,327	\$ 56,913
Net debt (surplus) <sup>(1)</sup>	\$ (41,181)	\$ (35,870)	\$ (41,181)	\$ (35,870)
Total assets	\$ 333,036	\$ 472,241	\$ 333,036	\$ 472,241
<b>Common Shares</b> (thousands)				
Weighted average during period				
- basic	215,274	214,895	215,150	214,439
- diluted	215,274	216,773	215,150	215,590
Outstanding at period end	215,328	215,079	215,328	215,079

(1) Funds from operations is an additional GAAP measure while net debt (surplus), netback and net production expense are non-GAAP measures. These terms do not have any standardized meanings as prescribed by IFRS and, therefore, may not be comparable with the calculations of similar measures presented by other companies. See headings entitled "Funds from Operations", "Net Debt (Surplus)", "Netback" and "Net Production Expense" in the Reader Advisory below for further information on such terms.

(2) "Continuing Canadian Operations" refers to our remaining Canadian operations in western Canada after completing the sale of our Tunisian operations on August 19, 2014.

(3) The comparative periods include the financial results from the discontinued Tunisian operations, up until the date of their sale on August 19, 2014.

## Highlights for the three and nine months ended September 30, 2015

- We ended the quarter with a strong balance sheet including a working capital surplus of \$41.2 million and remained undrawn on our \$75.0 million reserve-based revolving credit facility and expect to remain undrawn through the remainder of 2015 and into 2016.
- Our third quarter funds from operations were \$3.3 million, an increase of 10% over the second quarter of 2015, driven by lower operating and G&A costs, despite lower production and a lower weighted average realized commodity price.
- Our third quarter capital expenditures of \$7.3 million included the completion of three wells (2.75 net), as well as continued work on a facility expansion, all of which were on our Birley/Umbach property in northeastern British Columbia. We continue to deliver strong results and improved capital efficiencies on our 2015 Montney drilling program at Birley/Umbach. The initial test results from these wells were positive as disclosed in our news release from October 16, 2015.
- We continue to proactively manage our production which resulted in our average production during the third quarter decreasing 20% from the second quarter of 2015 and 33% from the same quarter of 2014. We temporarily shut-in 16.3 mmcf/d of production volumes in September in response to depressed natural gas prices in northeastern British Columbia resulting from pipeline service restrictions. These shut-ins were incremental to the 600 boe/d of lower netback production we shut-in prior to September.

## Third Quarter 2015 Financial Results

Our average production during the third quarter of 4,900 boe/d decreased 20% from the second quarter of 2015 and 33% from the same quarter of 2014. In September, in response to depressed natural gas prices in northeastern British Columbia, we temporarily shut-in 16.3 mmcf/d of production volumes (5.4 mmcf/d for the third quarter) that were not tied to firm processing or transportation commitments. The decrease in the northeastern British Columbia natural gas prices on the Spectra (Station 2 pricing) and Alliance (CREC pricing) pipeline systems was caused by ongoing pipeline service restrictions and reduced system capacity which should be largely resolved by mid-November 2015. As part of our continuing effort to proactively manage our production, we also shut-in another 600 boe/d of lower netback production in response to lower commodity prices, early in the second quarter. Compared to 2014, our third quarter production also decreased as a result of non-core property dispositions which had associated production of approximately 1,450 boe/d at the time of their sale. Offsetting our decrease relative to 2014 was production from our successful 2014 and 2015 Birley/Umbach drilling program and a strategic acquisition in the same area late in the fourth quarter of 2014.

Our third quarter revenue was down 28% from the second quarter of 2015 and 64% from the third quarter of 2014 as a result of a lower realized weighted average commodity price and lower volumes. Crude oil prices began to decrease significantly late in 2014 as a result of an oversupply in the crude oil market. An increase in natural gas supply and ongoing pipeline service restrictions and reduced system capacity in northeastern British Columbia contributed to volatile natural gas price fluctuations. However, our realized weighted average natural gas price during the third quarter increased to \$2.56/mcf from \$2.50/mcf during the previous quarter as a result of proactively temporarily shutting-in low price production in northeastern British Columbia and an increase in the Alberta natural gas spot price.

