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

CALGARY, ALBERTA – May 11, 2015 – Chinook Energy Inc. ("our", "we", "us" or "Chinook") (TSX: CKE) is pleased to announce its first quarter financial and operating results.

Our operational and financial highlights for the three months ended March 31, 2015 are noted below and should be read in conjunction with our condensed consolidated financial statements for the three months ended March 31, 2015 and 2014 and related management's discussion and analysis which have been posted on the SEDAR website (www.sedar.com) and our website (www.chinookenergyinc.com).

First Quarter 2015 Financial and Operating Highlights

Three months ended March 31	2015	2014
CONTINUING CANADIAN OPERATIONS (2)		
Production Volumes		
Crude oil (bbl/d)	**1,485**	2,084
Natural gas liquids (boe/d)	**682**	950
Natural gas (mcf/d)	**33,007**	29,364
Average daily production (boe/d)	**7,668**	7,928
Sales Prices		
Average oil price ($/bbl)	**$ 49.03**	$ 96.41
Average natural gas liquids price ($/boe)	**$ 36.47**	$ 74.10
Average natural gas price ($/mcf)	**$ 2.65**	$ 6.01
Netback (1)		
Average commodity pricing ($/boe)	**$ 24.15**	$ 56.50
Royalties ($/boe)	**$ (2.07)**	$ (6.01)
Net production expenses ($/boe) (1)	**$ (17.04)**	$ (16.91)
G&A expense ($/boe)	**$ (4.00)**	$ (6.46)
Netback ($/boe) (1)	**$ 1.04**	$ 27.12
Wells Drilled (net)		
Oil	**-**	3.26
Gas	**2.75**	1.12
Total wells drilled (net)	**2.75**	4.38

Three months ended March 31	2015	2014
FINANCIAL ($ thousands, except per share amounts)		
Petroleum & natural gas revenues, net of royalties	**$ 15,240**	$ 36,029
Funds from operations [1]	**$ 1,220**	$ 17,596
Per share - basic and diluted ($/share)	**$ 0.01**	$ 0.08
Net income from continuing operations	**$ 8,189**	$ 410
Per share - basic and diluted ($/share)	**$ 0.04**	$ -
Net income [3]	**$ 8,189**	$ 6,085
Per share - basic and diluted ($/share)	**$ 0.04**	$ 0.03
Capital expenditures	**$ 22,093**	$ 23,614
Net debt (surplus) [1] [4]	**$ (48,596)**	$ 74,390
Total assets [4]	**$ 431,085**	$ 604,419
Common Shares (thousands)		
Weighted average during period		
- basic	**215,083**	214,188
- diluted	**215,112**	214,245
Outstanding at period end	**215,083**	214,188

(1) Funds from operations, funds from operations per share, net debt (surplus), netback, and net production expense are non-IFRS 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) Includes the financial results from the discontinued Tunisian operations sold on August 19, 2014.

(4) The comparative periods include the discontinued Tunisian operations' assets or working capital excluding marked-to-market derivative contracts, as applicable.

Highlights for the three months ended March 31, 2015

- We closed the quarter with a working capital surplus of $48.6 million, including $60.3 million in cash. Our current financial strength provides us with the optionality and flexibility to pursue strategic acquisitions and/or growth opportunities from our current drilling inventory.
- We implemented cost saving initiatives and deferred certain discretionary capital spending as a result of the decrease in commodity prices. For the first quarter, our net production cost of $17.04/boe was ten percent lower than the fourth quarter of 2014. Our first quarter, G&A expense was $4.00/boe ($3.38/boe excluding one-time personnel costs), six percent lower than the fourth quarter of 2014 and 38% lower than the first quarter of 2014. We remain focused on cost reductions.
- We completed the disposition of 485 boe/d of production from our non-operated Karr property for proceeds of $41.1 million.
- Our first quarter capital expenditures of $22.1 million were focused primarily on drilling three (2.75 net) wells and completing one (0.75 net) well at Birley/Umbach in northeastern British Columbia. We have also purchased or fabricated all the equipment needed to expand our Birley facility from approximately nine mmcf/d to 35 mmcf/d late in the fourth quarter of 2015 or the first quarter of 2016, subject to economic conditions.
- Our natural gas production during the first quarter of 2015 of 33,007 mcf/d increased 12% from the same quarter of 2014, driven by our successful Birley/Umbach drilling program and a strategic acquisition in the same area late in the fourth quarter of 2014. Production from the completed well (0.75 net) at a-73-L was brought onto production on March 26, 2015 at a rate of 815 boe/d (21% liquids) over the first 30 days and is currently producing at 625 boe/d (16% liquids).

First Quarter 2015 Financial Results

Our production in the first quarter of 2015 averaged 7,668 boe/d, down three percent from the same period in 2014 and down almost 11% from the fourth quarter of 2014. We have been managing the timing of new production in response to the current decrease in commodity prices. As previously announced, we are delaying the drilling and/or completion of certain wells during this time of depressed commodity pricing while investigating lower service and supplier pricing. As a result, our first quarter production of 1,100 boe/d from our drilling program at Birley/Umbach and Gold Creek, was not sufficient to offset other production decreases and dispositions. These decreases were primarily attributable to non-core property dispositions throughout 2014 and in the first quarter of 2015, of approximately 1,450 boe/d, as well as the voluntary shut-in of lower netback production, and third party volume constraints at facilities and on flowlines. To date, these voluntary shut-ins total approximately 550 boe/d of production. These decreases were also partially offset by a full quarter of production from the acquisition of strategic producing assets in the Martin Creek area that we completed in early November 2014.

