# Crew Energy Inc. Announces 2019 Capital Budget and Guidance

December 10, 2018

CALGARY, Dec. 10, 2018 /CNW/ - Crew Energy Inc. (TSX: CR) ("Crew" or the "Company") today is pleased to announce the Company's 2019 capital expenditure budget, approved by Crew's Board of Directors.

With continued volatility and weakness in Canadian oil and natural gas prices, the Company believes it is prudent to develop a plan that can be adjusted dependent on commodity prices. Crew will continue to closely monitor prices and differentials and will adhere to a disciplined and conservative approach for our 2019 capital budget in an effort to maintain balance sheet strength and flexibility.

**2019 BUDGET HIGHLIGHTS**

- **Capital Expenditure Budget of $95 to 105 Million:** The 2019 capital expenditure budget is expected to approximate annual estimated Funds From Operations ("FFO"), with drilling activities focused on building from Crew's success in the Ultra-Condensate Rich ("UCR") area at Greater Septimus.
- **U.S. Sales Exposure and Hedging Provide Support to Capital Program:** Crew's 2019 natural gas sales exposure will be approximately 43% to Chicago City Gate, 16% to NYMEX, 15% to Dawn, 10% to Alliance ATP, 8% to Malin, 4% to Station 2 and 4% to AECO 5A.
  - Approximately 30% of budgeted 2019 volumes are hedged at $2.59 per GJ or approximately $2.74 per mcf, which increases to approximately $3.22 per mcf after adjusting for Crew's higher heat content natural gas. Natural gas hedges include to 22,500 mmbtu per day of Chicago City Gate gas at C$3.54 per mmbtu, 5,000 mmbtu per day of Dawn gas at C$3.56 per mmbtu and 7,500 mmbtu per day of NYMEX gas at US$2.98 per mmbtu.
  - The Company has 1,874 barrels per day of WTI hedged at an average price of C$75.99 per barrel for 2019 and 500 barrels per day of WCS hedged for the first half of 2019 at an average price of C$52.93 per bbl.
- **Maintain Average Production of 22,000 to 23,000 boe per day:** 2019 production is expected to be comprised of 27% liquids and 73% natural gas. The Company currently has approximately 2,000 boe per day of production shut-in, which includes 1,300 boe per day of non-Montney gas production, budgeted to remain shut-in for the entire year at current gas prices. Additionally, 700 barrels per day of shut-in heavy oil is planned to be phased back on production through the second and third quarters as Western Canadian Select ("WCS") prices are forecast to improve.
- **Capital Expenditure Focused in the UCR Area:** Crew anticipates entering 2019 with seven (7.0 net) drilled but uncompleted wells (DUCs), which will accelerate condensate production into 2019. Drilling and completions activity will continue to target liquids-rich opportunities with the Company planning to drill five (5.0 net) and complete three (3.0 net) UCR wells at West Septimus, as a result of encouraging test results from our last three completed wells. The Company also plans to drill one Montney lease retention well and one exploratory horizontal Montney well in 2019. Crew has also allocated capital to our heavy oil business, planning to drill three multi-leg horizontal wells which are expected to maintain production volumes. Capital expenditures will be allocated 75% to Greater Septimus, 6% to lease retention and exploration, 6% to heavy oil, and 13% to land, seismic, general and administration.
- **Managing the Balance Sheet:** Given current and future strip prices for natural gas and liquids as well as differentials, the Company's 2019 capital program will focus on maintaining financial flexibility by balancing capital expenditures with FFO. Crew expects to maintain ample liquidity with planned draws on our existing $235 million credit facility anticipated not to exceed 25%, with the majority of our debt comprised of $300 million of term debt due in 2024 with no financial maintenance covenants.

**2019 budget DETAIL**

Crew is targeting a balanced 2019 budget which will be primarily funded by forecast FFO, enabling the Company to manage our balance sheet while maintaining flexibility to quickly adjust spending in response to changes in forward commodity prices or the broader operating environment.

**2019 Budget Assumptions**

| | |
|---|---|
| Oil price (WTI) | US$52.00 per bbl |
| Natural gas price (AECO 5A) | C$1.60 per GJ |
| Natural gas price (NYMEX) | US$3.30 per mmbtu |
| Natural gas price (Crew est. wellhead) | $3.70 per mcf |
| WTI to WCS differential | C$28.00 |
| Foreign exchange ($US/$CDN) | $0.76 |
| Royalties | 5-7% |
| Operating costs | $5.90 – 6.15 per boe |
| Transportation | $3.60 - 3.85 per boe |
| G&A | $1.40 - 1.65 per boe |
| Interest rate – bank debt | 4.5% |
| Interest rate – high yield | 6.5% |

On January 1, 2019 the Company's pipeline connecting our West Septimus facility to the existing TCPL Saturn meter station will be commissioned, providing the Company with physical access to all three major natural gas egress systems transporting natural gas out of Western Canada. This, combined with our diversified gas marketing portfolio, significantly enhances our natural gas exposure. The addition of the added transportation options will result in an increase in the Company's transportation cost per unit as outlined above.

