



## **NEWS RELEASE**

### **CHINOOK ENERGY INC. ANNOUNCES ITS UNAUDITED 2016 YEAR END RESULTS AND RESERVES**

**CALGARY, ALBERTA – February 7, 2017 – Chinook Energy Inc. ("Chinook" or the "Company") (TSX: CKE)** today announced its unaudited 2016 year end results and the results of its year end reserve evaluation effective December 31, 2016 as prepared by its independent evaluator.

Chinook's audit of its 2016 annual consolidated financial statements is not yet complete and accordingly all financial amounts referred to in this news release are unaudited and represent management's estimates. Readers are advised that these financial estimates are subject to audit and may be subject to change as a result.

#### **Unaudited 2016 Year-End Results**

Chinook's average daily production for 2016 was 3,716 boe/d, which excludes the results of Craft Oil Ltd. ("**Craft**") from its acquisition on June 10, 2016 to its disposition on December 12, 2016 ("**Chinook Unconsolidated**"). Chinook Unconsolidated's average production for the fourth quarter of 2016 was 2,593 boe/d and the Company exited 2016 at approximately 3,030 boe/d. Projected outflow from operations for Chinook Unconsolidated for 2016 is estimated at \$5.2 million or \$0.02 per weighted average basic common share outstanding. Chinook exited 2016 with no bank debt and with an approximate \$15.6 million working capital surplus.

During 2016, Chinook focused on the development of its Montney acreage at Birley/Umbach in northeastern British Columbia and the continued rationalization of its asset base. During the first quarter of 2016, Chinook commenced production from its new 25 mmcf/d A-72-F compression facility at Birley. In June 2016, Chinook completed the sale of the majority of its Alberta oil and natural gas assets, including undeveloped lands in exchange for 70% of the common shares of Craft which were then distributed to Chinook's shareholders on December 12, 2016. During 2016, Chinook also completed the sale of oil and natural gas properties in the Gold Creek area of northwestern Alberta, which, in addition to other minor dispositions and customary closing adjustments, resulted in net proceeds of \$8.7 million.

During the fourth quarter of 2016, Chinook drilled three (2.62 net) horizontal wells in the Birley/Umbach area of northeastern British Columbia, targeting liquids-rich natural gas in the Montney. As previously disclosed, the drilling of these wells was completed on schedule and under budget by approximately 26% with average drilling costs of approximately \$1.28 million per well (\$1.12 million, net). The Company expects to complete and tie-in the three wells during the first quarter of 2017.

#### **2016 Independent Reserves Evaluation**

McDaniel & Associates Consultants Ltd. ("McDaniel") evaluated all of Chinook's properties effective December 31, 2016 pursuant to a report dated February 7, 2017 (the "McDaniel Report"). The independent reserve evaluation was prepared in accordance with the definitions, standards and procedures contained in the Canadian Oil and Gas Evaluation Handbook ("COGE Handbook") and National Instrument 51-101 ("NI 51-101"). The reserve evaluation was based on McDaniel's forecast pricing and foreign exchange rates at December 31, 2016. The Reserves, Safety and Environmental Committee of the Board and the Board of Directors of Chinook have reviewed and approved the McDaniel Report.

Reserves included herein are stated on a Company gross basis (working interest before deduction of royalties and without including any royalty interests) unless noted otherwise. The reserves analysis presented herein excludes the effect of consolidation of Craft and contemplates the unconsolidated reserves of Chinook only. Approximately 7.3 mmboe Proved and 11.5 mmboe Proved plus Probable reserves (along with \$9.6 million and \$15.2 million of FDC, respectively) were disposed to Craft in return for 152,251,953 shares of Craft. Any portion of analysis involving production, capital or reserves excludes the portion of Craft consolidated into Chinook's financials after June 10, 2016. This news release contains several cautionary statements that are specifically required by NI 51-101 under the heading "Reader Advisory" and throughout the release. In addition to the information contained in this news release more detailed reserves information will be included in Chinook's Annual Information Form for the year ended December 31, 2016, which will be filed on SEDAR at [www.sedar.com](http://www.sedar.com) in March 2017. Values in the following tables may not add due to rounding.