Our first quarter revenue was down almost 59% from the first quarter of 2014 and down 40% from the fourth quarter of 2014 as a result of weakening commodity prices and lower volumes. Crude oil prices began to decrease significantly late in 2014 as a result of an oversupply in the crude oil market. Despite strong demand for natural gas driven by cold winter temperatures, an increase in natural gas supply and western Canadian domestic repairs and maintenance on pipelines contributed to natural gas price fluctuations, particularly in British Columbia through Station 2, where approximately 2,400 boe/d of our volumes flow through.

Our net production expense (operating costs) decreased by almost three percent to $11.8 million from $12.1 million in the first quarter of 2014 notwithstanding that on a per boe basis our net production expense was higher by just under one percent as a result of lower production volumes. Our net production expense decreased by 21% from the fourth quarter of 2014 as we focused on cost control and enhanced our efficiency measures. We will remain focused on our cost structure and proactively adjust our operations to the economic environment.

Our funds from operations for the quarter of $1.2 million decreased compared to the same quarter in 2014 mainly as a result of lower commodity prices and lower 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 general and administrative expenses.

First Quarter 2015 Operational Results

The rapid drop in commodity prices beginning late in 2014 prompted us to defer certain projects and materially reduce our 2015 capital program from $135 million (announced October 29, 2014) to $45 million (announced January 19, 2015).

We drilled a total of three horizontal wells (2.75 net) in the quarter all of which targeted Montney gas at Birley/Umbach. We completed one of these wells (0.75 net) at a-73-L which was brought on production on March 26, 2015 at a rate of 815 boe/d (21% liquids) over the first 30 days and is currently producing at 625 boe/d (16% liquids). However, as a result of facility constraints at our owned and operated nine mmcf/d compression facility, bringing this well on production required us to shut-in the a-60-K well (0.75 net), the first of the two horizontal wells that we drilled in the Birley/Umbach area in 2014. To date, the a-60-K well averaged approximately 734 boe/d over a 256 day period and has outperformed our internal type curve estimates by approximately 30%. We have delayed the completion of a further three (2.75 net) wells in our Birley/Umbach area, two from this quarter and one from the fourth quarter of 2014, subject to a combination of commodity pricing improvements and/or lower completion costs.

In the Gold Creek area, we received formal approval of our water disposal application late in the quarter. This is expected to significantly reduce the relatively higher operating costs associated with the trucking and disposal of the water produced during production from our first mid-Montney horizontal well in this area and improve the economics of our future wells in this area.

Outlook

We are currently well positioned with a strong balance sheet providing us the flexibility and optionality to evaluate potential corporate or asset-based acquisitions. Balance sheet strength is an important determinant of share price performance, more so during periods such as now, and maintaining financial strength is a clear component of our 2015 strategy. We anticipate that if weak commodity prices continue to persist that the opportunities to acquire quality assets at attractive economics will increase throughout the remainder of the year. We will evaluate these opportunities as they present themselves and will look to complete acquisitions that serve to complement our core assets and reduce our overall cost structure by exploiting synergies with our current operations and improving our operational efficiencies. There are generally more reasons to see improvements in our business than weakness from this point forward.

We maintain our guidance for 2015 as previously released on March 9, 2015 and will continue to review cost savings and optimization initiatives which may include the further shut-in of lower netback production if pricing and economics do not improve.

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.

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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 will remain focused on improving our cost structure, our budgeted capital program in fiscal 2015, the expected impact of utilizing a water disposal well at Gold Creek on operating costs and the economics of follow-up wells, future exploration and development activities and how we intend to manage our company during 2015 as well as our expectations regarding production, general and administrative costs, production and operating costs, funds flow, working capital surplus and capital expenditures set out in our guidance for 2015 as previously released on March 9, 2015.

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 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, and the continued availability of adequate debt and cash flow to fund our planned expenditures. 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 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) and at our 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 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, which is not a recognized measure 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, which is not a recognized measure 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, which is not a recognized measure 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, which is not a recognized measure 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 production, general and administrative costs, production and operating costs, funds flow, working capital surplus and capital expenditures set out in our guidance for 2015 as previously released on March 9, 2015, 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.

Initial Production Rates

Any references in this news release to initial, early and/or test production/performance rates (including IP30, IP60 or IP90) are useful in confirming the presence of hydrocarbons, however, such rates are not determinative of the rates at which such wells will continue production and decline thereafter. Additionally, such rates may also include recovered “load oil” fluids used in well completion stimulation. While encouraging, readers are cautioned not to place reliance on such rates in calculating our aggregate production. The initial production or test rate may be estimated based on other third party estimates or limited data available at this time. The initial production is generally estimated using boes. In all cases in this news release initial production or test rates are not necessarily indicative of long-term performance of the relevant well or fields or of ultimate recovery of hydrocarbons. Well-flow test result data should be considered to be preliminary until a pressure transient analysis and/or well-test interpretation has been carried out.

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.