Our third quarter net production expense of \$5.6 million decreased by 45% compared to the second quarter of 2015 partially due to shutting-in additional production. Our third quarter net production expense decreased by 52% compared to the \$11.8 million in the third quarter of 2014, which on a boe basis represented a decrease of 28%. This was partially a result of 2014 and 2015 dispositions, the voluntary shut-in of higher operating cost/lower netback production, and other cost saving initiatives. A review of these cost savings allowed us to re-evaluate and lower our previously reported operating costs.

Relative to the second quarter of 2015, our third quarter funds from operations of \$3.3 million increased 10% as a result of a higher netback, despite lower production volumes. Our funds from operations for the quarter decreased compared to the same quarter in 2014 as a result of lower commodity prices, production volumes and netbacks. These were offset by an increase in realized gains on our derivative contract as a result of the falling commodity prices, lower financing charges as a result of no outstanding debt and lower operating costs and general and administrative expenses. We have 5,000 GJ/d of natural gas hedged at \$3.50/GJ for the remainder of 2015, which will help protect our funds from operations from low natural gas prices during the fourth quarter.

We reported a net loss from continuing operations for the third quarter and year to date 2015 compared to the net income reported during the same periods of 2014 due to lower revenues and a third quarter impairment charge of \$75.0 million. This impairment was attributable to lower forward commodity pricing and in its calculation we did not adjust for the impact of additional proved and probable reserves related to future well locations. We believe we could have recognized additional proved and probable locations as justified by our Birley/Umbach compressor capacity expansion that is currently under construction. Offsetting these decreases were realized derivative gains and lower net production, G&A and depletion, depreciation and amortization expenses. For the year to date, an increase in gains on property dispositions also partially offset the net loss from continuing operations.

## Third Quarter 2015 Operational Results

During the third quarter of 2015, we completed three wells (2.75 net) at Birley/Umbach, which were all drilled in previous quarters. As disclosed in our October 16, 2015 news release we realized positive initial test production from these wells all of which are expected to commence production early in 2016.

As part of our previously disclosed capital program for the remainder of 2015, we continued to work on the first phase expansion of our compression facility at Birley/Umbach which we expect to complete during the fourth quarter of 2015. This first phase expansion will increase the facility's throughput capacity from 9,000 mcf/d to 34,000 mcf/d allowing us to bring on-stream the three (2.75 net) wells completed this quarter. We will have a total of six wells (5.0 net) able to produce into the facility once completed allowing us to increase our activity at Birley/Umbach without facility restriction in 2016. A \$10 million second phase expansion of the facility to 60,000 mcf/d is also available when warranted.

## Outlook

In our October 16, 2015 news release, we updated our 2015 capital budget to reflect the cost saving that we have realized related to the drilling and completion of wells at Birley/Umbach and announced a reduction in our 2015 volumes guidance due to the temporary, voluntary shut-in of wells in response to the decrease in the northeastern British Columbia natural gas prices. As previously disclosed, our updated 2015 capital budget is \$49 million and we estimate that our 2015 average production will be approximately 5,700 – 5,900 boe/d, assuming our approximately 16.3 mmcf/d of shut-in natural gas production is restored by mid-November 2015. We expect to exit 2015 with a net surplus of \$25.0 million to \$28.0 million.

We have not yet finalized our 2016 capital budget and production guidance due to the issues and instability currently facing the energy industry, both nationally and internationally. However, for 2016 we remain committed to focusing on our cost and capital management as well as maintaining our strong balance sheet.

