# Crew Energy Announces 2015 Capital Budget Focused on Balance Sheet Strength and Long-Term Montney Growth

January 6, 2015

**CALGARY, ALBERTA--(Marketwired - Jan. 6, 2015) -** Crew Energy Inc. (TSX:CR) ("Crew" or the "Company") today announces that the Board of Directors has approved a 2015 capital program of up to $185 million, prudently structured to maintain Crew's strong balance sheet position while providing maximum flexibility for the continued development and growth of our core northeast British Columbia ("BC") Montney resource under a variety of commodity price scenarios.

This capital budget is designed to generate growth from our high-quality asset base, retain our financial flexibility, and target a 13% year-over-year increase in our fourth quarter average production volumes. During the first half of 2015, Crew plans to complete construction of the West Septimus gas processing facility, which doubles our natural gas and liquids handling capacity in the area, and to complete wells which are planned to be tied-in to this facility during the second half of the year. This budget affords the Company significant flexibility to adjust capital spending to keep our balance sheet strong while continuing to advance future production growth initiatives.

**2015 Program and Guidance Highlights:**

- Complete construction and commissioning of our second 60 mmcf per day gas processing facility at West Septimus in the first half of 2015, enabling Crew to accelerate future production in the area as pricing and project economics warrant;
- Complete and tie-in 12 wells in West Septimus that were pre-drilled during the latter part of 2014. The completion of these wells will allow for the commissioning of the West Septimus facility early in the third quarter;
- Drill eight new pad wells at our liquids-rich natural gas development at Septimus, and drill two new wells and complete four wells at our light oil development at Tower, BC, which are all expected to come on production in the second half of 2015. The Company will also install the necessary surface equipment and pipeline tie-in for liquids handling at Septimus which will eliminate the trucking of condensate and enhance the area netback;
- Annual production volumes are anticipated to range between 20,000 and 22,000 boe per day (weighted 63% to natural gas) with fourth quarter production expected to be between 24,000 and 25,000 boe per day, an increase of more than 13% over 2014 due to incremental volumes coming on during the third and fourth quarters through the West Septimus gas plant;
- Continue with our low-cost and capital efficient Lloydminster heavy oil recompletion and workover program, and monitor commodity prices to assess appropriate timing to commence further drilling at Lloydminster; and
- Enter 2015 with approximately $250 million of net debt and a current borrowing capacity of $430 million providing $180 million of available capacity. The Company intends to maintain a position of financial strength and will appropriately adjust capital expenditures and related production forecasts to achieve this goal.

**Budget Overview and Funding**

In light of the recent volatility and uncertainty in commodity prices, Crew's 2015 capital budget focuses on the continued building of our Montney production volumes and processing capacity, enabling the Company to maintain its balance sheet strength and financial flexibility, while still advancing our goal of delivering long-term, profitable growth. The first half of our capital program will concentrate on completing construction of our 60 mmcf per day West Septimus gas processing facility and related infrastructure which is anticipated early in the third quarter, as well as completing 12 pre-drilled Montney horizontal wells which will supply gas to the new facility. As a result of the significant amount of capital that was already invested during 2014, the cost of our 2015 production additions is expected to average approximately $20,000 per boe per day, which is lower than historical levels.

We will continue to operate one to two drilling rigs through the first half of 2015 which we expect will provide up to nine additional wells (five at Septimus and four at Tower) that are planned to be completed and brought on production in the second half of the year, or as project economics support. Since the bulk of the investment into Crew's West Septimus facility was made during 2014, it is anticipated that only $10 million of incremental net capital will be required during the first half of 2015 to complete and commission the plant. This net level of spending accounts for the reimbursement, at commissioning, of 50% of the total cost of building the facility from the Company's infrastructure partners. The facility is not expected to be full upon commissioning, which will provide Crew with the option to accelerate production growth from West Septimus.