**Reserves Breakdown (Company gross) <sup>(1)</sup>**  
**(December 31, 2016, McDaniel price forecast)**

<i>(mboe)</i>	<b>2016</b>	2015
<b>Proved Producing</b>		
Total proved producing	<b>5,493</b>	8,893
<b>Proved</b>		
Total proved	<b>14,746</b>	19,182
<b>Proved Plus Probable</b>		
Total proved plus probable	<b>26,488</b>	30,634

Note:

<sup>(1)</sup> Gross reserves are the Company's working interest reserves before royalty deductions and do not include royalty interest volumes.

**Company Gross and Net Reserves as at December 31, 2016**

The following table summarizes the Company's gross and net reserve volumes utilizing McDaniel's forecast pricing and cost estimates at December 31, 2016.

Reserves category	Light and medium oil		Heavy oil		Conventional Natural Gas		Natural gas liquids		Oil equivalent (6:1)	
	Gross <sup>(1)</sup> <i>(mdbl)</i>	Net <sup>(2)</sup> <i>(mdbl)</i>	Gross <sup>(1)</sup> <i>(mdbl)</i>	Net <sup>(2)</sup> <i>(mdbl)</i>	Gross <sup>(1)</sup> <i>(mmcf)</i>	Net <sup>(2)</sup> <i>(mmcf)</i>	Gross <sup>(1)</sup> <i>(mdbl)</i>	Net <sup>(2)</sup> <i>(mdbl)</i>	Gross <sup>(1)</sup> <i>(mboe)</i>	Net <sup>(2)</sup> <i>(mboe)</i>
<b>Total company</b>										
Proved										
Developed producing	46	38	-	-	28,293	23,981	731	589	5,493	4,623
Developed non-producing	7	6	-	-	1,821	1,553	47	37	358	303
Undeveloped	-	-	-	-	45,457	37,264	1,319	1,106	8,895	7,317
Total proved	53	44	-	-	75,571	62,798	2,097	1,732	14,746	12,243
Probable	33	29	-	-	60,475	48,573	1,631	1,330	11,743	9,454
Total proved plus probable	86	73	-	-	136,046	111,371	3,728	3,062	26,488	21,697

Note:

<sup>(1)</sup> Gross reserves are the Company's working interest reserves before royalty deductions and do not include royalty interest volumes.

<sup>(2)</sup> Net reserves are after royalty deductions and include royalty interest volumes.

**Company Gross Reserve Reconciliation for 2016**  
**(Company gross reserves before deduction of royalties payable)**

	6:1 Oil Equivalent (mboe)		
	Total Proved	Probable	Proved Plus Probable
December 31, 2015 – opening balance	19,182	11,452	30,634
Additions and extensions	3,769	3,960	7,729
Acquisitions	-	-	-
Dispositions	(7,525)	(4,267)	(11,792)
Technical revisions	687	600	1,287
Economic factors	(7)	(3)	(10)
Production	(1,360)	-	(1,360)
December 31, 2016 – closing balance	14,746	11,743	26,488

During 2016, Chinook completed the aforementioned disposition of the majority of its Alberta oil and natural gas assets, which, in addition to dispositions in the Gold Creek area of northwestern Alberta, other minor dispositions and customary closing adjustments, resulted in net proceeds of \$8.7 million and the Craft shares. Dispositions of the Company's Alberta non-Montney assets represented the majority of the proved plus probable reserve reductions of approximately 11.8 mboe.

Year over year, McDaniel recorded net positive technical revisions related to performance of approximately 1.3 mboe on a proved plus probable reserves basis.

Of particular note, Chinook added a total of 7.7 mboe on a proved plus probable basis. The additions are focused in the Company's core Montney area of Birley/Umbach, British Columbia and include six proved undeveloped locations and four probable additional undeveloped locations. At December 31, 2016, in addition to the six (4.7 net) Proved Developed Producing wells, McDaniel recognized a total of 26 undeveloped locations, 16 (14.2 net) Proved undeveloped locations and 10 (8.5 net) Probable undeveloped locations. As at the date of the McDaniel Report, approximately 15% of Chinook's greater Birley/Umbach Montney acreage was booked.