## 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.

For further information please contact:

Walter Vrataric  
President and Chief Executive Officer  
Chinook Energy Inc.  
Telephone: (403) 261-6883  
Website: [www.chinookenergyinc.com](http://www.chinookenergyinc.com)

Jason Dranchuk  
Vice President, Finance and Chief Financial Officer  
Chinook Energy Inc.  
Telephone: (403) 261-6883

## Reader Advisory

### *Forward-Looking Statements*

In the interest of providing our shareholders and readers with information regarding our company, including management's assessment of our 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", "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: that we expect to remain undrawn on our credit facility through the remainder of 2015 and into 2016, that we will remain focused on improving our cost structure, the estimated timing that certain pipeline service restrictions and reduced system capacity should be largely resolved, our updated 2015 capital budget and the estimated timing of the commencement of production from the three recently completed wells at Birley/Umbach, the estimated timing of the completion of the first phase expansion of the facility at Birley/Umbach and the increased facility throughput capacity resulting therefrom; and our 2015 average production guidance; as well as our expectations regarding our exit net surplus for 2015 as set forth under the heading "Outlook".

With respect to the forward-looking statements contained in this news release, we have made assumptions regarding, among other things: that we will continue to conduct our operations in a manner consistent with past operations, future capital expenditure levels, future oil and natural gas prices, future oil and natural gas production levels, future currency, exchange and interest rates, our 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 we have 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, our ability to replace and expand production and reserves through exploration and development activities, certain cost assumptions, the results of negotiations and the plans of our partners in certain of our areas; that the revised budgeted 2015 capital amount set forth herein, which is subject to the discretion of our Board of Directors, will not be amended in the future, the continued availability of adequate cash, debt and cash flow to fund our planned expenditures and for the purposes of estimating our 2015 average production we have assumed among other things that our shut-in production will be restored by mid-November. Although we believe 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 our 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 gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices and currency fluctuations, our Board of Directors may amend the revised 2015 capital program based on its discretion; environmental risks, competition from other producers, inability to retain drilling rigs and other services, unanticipated increased 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 our 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](http://www.sedar.com)) and at our website ([www.chinookenergyinc.com](http://www.chinookenergyinc.com)). Furthermore, the forward-looking statements contained in this news release are made as at the date of this news release and we do 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.

## ***Netback***

The reader is cautioned that this news release contains the term netback, a non Generally Accepted Accounting Principal ("GAAP") measure, which is not recognized under IFRS and is calculated as a period's sales of petroleum and natural gas, net of royalties less net production and operating expenses and G&A expense as divided by the period's sales volumes. Management uses this measure to assist them in understanding our profitability relative to current commodity prices and it provides an analysis tool to benchmark changes in operational performance against prior periods and to peers on a comparable basis. Readers are cautioned, however, that this measure should not be construed as an alternative to other terms such as net income determined in accordance with IFRS as a measure of performance. Our method of calculating this measure may differ from other companies, and accordingly, it may not be comparable to measures used by other companies.

## ***Net Production Expense***

The reader is cautioned that this news release contains the term net production expense, a non-GAAP measure, which is not recognized under IFRS and is calculated as production and operating expense less processing and gathering income. Management uses net production expense to determine the current periods' cash cost of operating expenses. Our method of calculating this measure may differ from other companies, and accordingly, it may not be comparable to measures used by other companies.

## ***Funds from Operations***

The reader is cautioned that this news release contains the term funds from operations, an additional GAAP measure, which is not recognized under IFRS and is calculated as cash flow from continuing operations adjusted for changes in non-cash working capital related to continuing operations and decommissioning obligation expenditures related to continuing operations. Management believes that funds from operations is a key measure to assess our ability to finance capital expenditures and debt repayments. Readers are cautioned, however, that this measure should not be construed as an alternative to other terms such as cash flow from operating activities, net income or other measures of financial performance calculated in accordance with IFRS. Our method of calculating this measure may differ from other companies, and accordingly, it may not be comparable to measures used by other companies.

## ***Net Debt (Surplus)***

The reader is cautioned that this news release contains the term net debt, a non-GAAP measure, which is not recognized under IFRS and is calculated as bank debt adjusted for working capital excluding mark-to-market derivative contracts. Working capital excluding mark-to-market derivative contracts is calculated as current assets less current liabilities both of which exclude derivative contracts and current liabilities excludes any current portion of debt. Management uses net debt (surplus) to assist them in understanding our liquidity at specific points in time. Mark-to-market derivative contracts are excluded from working capital, in addition to net debt (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 expectations regarding capital expenditures, production and net surplus, 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.

### ***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.