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## **BIRCHCLIFF ENERGY LTD. ANNOUNCES RECORD PRODUCTION IN 2015, 2016 CAPITAL PROGRAM OF \$140 MILLION AND 2016 PRODUCTION GUIDANCE**

**Calgary, Alberta – Birchcliff Energy Ltd. (“Birchcliff”) (TSX: BIR)** is pleased to announce that its current production is approximately 42,000 boe per day. Birchcliff estimates that its 2015 annual average production was approximately 39,000 boe per day, which set a new annual average production record for Birchcliff. Estimated 2015 fourth quarter average production was also a record at approximately 40,500 boe per day. In addition, Birchcliff is pleased to announce that its board of directors has approved Birchcliff’s 2016 capital expenditure program of \$140 million, which is expected to be less than 2016 funds flow.

Jeff Tonken, President and Chief Executive Officer of Birchcliff, stated: “We are focused on protecting our balance sheet, maintaining production and continued investment in the Phase V expansion of our 100% owned Pouce Coupe South gas plant and related infrastructure to position us for future growth.

We expect that our \$140 million capital expenditure program for 2016 will be less than our estimated funds flow for the year, thereby protecting our balance sheet and maintaining financial flexibility. We expect that our low cost structure, including our very low operating costs per boe, will result in material funds flow, even at the low-end of the commodity price cycle.

As a result of our high quality asset base, our forecast base production decline is low at approximately 20% for 2016 which gives us the ability to spend very little money to keep production flat. We expect that our 2016 annual average production rate of 40,000 to 41,000 boe per day will result in a year-over-year production increase of approximately 3% to 5%.”

Birchcliff expects to release its unaudited financial results and a summary of its reserves evaluation for the year ended December 31, 2015 on February 10, 2016.

### **2016 CAPITAL EXPENDITURE PROGRAM HIGHLIGHTS**

Birchcliff’s 2016 capital expenditure program of \$140 million (the “**2016 Capital Program**”) is detailed below and is designed to achieve modest production growth, while further progressing the Phase V expansion of Birchcliff’s 100% owned natural gas plant located in the Pouce Coupe South area (the “**PCS Gas Plant**”). Completion of the Phase V expansion of the PCS Gas Plant will be deferred and timed to the drilling of additional Montney/Doig horizontal natural gas wells beyond those contemplated by the 2016 Capital Program, which will be subject to future commodity prices.

Details of the 2016 Capital Program are as follows:

*2016 Capital Program*

	Gross Wells	Net Wells	Capital (\$millions)
Drilling & Development			
Montney D1 Horizontal Gas Wells	8.0	8.0	34.1
Basal Doig/Upper Montney Horizontal Gas Wells	4.0	4.0	17.0
Montney D4 Horizontal Gas Wells	2.0	2.0	8.1
Charlie Lake Horizontal Light Oil Wells	1.0	1.0	2.5
2015 Carry Forward Capital <sup>(1)</sup>	-	-	5.2
<b>Total Drilling &amp; Development<sup>(2)</sup></b>	<b>15.0</b>	<b>15.0</b>	<b>66.9</b>
Facilities & Infrastructure <sup>(3)</sup>			39.5
Production Optimization			13.5
Land & Seismic			5.5
Other			14.6
<b>Total Capital</b>			<b>\$140.0 million</b>

(1) Primarily completion, equipping and tie-in costs associated with 2 (2.0 net) wells rig released at the end of 2015.

(2) On a drill, case, complete, equip and tie-in basis.

(3) Includes approximately \$24.9 million of capital in 2016 for the PCS Gas Plant Phase V expansion.

The 2016 Capital Program is designed to accomplish the following:

1. spend less than funds flow, maintain Birchcliff's financial flexibility and protect its balance sheet;
2. achieve approximately 3% to 5% year-over-year annual average production growth;
3. continue funding of key facilities and infrastructure required for future growth;
4. optimize capital efficiencies, reduce costs and obtain the benefit of the low operating costs of the PCS Gas Plant;
5. support and progress Birchcliff's strategic exploration projects; and
6. a year-over-year increase in reserves.

Birchcliff expects to fund the 2016 Capital Program using internally generated funds flow and not increase its 2016 year-end debt over year-end 2015. The 2016 Capital Program is projected to be less than Birchcliff's expected funds flow for 2016, based on a forecast average WTI price of US\$40.00 per barrel of oil and a forecast average AECO price of CDN\$2.50 per GJ of natural gas during 2016. As the 2016 Capital Program is projected to be less than Birchcliff's expected funds flow for 2016, this will provide Birchcliff with continued financial flexibility and protect its balance sheet.

