Crew Energy Announces 2016 Capital Budget Focused on Maintaining Balance Sheet Strength, Reducing Costs While Increasing Production by 28%

January 4, 2016

CALGARY, ALBERTA--(Marketwired - Jan. 4, 2016) - Crew Energy Inc. (TSX:CR) ("Crew" or the "Company") today announces that our Board of Directors has approved a 2016 capital expenditure program of $74 million structured to preserve balance sheet strength, optimize production throughput to enhance netbacks through firm transportation arrangements and focus on continued cost reductions. The capital activities planned for 2016 highlight Crew's strategy to maintain financial flexibility while continuing to develop our Montney asset base, positioning the Company for significant future production growth.

2016 Program and Guidance Highlights:

- Forecast year-over-year production per share growth of approximately 23% with a 28% increase in annual average production volumes while maintaining balance sheet strength with a capital program projected to approximate funds from operations;
- Target annual production volumes ranging between 23,000 and 25,000 boe per day (weighted 73% to natural gas) with year-end 2016 exit production expected to be between 25,000 and 27,000 boe per day;
- Optimize throughput at Crew's facilities with the Septimus plant inlet maintained at capacity of approximately 65 mmcf per day. Planned completion and tie-in activities are expected to contribute to throughput increases at the West Septimus plant which is anticipated to reach approximately 50 mmcf per day by year-end;
- Continue to focus on cost reductions with a forecasted 27% decrease in operating costs per boe to $6.00 to $6.50 highlighted by our Montney operating costs estimated at $4.15 per boe. General and administrative expenses per boe are forecasted to be reduced by 27% over 2015 to $1.40 to $1.60 and interest expense per boe is expected to decline by 22% to approximately $1.90; and
- Direct approximately 90% of the total capital budget to drilling, completion and tie-in activities primarily focused in our core Montney liquids-rich natural gas areas at West Septimus and Septimus.

2016 Budget Overview and Activity Summary

Crew's 2016 capital budget has been prioritized to ensure balance sheet strength is maintained with investment decisions driven by project economics resulting in production levels which are expected to approximate transportation and processing arrangements. Activity is predominantly focused on drilling and completions at Septimus and West Septimus where we continue to generate attractive rates of return in the current price environment. With one drilling rig running through first half 2016, we anticipate drilling seven wells including four at West Septimus and three at Septimus. Crew also plans to complete and tie-in 18 wells which will include 2016 drills and wells previously drilled in 2015.

With recent West Septimus wells outperforming expectations in gas rates and liquids content, Crew plans to drill a total of four wells and complete and tie-in 13 wells to increase production volumes at the West Septimus facility. During the first quarter, Crew plans to drill the remaining four wells on a planned eight well pad at West Septimus, with all eight wells anticipated to be completed during the second half of the year and production commencing late in 2016. At Septimus, Crew plans to drill, complete and tie-in three (2.0 net) wells and complete and tie-in two (1.3 net) wells that were drilled in 2015. As a result of the capital Crew invested during 2015 to add infrastructure and build the strong inventory of wellbores, the cost of our 2016 production additions is expected to be approximately $7,500 per boe per day, which is well below historical levels.

At Lloydminster, Crew plans to maintain our focus on cost reduction initiatives and selective recompletion and workover activities and will curtail new drilling until commodity prices recover sufficiently to provide more compelling rates of return.

Risk Management

Crew's active risk management program is designed to protect against volatility in commodity prices, support funds from operations and provide market diversity for the sale of our products. The Company has continued to systematically layer in hedges for 2016 and currently has approximately 40% of our natural gas volumes hedged for 2016 with a floor of approximately $2.76 per GJ or approximately $2.92 per mcf, which increases to approximately $3.42 per mcf after adjusting for Crew's heat conversion.

