



## NEWS RELEASE

### **CHINOOK ENERGY CONFIRMS SIGNIFICANT DISCOVERY AT SUD REMADA, TUNISIA**

**CALGARY, Alberta, July 4, 2011** – Chinook Energy Inc. (CKE-TSX) ("**Chinook**") announced today it has completed the initial 30 day production period for the three appraisal wells on its 297 mmbbl DPIIP (as evaluated by independent reservoir evaluators) Ordovician oil discovery located on the 1.2 million acre Sud Remada permit in southern Tunisia.

Production from the field for the month of June averaged 1,797 barrels of oil per day at an average water cut of 8% with 2.5 mmcf/d of associated solution gas. The last 10 days' production has been stable at 1,847 barrels of oil per day with a water cut of less than 3% and an associated solution gas rate of 2.4 mmcf/d. The rates confirmed by the first month's production are improvements over the initial post frac completion rates announced on May 24, 2011 in that the oil rate has increased 60% and the water cuts have decreased to immaterial levels with recovery of water used in the completion operations. Trucking of oil from Chinook's wells, located approximately 7 km from the Libyan border, to the port facility in La Skhira where the crude is metered and stored pending tanker loading and sale, has been uninterrupted by the ongoing civil unrest since the start of production operations.

Roy Smitshoek, Chinook's Chief Operating Officer, International, commented on the results: "The initial production rates have exceeded our expectations and we can now confirm all three wells are economic oil producers. Based on these positive results, we have begun working on the logistics of the initial stages of commercial development which should commence by August 1, 2011." During the remainder of 2011, the initial commercial development will include 3 to 4 development wells and initial engineering and design for a 140 km sales pipeline and Oil Battery/Gas Handling facility. Pipeline and facility construction, and a continuous development drilling program, are planned to commence in early 2012. Peak and plateau oil production estimates are waiting on a full field reservoir simulation, incorporating the recent information, which is underway.

The commercial development of a discovery in Tunisia can proceed following the approval of a Plan of Development and coincident granting of a concession by the Director General of Energy. Storm Ventures International (Barbados), a wholly-owned subsidiary of Chinook, received approval for a 90,000 acre concession, named Bir Ben Tartar, covering the prospective area of the discovery on April 27, 2011. The balance of the Sud Remada permit will remain intact until Fall 2011 at which time Chinook will relinquish 20% of the acreage and extend the remaining approximate 900,000 acres into the second of three terms with a commitment of one exploration well. Mr. Smitshoek commented further: "The Bir Ben Tartar discovery is significant from an exploration perspective in that it proves the commerciality of a new play type and extends the oil window updip a significant distance from what had previously been considered likely. Our exploration efforts over the next 12 months are planned to include drilling at least 2 of the 8 undrilled structures we have identified on the block and testing the potential of the Tannezuft shale. We are also evaluating a multi-stage horizontal application in the main Ordovician reservoir."

Chinook, through its wholly-owned subsidiary, holds an 86% interest and is operator, in partnership with Cygam Energy Inc. in the Production Sharing Contract on the Sud Remada permit which is held by the Tunisian state oil company Enterprise Tunisienne d'Activitiés Pétrolières (ETAP). Chinook's net beneficial share in production from the Sud Remada permit at this stage of development after all Tunisian tax and royalty obligations have been satisfied, is approximately 54% of the volumes. Crude oil is priced off of a dated Brent benchmark loaded at La Skhira and realized above \$113/bbl on a June 2011 cargo. After deducting average operating expenses of

\$16.00/bbl, Chinook's after tax revenue on its reported volumes from Bir Ben Tartar will be between \$95 to \$100/bbl at current oil prices. Chinook anticipates that, at current oil prices, both the development program at Bir Ben Tartar and an accelerated exploration program in Tunisia can be funded with cash flow from the discovery and that the recent operational success will begin to impact its consolidated financial results in a more material way beginning in the third quarter of 2011.

### **About Chinook Energy Inc.**

Chinook is a Calgary-based public oil and natural gas exploration and development company that combines high quality gas and liquids balanced assets in Western Canada with an exciting high growth oil business onshore and offshore Tunisia in North Africa.

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### **Forward-Looking Statements**

Certain information regarding Chinook in this news release including management's assessment of the future plans and operations of Chinook and the timing thereof constitute forward-looking statements under applicable securities laws. In particular, this news release contains, without limitation, forward-looking statements pertaining to the following: management's assessment of the future plans and operations of Chinook and the timing thereof and further completion activities on Chinook's Sud Remada permit.

With respect to the forward-looking statements contained in this news release, Chinook has made assumptions regarding, among other things: the ability of Chinook to continue to operate in Tunisia with limited logistical security and operational issues, future capital expenditure levels, future oil and natural gas prices, future oil and natural gas production levels, Chinook's ability to obtain equipment in a timely manner to carry out development activities and the ability of Chinook to obtain sustained and reliable production in line with its expectations from its Sud Remada permit. Although Chinook 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, political and security risk associated with Chinook's Tunisian operations, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve and resource estimates, environmental risks, competition from other producers, inability to retain drilling rigs and other services, 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 ability 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](http://www.sedar.com)) and at Chinook's 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 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.

### **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. Boe 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.

### **Discovered Petroleum Initially-In-Place**

DPIIP (equivalent to discovered resources) is defined in the Canadian Oil and Gas Evaluation Handbook as that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production. The recoverable portion of discovered petroleum initially-in-place includes production, reserves, and contingent resources; the remainder is unrecoverable. There is no certainty that it will be economically viable or technically feasible to produce any portion of the DPIIP except for those portions already produced or identified as reserves.