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August 12, 2015

**BIRCHCLIFF ENERGY LTD. ANNOUNCES STRONG SECOND QUARTER RESULTS,  
RECORD QUARTERLY PRODUCTION, RECORD LOW OPERATING COSTS, INCREASED  
Q4 AVERAGE PRODUCTION AND A REDUCTION IN CAPITAL EXPENDITURES**

**Calgary, Alberta – Birchcliff Energy Ltd. (“Birchcliff”) (TSX: BIR)** is pleased to announce strong financial and operational results for the second quarter of 2015 with record quarterly average production of 38,489 boe per day and record low operating costs of \$4.53 per boe. Birchcliff is also pleased to announce that it has increased its expected average production in the fourth quarter of 2015 by approximately 2,000 boe per day to 41,000 to 42,000 boe per day, while reducing its forecast of total capital expenditures for 2015 to approximately \$250 million from \$266.7 million. The full text of Birchcliff’s Second Quarter Report containing the unaudited interim condensed financial statements for the three and six month periods ended June 30, 2015 and the related management’s discussion and analysis will be available on Birchcliff’s website at [www.birchcliffenergy.com](http://www.birchcliffenergy.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

Jeff Tonken, President and Chief Executive Officer of Birchcliff, stated: “We had a solid second quarter in 2015 with record quarterly average production of 38,489 boe per day and record low operating costs of \$4.53 per boe. Our quarterly average production was up 23% from the second quarter of 2014 as a result of stronger production performance from our Montney/Doig horizontal natural gas wells drilled in 2014 and 2015.

Based on our recent multi-well pad drilling, our costs to drill, case, complete, equip and tie-in our Montney/Doig horizontal natural gas wells have decreased by approximately 22% to an average of \$4.5 million per well from an average of \$5.8 million per well. The combination of these decreased capital costs and the improved well performance that we are now realizing, has had a positive effect on our capital efficiencies and internal rates of return.

In summary, we had record production, record low operating costs per boe and improved well performance during the second quarter of 2015. In addition, we have increased our fourth quarter average production by 2,000 boe per day to 41,000 to 42,000 boe per day while reducing our capital expenditure program to approximately \$250 million from \$266.7 million. Further, we are now seeing improved economics with the reductions in both our capital costs and operating costs.”

**PRESS RELEASE HIGHLIGHTS**

***Current Highlights, 2015 Production Guidance and Reduced 2015 Capital Expenditures***

- **Current production is approximately 39,000 boe per day.**
- **2015 annual average production is expected to be 39,000 to 40,000 boe per day**, revised upwards from Birchcliff’s previous guidance of 38,000 to 40,000 boe per day, representing a range of 16% to 19% growth above the annual average of 33,734 boe per day in 2014.

- **2015 fourth quarter average and 2015 exit production is expected to be 41,000 to 42,000 boe per day**, the former of which represents an increase of approximately 2,000 boe per day from Birchcliff's original internal expectations. Strong average production is expected in the first quarter of 2016.
- **Birchcliff's Montney/Doig horizontal natural gas wells drilled in 2014 and 2015 are showing increased production performance as compared to internal forecasts** which is expected to result in material reserves additions at year end.
- **2015 forecast of total capital expenditures reduced to approximately \$250 million from \$266.7 million.** Birchcliff's revised 2015 capital expenditure program contemplates the drilling of an additional 7 (7.0 net) Montney/Doig horizontal natural gas wells for a total of 32 (31.5 net) wells.
- **Drilled 25 (24.5 net) wells year to date**, consisting of 21 (21.0 net) Montney/Doig horizontal natural gas wells in the Pouce Coupe area, 1 (1.0 net) Montney/Doig horizontal natural gas well in the Elmworth area, 1 (1.0 net) Charlie Lake horizontal light oil well in the Progress area, 1 (0.5 net) Halfway horizontal light oil well in the Progress area and a 100% working interest Belloy vertical well drilled as an acid gas disposal well in the Elmworth area.
- **Exploration success continues in the Progress area on the Charlie Lake Light Oil Resource Play –** Birchcliff drilled a 100% working interest Charlie Lake horizontal light oil exploration well in the Progress area in the second quarter of 2015 which is expected to be brought on production in August 2015. This is the second Charlie Lake exploration success Birchcliff has had in the Progress area.
- **As at August 12, 2015, Birchcliff has successfully drilled and cased 181 (180.9 net) Montney/Doig horizontal natural gas wells** utilizing recent advancements in horizontal drilling and multi-stage fracture stimulation technology.