**Reserve Life Index ("RLI")**

As at December 31, 2016, Chinook's proved plus probable RLI was 16.6 years based upon the McDaniel Report and the forecast 2017 production volumes from the report, while Chinook's proved RLI was 9.5 years. The following table summarizes the RLI:

<b>Proved</b>	
Reserves (mboe)	14,746
2017 Forecast production - Proved (mboe) <sup>(1)</sup>	1,559
Reserve life index (years)	9.5
<b>Proved Plus Probable</b>	
Reserves (mboe)	26,488
2017 Forecast production – Proved Plus Probable (mboe) <sup>(1)</sup>	1,594
Reserve Life Index (years)	16.6

Note:

<sup>(1)</sup> As evaluated by an independent reserve evaluator as at December 31, 2016.

**Net Present Value ("NPV") Summary (before tax) as at December 31, 2016  
(December 31, 2016, McDaniel price forecast)**

Benchmark commodity prices used are adjusted for the quality of the commodities produced and for transportation costs. The calculated NPVs include a deduction for estimated future well abandonment and reclamation but do not include a provision for interest, debt service charges and general and administrative expenses. It should not be assumed that the NPV estimates represent the fair market value of the reserves.

(\$ thousands)	Undiscounted	Discounted at 5%	Discounted at 10%	Discounted at 15%	Discounted at 20%
Proved developed producing	32,894	29,936	26,970	24,479	22,447
Proved developed non-producing	4,169	3,182	2,498	2,019	1,673
Total proved developed	37,062	33,118	29,469	26,498	24,120
Proved undeveloped	74,216	51,388	36,317	26,023	18,742
Total proved	111,279	84,506	65,786	52,520	42,862
Probable additional	156,359	94,867	61,917	42,764	30,799
Total proved plus probable	267,638	179,373	127,703	95,284	73,661

**Net Present Value Summary (after tax) as at December 31, 2016  
(December 31, 2016, McDaniel price forecast)**

The after-tax NPV of Chinook's oil and natural gas properties reflects the tax burden on the properties on a stand-alone basis and does not consider the business-entity-level tax situation, or tax planning. It does not provide an estimate of the value at the level of the business entity, which may be significantly different. The financial statements and the management's discussion and analysis of Chinook should be consulted for information at the level of the business entity.

(\$ thousands)	Undiscounted	Discounted at 5%	Discounted at 10%	Discounted at 15%	Discounted at 20%
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Total proved plus probable	267,638	179,373	127,703	95,284	73,661

**McDaniel & Associates Consultants Ltd. Price Forecast as at December 31, 2016 <sup>(1)</sup>**

	WTI Crude Oil (US\$/bbl)	Edmonton Light Crude Oil (Cdn\$/bbl)	Henry Hub Natural Gas (US\$/mmbtu)	AECO Natural Gas (Cdn\$/mmbtu)	British Columbia Average Plantgate Gas (Cdn\$/mmbtu)	Edmonton Condensate and Natural Gasoline (Cdn\$/bbl)	Ethane (Cdn\$/bbl)	Propane (Cdn\$/bbl)	Butane (Cdn\$/bbl)	US/Cdn Exchange (US\$/Cdn\$)
2017	55.00	69.80	3.40	3.40	2.90	72.80	12.80	23.30	43.50	0.750
2018	58.70	72.70	3.20	3.15	2.65	75.80	11.80	23.70	47.90	0.775
2019	62.40	75.50	3.35	3.30	2.90	78.60	12.40	26.20	49.80	0.800
2020	69.00	81.10	3.65	3.60	3.20	84.30	13.60	28.30	56.40	0.825
2021	75.80	86.60	4.00	3.90	3.50	89.80	14.80	30.30	63.40	0.850
Average	64.18	77.14	3.52	3.47	3.03	80.26	13.08	26.36	52.20	0.800

Note:

<sup>(1)</sup> Prices escalate at two percent per year after 2021.

The above pricing table was utilized by McDaniel in its evaluation of Chinook's reserves as at December 31, 2016. When compared to the December 31, 2015 price forecast, commodity pricing for the year 2017 has increased for Edmonton Light Crude Oil, AECO Natural Gas and British Columbia Average Plantgate Gas by 5%, 6% and 12%, respectively. However, the longer term price forecast decreased on average over the following 10 years for the same commodities by 6%, 11% and 13%, respectively.

### Future Development Costs ("FDC")

Changes in forecast FDC occur annually as a result of development activities, acquisition and disposition activities and capital cost estimates that reflect the independent evaluator's best estimate of what it will cost to bring the proved undeveloped and probable reserves on production using forecast prices and costs.

