Crew Energy Announces a 2017 Capital Budget of $200 Million Targeting Montney Production Growth of Over 40%

January 5, 2017

CALGARY, ALBERTA--(Marketwired - Jan. 5, 2017) - Crew Energy Inc. (TSX:CR) ("Crew" or the "Company") is pleased to announce that our Board of Directors has approved a 2017 capital expenditure program of $200 million designed to achieve production growth to over 30,000 boe per day in the fourth quarter of 2017. This growth represents a greater than 40% increase in Montney production, funded through a combination of internally generated funds from operations and draws on our credit facility leading to an exit 2017 debt to trailing fourth quarter 2017 annualized funds from operations ratio of less than 1.5 times.

With over 300,000 net acres of Montney rights and over 110 Tcfe of Total Petroleum Initially in Place ("TPIIP"), Crew has access to a massive resource for development and significant long-term growth potential. To date, the Company has focused on the Upper Montney at our Septimus and West Septimus areas ("Greater Septimus") and continued development at our Tower light oil area. Our 2017 capital program will be predominantly focused on West Septimus development, including further delineation of the ultra liquids-rich region and includes approximately $40 million of infrastructure investments highlighted by the doubling of our West Septimus facility's capacity to 120 mmcf per day. Production additions will be back end loaded with the West Septimus plant expansion expected to be completed in the fourth quarter. Further delineation of Upper and Lower Montney stratigraphic intervals at West Septimus and Tower will further support our growth plan designed to achieve production of over 60,000 boe per day by the end of 2019.

Highlights:

- Invest $140 million into Montney drilling, completions, equip and tie-in activities, including the planned drilling of 28 (26.3 net) and the completion of 39 (37.3 net) Montney wells through the year;
- Direct $40 million of capital into key infrastructure projects including expansion of Crew's West Septimus facility to 120 mmcf per day of gas processing capacity that in aggregate with Septimus and Tower will provide Crew with 45,000 boe per day of processing capacity for Montney gas and liquids production. Pipeline construction will also begin to provide physical access to the Trans-Canada Pipeline ("TCPL") system by the second quarter of 2018, further diversifying Crew's marketing strategy and to support our three year growth plan to over 60,000 boe per day;
- Forecast Q4 2017 exit Montney production greater than 26,000 boe per day achieving year-over-year exit growth of over 40%;
- Target annual corporate production growth of approximately 15% with volumes averaging between 25,000 and 27,000 boe per day (weighted 72% to natural gas) with a corporate exit rate of greater than 30,000 boe per day;
- Continue to focus on cost control with corporate operating costs per boe in 2017 expected to be between $5.50 and $6.00 per boe, transportation costs of $2.25 to $2.50 per boe, and G&A costs of between $1.25 and $1.50 per boe. At our Greater Septimus area, Crew anticipates continued low operating costs of between $3.50 and $4.00 per boe; and
- Preserve balance sheet strength and maintain a conservative 2017 year end debt to trailing 2017 funds from operations ratio of approximately two times, and debt to annualized fourth quarter 2017 funds from operations of 1.5 times.

2017 Budget Overview and Activity Summary

Crew's 2017 capital budget is predominantly focused on drilling and completions at Greater Septimus and the expansion of the West Septimus facility, while taking advantage of key service costs that Crew has negotiated through the end of 2017. Crew anticipates having three drilling rigs running through the first half of 2017 in order to complete our 28 well Montney program. The Company also plans to complete and tie-in eleven net wells which were previously drilled in 2016 and will further contribute to production volume growth.

A summary of capital allocation and planned activities by area follows:

West Septimus (~$128 million or 64% of total): Activities at West Septimus will include the drilling of 23 (21.3 net) wells at an average total estimated drill, complete, equip and tie-in cost per well of $3.8 million. An additional five (5.0 net) wells will be completed that were drilled in the fourth quarter of 2016. The drilling program will include approximately ten development and delineation wells situated in the ultra liquids-rich window which, if comparable to the first two wells drilled and completed in the area, would be on target to generate over 100% rates of return in the current capital cost and commodity price environment. In addition, Crew plans to expand processing capacity at the West Septimus gas plant to 120 mmcf per day which is expected to come on-stream in the fourth quarter of 2017. In concert, we have budgeted approximately $20 million of additional capital to start construction of a pipeline that will tie Crew's West Septimus infrastructure into the TCPL Saturn meter station, which is expected to be in service by early 2018. The pipeline route will also intersect the proposed site of Crew's planned Groundbirch facility expected to be in service by late 2018 as part of the Company's three year growth plan.