Operations Update

Crew's ability to maintain production levels through 2016 with a modest capital program is the result of a strategic decision to accelerate capital spending during the fourth quarter of 2015 in order to start the construction of a key pipeline project and pre-drill four wells in 2015 that were originally planned for 2016. Aided by favorable weather conditions, we commenced operations to install a pipeline beneath the Pine River (the "Pine River Pipeline") connecting the Company's West Septimus and Septimus plants which will reduce condensate transportation costs, facilitate future expansion of the West Septimus facility, enhance longer term market access and position Crew as the only operator with pipeline connections that span the Pine River. An incremental expenditure of approximately $11 million was incurred on the Pine River Pipeline project during the fourth quarter of 2015. Crew expects to recover the majority of this expenditure through a Government of British Columbia infrastructure credit that will be earned upon the anticipated completion of the project in the first quarter of 2016. Crew also elected to realize cost savings from operational efficiencies by accelerating approximately $9 million of capital spending into 2015 that was originally planned for the first quarter of 2016. This spending included the drilling of the first four wells of an eight well pad at West Septimus increasing our total Montney well count for the year to 27 wells. With the advancement of select capital projects scheduled for 2016 into 2015, Crew is estimating a year end debt level of approximately $235 million, representing a draw of less than 34% on the Company's credit facility. With the Company's total borrowing capacity of $400 million, consisting of a $150 million high yield bond maturing in October 2020 and our $250 million syndicated bank facility, Crew plans to maintain total debt of $235 to $250 million in 2016 giving the Company ample financial flexibility.

The Company's second half 2015 drilling program continues to outperform expectations. At Septimus, Crew's recently completed two upper Montney wells achieved average initial production rates of 5.9 mmcf per day over 30 days ("IP30"), with casing pressures maintained above 1,500 psi and an average liquids rate of 32 bbl per mmcf (60% condensate). Crew's Lower Montney well remained shut-in for pressure build-up analysis after being production tested and flowing at a rate of 7.4 mmcf per day with 147 bbl per day of wellhead condensate at the end of an eight day clean-up period. At West Septimus, four wells of our recent six well pad have achieved an average production rate of 5.1 mmcf per day over 90 days ("IP90"), with casing pressures maintained above 1,000 psi and an average liquids rate of 60 bbls per mmcf (60% condensate).

On December 1, 2015, Crew's firm transportation arrangements commenced on the Alliance pipeline and our 2015 exit production target of over 26,000 boe per day was exceeded leading to production averaging approximately 26,500 boe per day for the month of December based on field estimates. Both the West Septimus and Septimus facilities are meeting processing expectations with Septimus achieving a new record throughput of greater than 11,600 boe per day during December 2015. As a result of continued regional natural gas pricing pressures through the end of November 2015, Crew elected to keep production volumes curtailed until our firm transportation arrangements took effect December 1, 2015 which provided access to markets with more favorable pricing. Based on field estimates, Crew's fourth quarter 2015 production is expected to average approximately 20,800 boe per day with annual volumes averaging approximately 18,550 boe per day. This represents a 24% quarter-over-quarter increase in production after having over 8,000 boe per day of production shut-in for two months in the quarter.

Crew has taken numerous steps to establish a strong foundation for the Company's Montney-focused growth. We have assembled and consolidated a very attractive land position, constructed the necessary infrastructure to support our growth, implemented leading operational practices and established firm transportation arrangements to access new markets for our products. On this foundation, we will continue to control costs and prudently invest our capital in the most economically attractive opportunities within our portfolio. Our 2016 capital budget reflects the importance of our balance sheet in this low commodity price environment while affording Crew the flexibility to make adjustments should the price environment change.

Crew's 2016 budget guidance and related targets and forecasts disclosed above 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 and will quickly adjust budget levels or pace of development in accordance with commodity prices and available funds from operations.

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 2016 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 2016 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", "targets" 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 2016 capital expenditures program; the volume and product mix of Crew's oil and gas production; production estimates including 2016 forecast average and exit 2016 production and year over year production per share growth and productive capacity; 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; anticipated B.C. Government infrastructure credit in respect of completion of the Pine River Pipeline; 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 Crew's assets 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.