<i>(\$ millions)</i>		
	2016	2015
<b>Total proved</b>	<b>74.2</b>	61.8
<b>Total proved plus probable</b>	<b>115.1</b>	95.0

### Finding and Development Costs ("F&D")

Finding and development costs below are calculated as the Exploration and Development costs excluding the acquisitions, dispositions, abandonment and furniture and fixtures plus the change in undiscounted FDC excluding that FDC associated with acquisitions and dispositions, divided by the reserve additions excluding acquisition and divestiture. Chinook's F&D costs, net of acquisition, disposition, abandonment and furniture and fixture costs, which indicates the capital spent per barrel of oil equivalent added, net of acquisition and disposition changes in volume, are below.

<b>Total Finding and Development Costs (Proved Reserves)</b> <i>(\$ thousands, except per unit amounts)</i>	2016	2015	2014	Three-Year Total
Exploration and development costs excluding acquisitions, dispositions, abandonment and furniture & fixtures <i>(unaudited)</i> <sup>(1)</sup>	7,465	44,281	77,542	129,288
Net change from previously allocated future development capital	22,102	25,618	6,820	54,540
<b>Total exploration and development costs including the net change in FDC</b>	<b>29,567</b>	<b>69,899</b>	<b>84,362</b>	<b>183,827</b>
Reserve additions excluding acquisitions and dispositions ( <i>mboe</i> )	4,449	4,732	3,473	12,654
<b>Total proved finding and development costs (<i>per boe</i>)</b>	<b>6.65</b>	<b>14.77</b>	<b>24.29</b>	<b>14.53</b>

<b>Total Finding and Development Costs (Proved plus Probable Reserves)</b> <i>(\$ thousands, except per unit amounts)</i>	2016	2015	2014	Three-Year Total
Exploration and development costs excluding acquisitions, dispositions, abandonment and furniture & fixtures <i>(unaudited)</i> <sup>(1)</sup>	7,465	44,281	77,542	129,288
Net change from previously allocated future development capital	35,391	30,530	19,910	85,831
<b>Total exploration and development costs including the net change in FDC</b>	<b>42,856</b>	<b>74,811</b>	<b>97,452</b>	<b>215,119</b>
Reserve additions excluding acquisitions and dispositions ( <i>mboe</i> )	9,006	7,474	4,797	21,277
<b>Total proved plus probable finding and development costs (<i>per boe</i>)</b>	<b>4.76</b>	<b>10.01</b>	<b>20.32</b>	<b>10.11</b>

Note:

<sup>(1)</sup> Excludes non-cash costs, including decommissioning liabilities.

Total exploration and development costs incurred in the most recent financial year and the change during that year in estimated future development costs, generally will not reflect the total cost of reserve additions in that year.



**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.

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## Reader Advisory

### Abbreviations

#### Oil and Natural Gas Liquids

bbl	barrel
bbls	barrels
bbls/d	barrels per day
mbbl	thousand barrels
NGLs	natural gas liquids
mcf	thousand cubic feet
mmcf	million cubic feet

#### Natural Gas

mmcf/d	million cubic feet per day
mmbtu	million British Thermal Units

#### Other

boe	barrel of oil equivalent on the basis of 6 mcf/1 boe for natural gas and 1 bbl/1 boe for crude oil and natural gas liquids (this conversion factor is an industry accepted norm and is not based on either energy content or current prices)
boe/d	barrel of oil equivalent per day
mboe	1,000 barrels of oil equivalent
mmboe	1,000,000 barrels of oil equivalent
WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma for crude oil of standard grade

### Oil and Gas Advisory

*Reserves* are estimated remaining quantities of oil and natural gas and related substance anticipated to be recoverable from known accumulations, as of a given date, based on the analysis of drilling, geological, geophysical and engineering data; the use of established technology, and specified economic conditions, which are generally accepted as being reasonable. Reserves are classified according to the degree of certainty associated with the estimates as follows:

*Proved Reserves* are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

*Probable Reserves* are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

The reserves information contained in this news release has been prepared in accordance with NI 51-101. Complete NI 51-101 reserves disclosure will be included in the Company's Annual Information Form for the year ended December 31, 2016 which will be filed on SEDAR in March 2017. Listed below are cautionary statements applicable to the Company's reserves information that are specifically required by NI 51-101:

- Individual properties may not reflect the same confidence level as estimates of reserves for all properties due to the effects of aggregation.
- This news release contains estimates of the net present value of the Company's future net revenue from its reserves. Such amounts do not represent the fair market value of the Company's reserves.