At Fort St. John, a third party operated deep cut facility will undergo a major turnaround for approximately six weeks in June and July affecting 2,500 to 3,000 boe per day of Crew's legacy production. These volumes have been considered in the 2015 average production forecast.

At Lloydminster, Crew plans to maintain activity on our very effective recompletion and workover program but will curtail new drilling until commodity prices recover sufficiently to provide more attractive rates of return.

To ensure we retain balance sheet strength, the 2015 program has been structured to be operationally nimble, target specific debt levels and allows for adjustments to second half capital spending based on changes in the commodity price environment. Crew's strong hedging program (39% of our budgeted natural gas volumes and 27% of our budgeted oil volumes) positions the Company to maintain financial strength during this period of volatility, and will provide significant protection to our 2015 cash flow. With our $150 million high yield notes maturing in 2020, we are afforded financial flexibility and can remain focused on executing our strategy.

**Risk Management**

Crew's ongoing risk management program is designed to protect against volatility in commodity prices as well as underpin funds from operations. The Company is well hedged for 2015, with the following contracts in place:

Natural Gas - 33,800 gj per day swapped at an AECO floor of C$3.71/gj;

Oil - 2,100 bbl per day swapped at C$ WTI of $103.00/bbl;

Oil Differential - 2,000 bbl per day swapped WCS-WTI Differential of C$(21.59)/bbl.

**Operations Update**

During the fourth quarter, Crew finished drilling 12 West Septimus wells that are planned to be completed in the first half of 2015, drilled the first two wells of a four well pad at Tower and drilled and completed two wells (1.3 net) at Septimus. The Septimus wells came on at an average gross production rate of 7.2 mmcf/day per well with liquids of approximately 30 bbls/mmcf based on the initial 15 days of production. Also in the fourth quarter, Crew continued with the purchasing of equipment and construction of the West Septimus gas facility. At the end of 2014, Crew had incurred approximately 70% of its forecasted net total expenditure on the facility.

As previously noted, Crew achieved our 2014 exit volumes in excess of 22,000 boepd early in the fourth quarter. With the precipitous decline in commodity prices, particularly oil, Crew has been proactively reviewing the economics of our wells to ensure they positively contribute to cash flow. As a result, approximately 1,000 boe per day (heavy oil and non-Montney gas production) has been impacted by a combination of not meeting minimum well servicing economic thresholds and third party infrastructure shut-ins. We anticipate these volumes will remain shut-in until we see a recovery in commodity prices. Crew will continue to evaluate the economics of existing production and will take appropriate action to ensure overall economics are maintained.

Our 2015 budget guidance and 2015 targets are best estimates based on certain assumptions including, without limitation, operating results, known fiscal regimes, commodity prices and risk management contracts and will be regularly monitored by management. Our objective will be to proactively manage our capital program as it relates to operational success and fluctuating commodity prices with a priority to maintain financial flexibility and achieve our production guidance. Crew will closely monitor the budget and financial situation throughout the year to assess market conditions, having the ability to quickly adjust budget levels or pace of development in accordance with commodity prices and available funds from operations. Additional information regarding our assets, development plan and 2015 budget can be found within the latest corporate presentation on the Company's website at www.crewenergy.com.

Crew Energy Inc. is a growth-oriented oil and natural gas producer, primarily focused in the vast Montney resource situated in northeast British Columbia. Crew's common shares trade on Toronto Stock Exchange ('TSX') under ticker 'CR'. For further information, please visit the Company's website at www.crewenergy.com.