Under the 2016 Capital Program, Birchcliff expects to drill a total of 15 (15.0 net) wells, which consists of 14 (14.0 net) Montney/Doig horizontal natural gas wells in the Pouce Coupe area and 1 (1.0 net) Charlie Lake horizontal light oil well at Worsley, which is addressing Birchcliff's only significant land expiry in 2016.

The 2016 Capital Program includes approximately \$39.5 million for facilities and infrastructure, which continues Birchcliff's investment in the Phase V expansion of the PCS Gas Plant that will increase processing capacity to 260 MMcf per day from 180 MMcf per day. Birchcliff currently estimates that approximately \$30 million will be required to complete the field construction of the PCS Gas Plant. Birchcliff had previously announced that the Phase V expansion would be completed in the fall of 2016.

Based on commodity prices and general economic conditions, Birchcliff now expects that the Phase V expansion will be completed in early 2017. The completion of Phase V of the PCS Gas Plant will be deferred and timed to coincide with the drilling of additional Montney/Doig horizontal natural gas wells, so that no operational momentum will be lost and ensuring capital is only spent when required.

In addition, preliminary planning and permitting work has been initiated for the Phase VI expansion of the PCS Gas Plant which is being designed to increase processing capacity to 340 MMcf per day from 260 MMcf per day. Birchcliff had previously announced that the Phase VI expansion would be completed in early 2018. Birchcliff now expects that the Phase VI expansion will be completed in late 2018 or early 2019, depending primarily on commodity prices and general economic conditions.

Birchcliff will continue to monitor economic conditions and commodity prices and, where deemed prudent, will adjust the 2016 Capital Program to respond to changes in commodity prices and other material changes in the assumptions underlying the 2016 Capital Program. Actual spending may vary due to a variety of factors, including commodity prices, economic conditions, results of operations and costs of labour, services and material. Birchcliff has the flexibility to adjust the level of its capital expenditures as circumstances warrant.

### **2016 PRODUCTION GUIDANCE**

Birchcliff's 2016 Capital Program is targeting annual average production of 40,000 to 41,000 boe per day, which represents a range of 3% to 5% growth over Birchcliff's annual average production of approximately 39,000 boe per day in 2015. This 2016 production guidance reflects that Birchcliff will conduct a major turnaround operation at the PCS Gas Plant for approximately ten days during the summer.

As Birchcliff's mature base production has low declines, less capital is required to maintain production thereby allowing Birchcliff to grow even though commodity prices have severely weakened and funds flow is reduced.

### **2015 YEAR-END DEBT AND CAPITAL EXPENDITURES**

Capital expenditures for 2015 were approximately \$250 million, which were in line with Birchcliff's previous guidance. Total debt (including working capital deficit) at year-end 2015 was approximately \$645 million. Birchcliff's \$800 million revolving credit facility has a three-year term to May 11, 2018 and contains no financial covenants.

### **2015 PRODUCTION**

During 2015, Birchcliff's production was adversely impacted by both firm and interruptible transportation service curtailments on TransCanada's NGTL System.

Birchcliff estimates that its annual average production in 2015 was approximately 39,000 boe per day, which is in line with its previous production guidance range of 39,000 to 40,000 boe per day and sets a new production record for Birchcliff. This record annual average production represents a 16% increase over Birchcliff's 2014 annual average production of 33,734 boe per day.

Birchcliff estimates that its fourth quarter average production in 2015 was approximately 40,500 boe per day, which is slightly below Birchcliff's previous production guidance range of 41,000 to 42,000 boe per day. Fourth quarter average production in 2015 consisted of approximately 87% natural gas, 9% light oil and 4% NGLs.

Birchcliff estimates that its exit production in 2015 was approximately 41,200 boe per day, which is in line with Birchcliff's previous production guidance range of 41,000 to 42,000 boe per day.

#### **ABBREVIATIONS**

AECO	physical storage and trading hub for natural gas on the TransCanada Alberta transmission system which is the delivery point for various benchmark Alberta index prices
bbl	barrel
boe	barrel of oil equivalent
GJ	gigajoule
Mcf	thousand cubic feet
MMcf	million cubic feet
WTI	West Texas Intermediate oil at Cushing, Oklahoma, the benchmark for North American crude oil pricing

#### **NON-GAAP MEASURES**

This press release uses "funds flow" and "total debt" which do not have standardized meanings prescribed by generally accepted accounting principles and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. "Funds flow" denotes cash flow from operating activities before the effects of decommissioning expenditures and changes in non-cash working capital. "Total debt" is calculated as the revolving term credit facilities plus non-revolving term credit facilities as they appear on Birchcliff's condensed statements of financial position plus working capital deficit. Management utilizes funds flow as a key measure to assess Birchcliff's efficiency and its ability to generate the cash necessary to fund future growth through capital investments, pay dividends on preferred shares and repay debt. Management uses total debt as a key measure to assess the liquidity of Birchcliff.