### ***Forward-Looking Statements***

In the interest of providing shareholders and potential investors with information regarding Chinook, including management's assessment of the future plans and operations of Chinook, 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 addition, statements relating to "reserves" are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and can be profitably produced in the future. In particular, this news release contains, without limitation, forward-looking statements pertaining to: estimated cash flows, operational plans and the anticipated timing thereof, the anticipated filing date on SEDAR for the Company's Annual Information Form for the year ended December 31, 2016, the volumes and estimated value of Chinook's oil and natural gas reserves, the life of Chinook's reserves, the amount of future development costs associated with producing proved undeveloped and probable reserves, Chinook's recycle ratios, the volume and product mix of Chinook's oil and natural gas production, and future oil and natural gas prices and future results from operations.

With respect to the forward-looking statements contained in this news release, Chinook has made assumptions regarding, among other things: future oil and natural gas prices, future currency, exchange and interest rates, future oil and natural gas production levels, that Chinook will continue to conduct its operations in a manner consistent with past operations, future capital expenditure levels, Chinook's ability to obtain equipment in a timely manner to carry out development activities, the ability of the operator of the projects in which Chinook has an interest to operate in the field in a safe, efficient and effective manner, the impact of increasing competition, field production rates and decline rates, the ability of Chinook to add production and reserves through development and exploitation activities, certain cost assumptions and the continued availability of adequate debt financing and cash flow to fund its planned expenditures. 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, volatility of commodity prices, currency fluctuations, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, 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 effect 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. 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.

***Reserve Life Index***

The reader is also cautioned that this news release contains the term reserve life index ("RLI"), which is not a recognized measure under International Financial Reporting Standards ("IFRS"). Management believes that this measure is a useful supplemental measure of the length of time the reserves would be produced over at the rate used in the calculation. Readers are cautioned, however, that this measure should not be construed as an alternative to other terms determined in accordance with IFRS as a measure of performance. Chinook's method of calculating this measure may differ from other companies, and accordingly, they may not be comparable to measures used by other companies.

***Finding and Development Costs***

The reader is also cautioned that this news release contains the term F&D costs, which is not a recognized measure under IFRS. Management believes that this measure is a useful supplemental measure of the cost to add reserves in the prior calendar year. Readers are cautioned, however, that this measure should not be construed as an alternative to other terms determined in accordance with IFRS as a measure of performance. Chinook's method of calculating this measure may differ from other companies, and accordingly, they may not be comparable to measures used by other companies.

***Recycle Ratio***

The reader is also cautioned that this news release contains the term recycle ratio, which is not a recognized measure under IFRS. Management believes that this measure is a useful supplemental measure of the projected investment efficiency of Chinook's 2017 capital program. Readers are cautioned, however, that this measure should not be construed as an alternative to other terms determined in accordance with IFRS as a measure of performance. Chinook's method of calculating this measure may differ from other companies, and accordingly, they may not be comparable to measures used by other companies.

***Funds (Outflow) from Operations***

The reader is also cautioned that this news release contains the term funds (outflow) from operations, which is not a recognized measure under IFRS and is calculated from cash flow from continuing operations adjusted for changes in non-cash working capital, transaction costs, decommissioning expenditures and exploration expenses. Management believes that funds (outflow) from operations is a key measure to assess the ability of Chinook 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. Chinook's method of calculating this measure may differ from other companies, and accordingly, they may not be comparable to measures used by other companies. We adjust exploration and evaluation expense as we could otherwise capitalize these expenses.

***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 anticipated or projected funds (outflow) from operations, recycle ratios and certain components of the calculation of recycle ratios, may contain Future Oriented Financial Information ("FOFI") within the meaning of applicable securities laws. The FOFI has been prepared by management of the Company to provide an outlook of the Company'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 operations of the Company and the resulting financial results may vary from the amounts set forth herein, and such variations may be material. The Company and its management believe that the FOFI has been prepared on a reasonable basis, reflecting management's best estimates and judgments.