**2019 Budget Sensitivities**

| Input Change | Cash Flow Impact ($M) | Cash Flow per Fully Diluted Share Impact ($/share) |
|---|---|---|
| 100 bbls per day condensate | $2.1 | $0.01 |
| CDN $1.00 per bbl WTI | $2.0 | $0.01 |
| 1 mmcf per day natural gas | $1.0 | $0.01 |
| $0.10 per mmbtu NYMEX | $5.0 | $0.03 |
| $0.10 per GJ AECO 5A | $0.8 | $0.00 |
| $0.01 FX CDN/US | $2.7 | $0.02 |

As outlined in the Company's third quarter 2018 results release issued November 5, 2018, through the fourth quarter of 2018, Crew has been affected by third party pipeline outages and limited egress across western Canada which has created low, volatile and occasionally negative natural gas prices, extremely low WCS benchmark oil prices and depressed condensate prices. In this environment, Crew has shut-in production volumes that have challenged economics in the interests of preserving value and as such, anticipates that 2018 volumes will average near the low end of our annual guidance range of 23,500 to 24,500 boe per day.

**Cautionary Statements**

**Information Regarding Disclosure on Oil and Gas and Operational Information and Non-IFRS Measures**

*This press release contains metrics commonly used in the oil and natural gas industry, such as "funds from operations". This term is not defined in IFRS and does not have standardized meanings or standardized methods of calculation and therefore may not be comparable to similar measures presented by other companies, and therefore should not be used to make such comparisons. Such metrics have been included herein to provide readers with additional information to evaluate the Company's performance, however such metrics should not be unduly relied upon. Management uses oil and gas metrics for its own performance measurements and to provide shareholders with measures to compare Crew's operations over time. Readers are cautioned that the information provided by these metrics, or that can be derived from the metrics presented in this press release, should not be relied upon for investment or other purposes. See "Non-IFRS Measures" contained within Crew's MD&A for applicable definitions, calculations, rationale for use and reconciliations to the most directly comparable measure under IFRS.*

**Forward-Looking Information and Statements**

*The Company anticipates remaining disciplined but flexible with its budgeted 2019 capital expenditures as it monitors business conditions and commodity prices throughout the fiscal year. Where deemed prudent, the Company may make adjustments to its 2019 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. The corporate guidance for 2019 was determined based on the commodity price and other financial assumptions disclosed in this press release and certain guidance estimates may fluctuate with changes in commodity prices and adjustments made to the 2019 program. The Company's 2019 guidance provides shareholders with relevant information as to management's current expectations for results of operations, excluding any material acquisitions or dispositions, based upon the assumptions noted herein for 2019. Readers are cautioned that the 2019 guidance may not be appropriate for other purposes. The internal projections, expectations or beliefs are based on the 2019 capital budget which is subject to change in light of ongoing results, prevailing economic circumstances, commodity prices and industry conditions and regulations. Accordingly, readers are cautioned that events or circumstances could cause results to defer materially from those predicted.*

*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 2019 capital expenditures program, operating and financial assumptions and guidance, the estimated volumes, including shut-ins, and product mix of Crew's oil and gas production; production estimates including 2018 and 2019 annual average production forecasts; estimated funds from operations and forecasted credit facility drawings in 2019; plans in regards to bringing shut-in volumes back on production and the timing thereof; commodity price expectations including Crew's estimates of natural gas pricing exposure; Crew's commodity risk management programs; marketing, transportation and natural gas egress plans; future liquidity and financial capacity required to carry out our planned program; future results from operations and operating metrics; future development, exploration, acquisition and disposition activities (including drilling, completion and infrastructure plans and associated timing and cost estimates); all financial assumptions included under the headings "2019 Budget Assumptions" and "2019 Budget Sensitivities"; and methods of funding our capital program.*

*In addition, 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: that Crew will continue to conduct its operations in a manner consistent with past operations; results from drilling and development activities consistent with past operations; the quality of the reservoirs in which Crew operates and continued performance from existing wells; the continued and timely development of infrastructure in areas of new production; the accuracy of the estimates of Crew's reserve volumes; certain commodity price and other cost assumptions; continued availability of debt and equity financing and cash flow to fund Crew's current and future plans and expenditures; the impact of increasing competition; the general stability of the economic and political environment in which Crew operates; the general continuance of current industry conditions; 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; and the ability of Crew to successfully market its oil and natural gas products.*

*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; changes in the demand for or supply of Crew's products, the early stage of development of some of the evaluated areas and zones the potential for variation in the quality of the Montney formation; 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 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.*

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**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 the 6:1 conversion ratio may be misleading as an indication of value.*

Crew is a growth-oriented oil and natural gas producer, committed to pursuing sustainable per share growth through a balanced mix of financially responsible exploration and development complemented by strategic acquisitions. The Company's operations are primarily focused in the vast Montney resource, situated in northeast British Columbia, and include a large contiguous land base. Crew's liquids-rich Septimus and West Septimus areas ("Greater Septimus") along with Groundbirch and the light oil area at Tower in British Columbia offer significant development potential over the long-term. The Company has access to diversified markets with operated infrastructure and access to multiple pipeline egress options. Crew's common shares are listed for trading on the Toronto Stock Exchange ("TSX") under the symbol "CR".

SOURCE Crew Energy Inc.