Septimus (~$24 million or 12% of total): Drill one well at a total drill, complete, equip and tie-in cost of $3.6 million. Crew plans to bring five wells on production during 2017, including four wells that were previously drilled during 2016 and carried forward into 2017. The Company also plans to allocate approximately $10 million for a pipeline expansion to accommodate production volumes from the West Septimus plant expansion and de-bottlenecking projects at Septimus.

Tower (~$30 million or 15% of total): Complete the two remaining wells from Crew's 2014 drilling program during the first quarter of 2017, complete in-field facilities projects and drill four new wells to maintain production levels at the Tower facility at a total drill, complete, equip and tie-in cost of $5.4 million per well.

Lloydminster (~$7.5 million or 4% of total): The sales process of our heavy oil asset at Lloydminster is ongoing and as a result Crew has included a nominal amount of capital for Lloydminster in the budget, which is planned to be directed to drilling six wells and continuing with well optimizations and work-overs. At current commodity prices the Company is planning to maintain heavy oil production at approximately 2,000 boe per day.

Three Year Plan Highlights

Crew's three year Montney development plan targets production growth to over 60,000 boe per day by the end of 2019 and includes the drilling of 175 Montney wells. Funding of this program over the three years is primarily expected to be from a combination of internally generated funds from operations and the continued prudent use of debt, while targeting a debt to future funds flow ratio of less than two times at the end of the period. By 2020, Crew is targeting free cash flow generation at current forward strip commodity prices and anticipates being able to direct excess funds to our ongoing longer-term Montney development.

Crew has also identified and secured the staged processing and takeaway requirements needed to achieve this growth, and plans to have approximately 300 mmcf per day of processing capacity, 275 mmcf per day of transportation capacity and over 20,000 bbls per day of liquids handling secured and in place by the end of 2019.

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 systematically layered in hedges for 2017 over the past year and currently has approximately 40% of our budgeted natural gas volumes hedged for 2017 with a floor of approximately $2.95 per GJ or approximately $3.11 per mcf, which increases to approximately $3.66 per mcf after adjusting for Crew's heat conversion. The Company has also added 2017 hedges to protect funds from operations generated from our Montney light oil, condensate and natural gas liquids ("NGL") revenue stream. Crew currently has hedges on an average of 2,122 bbls per day of WTI oil at an average price of C$67.94 per barrel.

Operations Update

Crew's two new ultra liquids-rich wells continue to perform above expectations. The first well has been on production for 90 days and has produced a total of 36,700 bbls of condensate (an average of 408 bbls per day) and 179 mmcf of natural gas (an average of 2 mmcf per day) with the condensate to gas ratio averaging 204 bbls per mmcf. The second well was shut-in for facility modifications during the fourth quarter of 2016 but was on production for 40 days during which it produced a total of 17,700 bbls of condensate (an average of 443 bbls per day) and 97 mmcf of natural gas (an average of 2.4 mmcf per day) with the condensate to gas ratio averaging 185 bbls per mmcf.

During the fourth quarter, the Company completed two of four Tower light oil wells that had been previously drilled but uncompleted and both wells are continuing to clean-up after completion operations. Crew utilized a 30 stage plug and perf completion method with 60 limited-entry perforations per well and a higher sand loading of 2 tonnes per meter. The first well has been on production for 40 days and produced at an average rate of 950 boe per day, including 456 bbls per day of 45 degree API light oil. The second well was completed using a 23 stage plug and perf completion with 46 limited entry perforations and has been on production for 21 days over which it has produced at an average rate of 840 boe per day, including 350 bbls per day of light oil. Crew is planning to complete the second pair of Tower wells in the first quarter of 2017 and will continue to optimize completion techniques to evaluate the optimal drilling and completion parameters to be utilized for full-scale Tower field development.

Late in the fourth quarter, Crew completed three new Upper Montney wells at Septimus that are the strongest wells encountered at Septimus to date. All three wells were drilled in separate Upper Montney stratigraphic intervals and were placed on production over an average 15 day period at an average per well rate of 11.7 mmcf per day flowing at an average casing pressure of 1,765 psi. As the wells continued to clean-up, wellhead condensate rates increased to 24 bbls per mmcf translating to a combined rate of approximately 35 bbls of NGL per mmcf which is above historical Septimus field characteristics. These wells are expected to support Septimus production levels through the first quarter.

Equipment procurement is well underway for the planned expansion of the Company's West Septimus facility which is scheduled to be in service in the fourth quarter of 2017. The plant's design will incorporate the necessary fluid knock-out vessels to handle Crew's drilling plans in the ultra liquids rich window that has averaged approximately 195 bbls per mmcf of condensate.

