



## NEWS RELEASE

### **Chinook Energy Inc. Provides Operational and Corporate Update**

**CALGARY, ALBERTA – January 17, 2018 – Chinook Energy Inc. (TSX:CKE) ("Chinook" or the "Company")** is pleased to provide the following operational and corporate update.

#### **Operational Update**

On December 22, 2017, Chinook commissioned the on-time expansion of its compressor station at Birley/Umbach from 25 mmcf/d to 50 mmcf/d. Total costs for this facility expansion were \$13.8 million (\$11.1 million net). With the completion of this expansion, the Company now has the capacity to produce all of its 13 (11.23 net) Birley/Umbach wells. However, due to the extreme cold weather in December and the ongoing outages on the Enbridge Oak 16" gathering line, Chinook currently only has three (2.5 net) Birley wells on production. As a result of this volatility, Chinook had 2017 exit production volumes of 3,572 boe/d as calculated from December 31, 2017 to January 10, 2018, with peak production of 5,170 boe/d on December 24, 2017. Enbridge is currently indicating a return to service of late February or early March at which time Chinook may flow its complete well inventories from its Birley/Umbach properties. The Company has further been impacted by the high price volatility at Westcoast Station 2 where the majority of its production is sold and continues to pursue transportation alternatives with more favorable pricing.

#### **Private Placement**

On December 11, 2017, Chinook completed a private placement of 6,450,000 flow-through common shares at \$0.31 per share for total consideration of \$2.0 million. Proceeds from this private placement will be used to fund the two well drilling program discussed further below.

#### **Natural Gas Hedges**

Chinook has entered into hedges to fix the Chicago City Gate Index price of natural gas on 6,000 mmbtu/d of natural gas production at an average of US\$2.68 per mmbtu (approximately Cdn \$3.85/mcf) from February 2018 to March 2019.

#### **2018 Outlook**

Due to the continued volatility in spot and future natural gas prices, specifically at Westcoast Station 2, Chinook has determined that it is prudent to defer providing 2018 guidance until commodity prices stabilize. Chinook's Board of Directors has approved a \$3.4 million capital program for the first half of 2018, funded predominately by the aforementioned private placement. This capital program for the first half of 2018 will include the drilling of two (2.0 net) vertical wells in the Birley/Umbach area as well as other minor expenditures. The drilling of the two vertical wells will help delineate 17 undrilled contiguous sections of 100% owned Montney rights (located three kilometres north of Chinook's main Montney landblock and eight kilometres from the nearest well drilled into the Montney) by evaluating the pay thickness and reservoir quality throughout the entire 235 metre thick Montney zone. Chinook's objectives for 2018 are to proactively manage its capital program to maintain optionality from its Montney asset base while preserving balance sheet strength and flexibility.

## 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

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bbbl      barrels  
bbbl/d    barrels per day

#### Natural Gas

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mcf      thousand cubic feet  
mmcf     million cubic feet  
mmcf/d   million cubic feet per day  
btu      British thermal unit  
mmbtu   million British thermal units  
mmbtu/d million British thermal units per day

#### Other

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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

### Forward-Looking Statements

In the interest of providing shareholders and readers 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 particular, this news release contains, without limitation, forward-looking statements pertaining to: the use of proceeds from the private placement of flow-through common shares, future Birley/Umbach field production, the expected timing that Enbridge will have its Oak 16" gathering line returned to service, the approximate Canadian dollar value of Chinook's US dollar denominated hedge, expectations with respect to

Chinook's first half of 2018 two well drilling program at Birley/Umbach including that the two vertical wells will delineate 17 sections of Montney rights, and the amount and timing of the capital budget for the first half of 2018.

With respect to the forward-looking statements contained in this news release, Chinook has made assumptions regarding, among other things: that Chinook will continue to conduct its operations in a manner consistent with that expressed herein, future capital expenditure levels, future oil and natural gas prices, future oil and natural gas production levels, future currency, exchange and interest rates, Chinook's ability to obtain equipment in a timely manner to carry out exploration and development activities, the impact of increasing competition, field production rates and decline rates, anticipated production volumes, certain cost assumptions, that the budgeted capital program for the first half of 2018, which is subject to the discretion of Chinook's Board of Directors, will not be amended in the future, and the continued availability of adequate debt and cash flow to fund Chinook's 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 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, Chinook's Board of Directors may amend the capital program for the first half of 2018 based on its discretion; environmental risks, competition from other producers, inability to retain drilling rigs and other services, unanticipated increases in 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 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.