#### **ADVISORIES**

**Estimated Amounts:** As Birchcliff is still in the process of finalizing its fourth quarter and year-end results for 2015, the historical production, capital expenditure and financial amounts contained in this press release are management's best estimates, unaudited and are subject to change upon completion of Birchcliff's audited financial statements for the financial year ended December 31, 2015.

**Boe Conversions:** Boe amounts have been calculated by using the conversion ratio of 6 Mcf of natural gas to 1 bbl of oil. Boe amounts may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf to 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 from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

**Operating Costs:** References in this press release to "operating costs" exclude transportation and marketing costs.

**Forward-Looking Information:** This press release contains forward-looking information within the meaning of applicable Canadian securities laws. Forward-looking information relates to future events or future performance and is based upon Birchcliff's current internal expectations, estimates, projections,

assumptions and beliefs. All information other than historical fact is forward-looking information. Words such as “plan”, “expect”, “project”, “intend”, “believe”, “anticipate”, “estimate”, “estimated”, “forecast”, “may”, “will”, “potential”, “proposed” and other similar words that convey certain events or conditions “may” or “will” occur are intended to identify forward-looking information.

In particular, this press release contains forward-looking information relating to: Birchcliff’s plans and other aspects of its anticipated future operations, management focus, strategies and priorities; expected results from Birchcliff’s portfolio of oil and gas assets and results of operations; Birchcliff’s proposed exploration and development activities and the timing thereof, including wells to be drilled; Birchcliff’s forecast base production decline rate for 2016 which decline rate gives Birchcliff the ability to spend very little money to keep production flat; Birchcliff’s ability to grow even though commodity prices have severely weakened and funds flow is reduced; the 2016 Capital Program, including planned capital expenditures, Birchcliff’s plan to drill a total of 15 (15.0 net) wells, Birchcliff’s expectation that it will fund the 2016 Capital Program using internally generated funds flow and not increase its 2016 year-end debt over year-end 2015, the objectives and anticipated results of the 2016 Capital Program, including anticipated production growth and financial flexibility, Birchcliff’s expectation that the 2016 Capital Program will be less than expected funds flow for 2016 and that Birchcliff will adjust the 2016 Capital Program to respond to changes in commodity prices and other material changes in the assumptions underlying the 2016 Capital Program; Birchcliff’s flexibility to adjust the level of its capital expenditures; Birchcliff’s expectation that its low cost structure, including its very low operating costs per boe, will result in material funds flow, even at the low-end of the commodity price cycle; Birchcliff’s production guidance for 2016, including estimates of its annual average production for 2016 and 2016 annual average production growth; proposed expansions of the PCS Gas Plant, including the anticipated processing capacities of the PCS Gas Plant after such expansions, the anticipated timing of such expansions and the estimated cost to achieve such expansions; turnaround activities; and Birchcliff’s expectation that it will release its results for the year ended December 31, 2015 on February 10, 2016.

The forward-looking information contained in this press release is based upon certain expectations and assumptions, including: prevailing and future commodity prices, currency exchange rates, interest rates, inflation rates, royalty rates and tax rates; the state of the economy and the exploration and production business; the economic and political environment in which Birchcliff operates; the regulatory framework regarding royalties, taxes and environmental laws; anticipated timing and results of capital expenditures; the sufficiency of budgeted capital expenditures to carry out planned operations; results of operations; operating, transportation, marketing and general and administrative costs; the performance of existing and future wells, well production rates and well decline rates; well drainage areas; success rates for future drilling; reserves and resource volumes and Birchcliff’s ability to replace and expand oil and gas reserves through acquisition, development or exploration; the impact of competition; the availability of, demand for and cost of labour, services and materials; Birchcliff’s ability to access capital; the ability to obtain financing on acceptable terms; the ability to obtain any necessary regulatory approvals in a timely manner; the ability of Birchcliff to secure adequate transportation for its products; and Birchcliff’s ability to market oil and gas. In addition, Birchcliff has made the following key assumptions with respect to certain forward-looking information contained in this press release:

- With respect to estimates as to Birchcliff’s annual average production for 2016 and 2016 annual average production growth, the key assumptions are that: the 2016 Capital Program will be carried out as currently contemplated; no unexpected outages occur in the infrastructure that Birchcliff relies on to produce its wells and that any transportation service curtailments or unplanned outages that occur will be short in duration or otherwise insignificant; the construction of new infrastructure meets timing expectations; existing wells continue to meet

production expectations; and future wells scheduled to come on production meet timing, production and capital expenditure expectations.