Outlook

Crew continues to focus on the economic development of our massive resource and are very encouraged by the continued improvement of our capital and operating cost structure as well as the significant improvements in well productivity. Our hedging program, diversity of sales points for our products in combination with an improved commodity price environment have allowed Crew to pursue a more aggressive growth strategy while protecting our balance sheet. In the fourth quarter, Crew's Montney activities were impacted by unusually wet "spring-like" weather conditions resulting in road bans that delayed completions and deferred new volume additions until late in the quarter. Combined with the eight day Alliance pipeline shut-down in October, these delays are expected to result in fourth quarter 2016 average production volumes of approximately 22,300 boe per day and annual volumes averaging approximately 22,800 boe per day, just below our previous guidance range. Given the timing of the wells coming on late in the quarter, production has increased to approximately 25,000 boe per day and is expected to have a positive impact on volumes in the first quarter of 2017.

Crew anticipates exiting 2016 with debt levels of approximately $250 million, representing a 43% draw on our credit facility and $135 million of liquidity. At this debt level, our debt to annualized fourth quarter 2016 funds from operations is estimated to be at or below 2.5 times, representing continued improvement over the 2.7 times ratio at the end of the third quarter of 2016. We are committed to maintaining a strong balance sheet, and based on the program outlined above, forecast exiting 2017 with a net debt to annualized fourth quarter funds from operations ratio of approximately 1.5 times.

Our 2017 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. Crew's 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, achieve production growth and meet our guidance. Crew will closely monitor the budget and financial situation throughout the year to assess market conditions and has the ability to quickly adjust budget levels or pace of development to reflect commodity price changes, capital availability and 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.

Forward-Looking Information, Statements and Advisories

The Company anticipates remaining disciplined but flexible with its budgeted 2017 capital expenditures as it monitors business conditions and commodity prices throughout the fiscal year. Where deemed prudent, the Company may make adjustments to its 2017 capital budget. Actual spending may vary due to a variety of factors including, without limitation, drilling results, crude oil and natural gas prices, economic conditions, prevailing debt and/or equity markets, field services and equipment availability, and the impact of 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 2017 capital expenditures program; the Company's three year plan highlights; the estimated volumes and product mix of Crew's oil and gas production; all production estimates including, without limitation, 2016 annual and fourth quarter forecast average production and 2017 forecast annual average and exit production; future production growth targets; estimates of 2016 year end net debt and targeted debt to funds flow ratios in 2017 and beyond; future oil and natural gas prices and Crew's commodity risk management programs; marketing and transportation plans; future liquidity and financial capacity required to carry out our planned program; future results from operations and operating metrics; estimates of future well costs; anticipated operating costs and G&A expenditures and potential to improve ultimate recoveries; future costs, expenses and royalty rates; future interest costs; the exchange rate between the $US and $Cdn; future development, exploration, acquisition and development 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 planned infrastructure and facility expansions and new construction and the timing and estimated cost thereof; the total future capital associated with development of reserves and resources; the potential sale of our heavy oil assets in Saskatchewan and Alberta; the Company's long-term growth strategy including targeted production growth by 2019; long range infrastructure expansion; and methods of funding our capital program, including possible non-core asset divestitures and asset swaps.

*In this press release, reference is made to the Company's long range potential Montney growth scenario under the heading "*Three Year Plan Highlights*". 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. This information is based upon a variety of assumptions that may prove to be incorrect and, accordingly, long range targets are not intended to reflect estimates or forecasts of metrics that may actually be achieved. Accordingly, undue reliance should not be placed on the 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 and the adequacy of cash flow to fund its planned expenditures; 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 and development of the Greater Septimus area 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 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.

Resource Estimates

*This new release contains references to estimates of oil and gas classified as Total Petroleum Initially In Place ("**TPIIP**") in Crew's Montney region in northeast British Columbia which are not, and should not, be confused with, oil and gas reserves. Such estimates are based upon an independent resource evaluation effective as at December 31, 2015, prepared for Crew in accordance with the Canadian Oil & Gas Evaluation Handbook, complete details of which evaluation were set forth in Crew's previously disseminated press release dated May 5, 2016 (the "**Resource Report Press Release**"). Such resource estimates are broken into the requisite categories and are subject to a number of cautionary statements, assumptions, risks, positive and negative factors relative to the estimates and contingencies, all of which details are set forth in the Resource Report Press Release, all of which is incorporated by reference herein.*