**Cautionary Statements**

**Forward-Looking Information and Statements**

*The Company anticipates remaining disciplined but flexible with its 2015 exploration and development capital expenditures as it monitors business conditions and commodity prices throughout the fiscal year. Where deemed prudent, it may make adjustments to its 2015 capital budget. Actual spending may vary due to a variety of factors, including drilling results, crude oil and natural gas prices, economic conditions, prevailing debt and/or equity markets, field services and equipment availability, and any future strategic acquisitions or dispositions. The Company has flexibility to adjust the level of its capital investments as circumstances warrant.*

*This news release contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "may", "will", "project", "should", "believe", "plans", "intends", "forecast" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this news release contains forward-looking information and statements pertaining to the following: the Company's planned 2015 capital expenditures program; the volume and product mix of Crew's oil and gas production; production estimates including 2015 forecast average and exit 2015 production; the Company's estimated 2015 year end debt; future oil and natural gas prices and Crew's commodity risk management programs; future liquidity and financial capacity; future results from operations and operating metrics; anticipated reductions in operating costs and potential to improve ultimate recoveries and initial production rates; future costs, expenses and royalty rates; future interest costs; the exchange rate between the $US and $Cdn; future development, exploration, acquisition, development and infrastructure activities and related capital expenditures and the timing thereof; the number of wells to be drilled, completed and tied-in and the timing thereof; the amount and timing of capital projects including anticipated timing of the West Septimus, Tower and Groundbirch facilities; the total future capital associated with development of reserves and resources; and methods of funding our capital program, including possible non-core asset divestitures and asset swaps. Such information reflects internal projections used by management for the purposes of making capital investment decisions and for internal long range planning and budget preparation. Accordingly, undue reliance should not be placed on same.*

*Forward-looking statements or information are based on a number of material factors, expectations or assumptions of Crew which have been used to develop such statements and information but which may prove to be incorrect. Although Crew believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because Crew can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified herein, assumptions have been made regarding, among other things: the impact of increasing competition; the general stability of the economic and political environment in which Crew operates; the timely receipt of any required regulatory approvals; the ability of Crew to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects in which Crew has an interest in to operate the field in a safe, efficient and effective manner; the ability of Crew to obtain financing on acceptable terms; field production rates and decline rates; the ability to replace* *and expand oil and natural gas reserves through acquisition, development and exploration; the timing and cost of pipeline, storage and facility construction and expansion and the ability of Crew to secure adequate product transportation; future commodity prices; currency, exchange and interest rates; regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which Crew operates; the ability of Crew to successfully market its oil and natural gas products. There are a number of assumptions associated with the potential of resource volumes assigned to the Evaluated areas including the quality of the Montney reservoir, future drilling programs and the funding thereof, continued performance from existing wells and performance of new wells, the growth of infrastructure, well density per section, and recovery factors and discovery and development necessarily involves known and unknown risks and uncertainties, including those identified in this press release.*

*The forward-looking information and statements included in this news release are not guarantees of future performance and should not be unduly relied upon. Such information and statements, including the assumptions made in respect thereof, involve known and unknown risks, uncertainties and other factors that may cause actual results or events to defer materially from those anticipated in such forward-looking information or statements including, without limitation: changes in commodity prices; the potential for variation in the quality of the Montney formation; changes in the demand for or supply of Crew's products; unanticipated operating results or production declines; changes in tax or environmental laws, royalty rates or other regulatory matters; changes in development plans of Crew or by third party operators of Crew's properties, increased debt levels or debt service requirements; inaccurate estimation of Crew's oil and gas reserve and resource volumes; limited, unfavourable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; and certain other risks detailed from time-to-time in Crew's public disclosure documents (including, without limitation, those risks identified in this news release and Crew's Annual Information Form).*

*The forward-looking information and statements contained in this news release speak only as of the date of this news release, and Crew does not assume any obligation to publicly update or revise any of the included forward-looking statements or information, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.*

**Test Results and Initial Production Rates**

*A pressure transient analysis or well-test interpretation has not been carried out and thus certain of the test results provided herein should be considered to be preliminary until such analysis or interpretation has been completed. Test results and initial production rates disclosed herein may not necessarily be indicative of long term performance or of ultimate recovery.*

**BOE equivalent**

*Barrel of oil equivalents or BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 mcf: 1 bbl 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 than the energy equivalency of 6:1, utilizing a 6:1 conversion basis may be misleading as an indication of value.*

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