- With respect to statements regarding the 2016 Capital Program, the key assumption is that Birchcliff realizes the annual average production target of 40,000 to 41,000 boe per day and the commodity prices upon which the 2016 Capital Program is based, being an expected annual average WTI price of US\$40.00 per barrel of oil and an AECO price of CDN\$2.50 per GJ of natural gas during 2016 with an exchange rate of \$CDN/\$US of 1.40. Birchcliff may adjust the 2016 Capital Program to respond to changes in commodity prices and other material changes in the assumptions underlying the 2016 Capital Program.
- With respect to statements regarding proposed expansions of the PCS Gas Plant, including the anticipated processing capacities of the PCS Gas Plant after such expansions and the anticipated timing of such expansions, the key assumptions are that: future drilling is successful; there is sufficient labour, services and equipment available; Birchcliff will have access to sufficient capital to fund those projects; and commodity prices warrant proceeding with the construction of such facilities and the drilling of associated wells.
- With respect to statements regarding future wells to be drilled, the key assumptions are: the validity of the geological and other technical interpretations performed by Birchcliff's technical staff, which indicate that commercially economic volumes can be recovered from Birchcliff's lands as a result of drilling such future wells; and that commodity prices warrant proceeding with the drilling of such wells.
- With respect to statements regarding decline rates, the key assumption is the validity of the geological and other technical interpretations performed by Birchcliff's technical staff.

Undue reliance should not be placed on forward-looking information, as there can be no assurance that the plans, intentions, expectations or assumptions upon which they are based will occur. Although Birchcliff believes that the expectations and assumptions reflected in the forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct. As a consequence, actual results may differ materially from those anticipated.

Forward-looking information necessarily involves both known and unknown risks and uncertainties that could cause actual results to differ materially from those anticipated, including, but not limited to: general economic, market and business conditions which will, among other things, impact the demand for and market prices of Birchcliff's products and Birchcliff's access to capital; volatility of crude oil and natural gas prices; fluctuations in currency and interest rates; operational risks and liabilities inherent in oil and natural gas operations; uncertainties associated with estimating oil and natural gas reserves and resources; the accuracy of oil and natural gas reserves estimates and estimated production levels as they are affected by exploration and development drilling and estimated decline rates; geological, technical, drilling, construction and processing problems; uncertainty of geological and technical data; changes in tax laws, crown royalty rates, environmental laws and incentive programs relating to the oil and gas industry and other actions by government authorities, including changes to the royalty and carbon tax regimes and the imposition or reassessment of taxes; the cost of compliance with current and future environmental laws; political uncertainty and uncertainty associated with government policy changes; uncertainties and risks associated with pipeline restrictions and outages to third-party infrastructure that could cause disruptions to production; the inability to secure adequate production transportation for Birchcliff's products; the occurrence of unexpected events such as fires, equipment failures and other similar events affecting Birchcliff or other parties whose operations or assets directly

or indirectly affect Birchcliff; potential delays or changes in plans with respect to exploration or development projects or capital expenditures; stock market volatility; loss of market demand; environmental risks, claims and liabilities; incorrect assessments of the value of acquisitions and exploration and development programs; shortages in equipment and skilled personnel; uncertainties associated with the outcome of litigation or other proceedings involving Birchcliff; competition for, among other things, capital, acquisitions of reserves, undeveloped lands, equipment and skilled personnel; and uncertainties associated with credit facilities and counterparty credit risk.

The foregoing list of risk factors is not exhaustive. Additional information on these and other risk factors that could affect operations or financial results are included in Birchcliff's most recent Annual Information Form and in other reports filed with Canadian securities regulatory authorities. Forward-looking information is based on estimates and opinions of management at the time the information is presented. Birchcliff is not under any duty to update the forward-looking information after the date of this press release to conform such information to actual results or to changes in Birchcliff's plans or expectations, except as otherwise required by applicable securities laws.

Any "financial outlook" contained in this press release, as such term is defined by applicable securities laws, is provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that reliance on such information may not be appropriate for other purposes.

**ABOUT BIRCHCLIFF:**

Birchcliff is a Calgary, Alberta based intermediate oil and gas company with operations concentrated within its one core area, the Peace River Arch of Alberta. Birchcliff's common shares and cumulative redeemable preferred shares, Series A and Series C are listed for trading on the Toronto Stock Exchange under the symbols "BIR", "BIR.PR.A" and "BIR.PR.C", respectively.

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