



Crew Energy Inc. Announces Operations Update

January 9, 2019

CALGARY, Jan. 9, 2019 /CNW/ - Crew Energy Inc. (TSX: CR) ("Crew" or the "Company") is pleased to announce an operations update that builds on our 2019 budget release issued on December 10th, 2018. The Company's \$95 to \$105 million budget is expected to approximate annual estimated Funds From Operations ("FFO") which is designed to preserve balance sheet strength and financial flexibility.

PRODUCTION UPDATE

- **Strong December Production:** Based on field estimates, December 2018 average production is estimated at 24,200 boe per day (70% natural gas) as a result of higher production rates from Ultra Condensate Rich ("UCR") wells and a portion of shut-in production being restored as differentials improved through the month. Average production in Q4 2018 is estimated at 22,400 boe per day as approximately 1,300 boe per day of natural gas and 700 bbls per day of heavy oil was shut-in for the majority of the quarter due to low pricing. Annual production is estimated at 23,850 boe per day, which is within guidance of 23,500 to 24,500 boe per day.

DRILLING OPERATIONS

- **Focus on UCR Drilling:** Crew has two drilling rigs currently working in Northeast B.C. One rig is drilling the last well on a six well pad (at the 4-21 location) directly south of our recently completed 15-20 wells in the UCR area. This rig will then be moved to drill a four well UCR pad directly north of the 15-20 location at 3-32; where lateral lengths are planned at over 3,000 metres. The second rig is drilling a lease retention well at Attachie before moving to drill an exploratory horizontal well approximately 18 kilometers northwest of Crew's UCR area, to delineate Crew's liquids rich play in the area. The Company has continued to refine a number of variables in our drilling operations to improve efficiencies and we have seen a 35% reduction in costs per metre of lateral length drilled. Crew continues to trial different lateral lengths, fluid systems, drill bits and downhole assemblies in order to optimize efficiencies.

COMPLETION OPERATIONS

- **Increased Lateral Lengths:** Crew now has production data from its three recently completed, extended reach wells in the UCR area that are exceeding Company forecasts. The wells were drilled with lateral lengths of 2,500 to 2,700 metres versus previous average lateral lengths of 1,840 metres in this area.
- **Enhanced Completions Design:** Crew has used a new completion design which has the following characteristics:
 - Perf and plug completions were used to allow for the effective stimulation of these longer laterals by more evenly distributing fractures and proppant along their lengths;
 - New frac fluids were used to enhance frac geometry, improve proppant placement, and optimize water usage;
 - The number of fracture initiation points were increased four-fold;
 - Inter-well spacing within the same zone was decreased to 250 metres from 400 metres to improve liquids recovery; and
 - Microseismic data was recorded to understand the effectiveness and impact of variations within the completion design.
- **15-20 Pad Shows Positive Initial Results:** The three 15-20 wells produced for 25 days in December before being shut-in to accommodate offsetting fracture operations of adjacent wells in early January. The three wells were producing at a combined sales rate of 4,584 boe per day (61% liquids), for an average per well rate of 1,528 boe per day comprised of

3.6 mmcf (599 boe per day) of sales gas, 776 bbls per day of condensate and 153 bbls per day of natural gas liquids ("NGLs"). The condensate gas ratio averaged 216 bbls per mmcf. Since flowback began in mid November, the three wells have produced over 75,000 bbls of condensate.

- **2019 Fracture Operations:** Crew has begun frac operations on the remaining two wells on the 15-20 pad. One well was drilled in the same "B" zone as the first three completed wells and the other was drilled in the "C" zone. Following the completion of the 15-20 pad, Crew plans on fracture treating four wells on the 4-21 pad directly south of the 15-20 pad.

TRANSPORTATION AND RISK MANAGEMENT

- Crew's 2019 natural gas sales exposure is currently expected to 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 our 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 currently include 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.
- 1,874 barrels per day of WTI are 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. In addition, Crew has 250 bbls per day of WCS differential hedged at C\$25.75 per bbl for the first half of 2019.

Crew is scheduled to report our fourth quarter and year end 2018 results on March 4, 2019 after market close.

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 a standardized meaning or standardized method 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.

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, the estimated volumes, including shut-ins, and product mix of Crew's oil and gas production; production estimates including December 2018, fourth quarter and annual average production estimates; 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 activities (including drilling and completion plans and associated timing and cost estimates); 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 differ 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.

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, particularly those short in duration, 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 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.