#### ***2015 Second Quarter Financial and Operational Results***

- **Record quarterly average production of 38,489 boe per day.** This record quarterly average production represents an increase of 23% from 31,178 boe per day in the second quarter of 2014. Production consisted of 86% natural gas, 10% light oil and 4% natural gas liquids.
- **Funds flow of \$45.8 million (\$0.30 per basic common share)**, a decrease from \$75.4 million (\$0.52 per basic common share) in the second quarter of 2014.
- **Birchcliff would have had net income to common shareholders of \$2.6 million** but for the \$7.8 million deferred income tax expense resulting from the recently announced increase in the Alberta corporate income tax rate to 12% from 10%.
- **Record low operating costs of \$4.53 per boe**, a 14% decrease from \$5.25 per boe in the second quarter of 2014 and an 11% decrease from \$5.11 per boe in the first quarter of 2015.
- **Low general and administrative costs of \$1.50 per boe**, a 21% decrease from \$1.91 per boe in the second quarter of 2014.
- **Record low total cash costs of \$10.58 per boe** (royalties, operating, transportation and marketing, general and administrative and interest costs), a 28% decrease from \$14.68 per boe in the second quarter of 2014.
- **At Birchcliff's 100% owned natural gas plant located in the Pouce Coupe South area (the "PCS Gas Plant")**, where Birchcliff processed 80% of its corporate natural gas production and achieved an operating margin of 75%, plant and field operating costs were approximately \$2.11 per boe or \$0.35 per Mcfe in the first half of 2015.
- **Funds flow netback of \$13.06 per boe**, a decrease from \$26.57 per boe in the second quarter of 2014.

- **Capital expenditures of \$65.1 million.**
- **Exploration success continues in the Elsworth area in the Montney D4 Interval on the Montney/Doig Natural Gas Resource Play** – A 100% working interest Montney/Doig horizontal natural gas exploration well was drilled, completed and tested in the first quarter of 2015 and was brought on production in June 2015. This is the second Montney/Doig horizontal exploration success Birchcliff has had at Elsworth, both of which were in the Montney D4 interval.
- **Elsworth Natural Gas Plant** – As part of Birchcliff’s future growth plans for its Montney/Doig Natural Gas Resource Play, Birchcliff is continuing to prove up the play in the Elsworth area and intends to construct and operate a 100% owned natural gas plant (the “**Elsworth Gas Plant**”). Birchcliff has commenced the preliminary planning for this plant and a critical requirement is the nearby acid gas disposal well which Birchcliff drilled in the first quarter of 2015. In the second quarter, Birchcliff conducted injectivity tests on the well and is currently evaluating its injection capability and preparing the required regulatory application.
- **Drilled 10 (10.0 net) wells in the second quarter of 2015**, consisting of 9 (9.0 net) Montney/Doig horizontal natural gas wells in the Pouce Coupe area and 1 (1.0 net) Charlie Lake horizontal light oil well in the Progress area.

## 2015 SECOND QUARTER FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
<b>OPERATING</b>				
Average daily production				
Light oil – (barrels)	3,736	3,936	3,876	3,957
Natural gas – (thousands of cubic feet)	198,714	155,373	197,332	156,906
NGLs – (barrels)	1,634	1,346	1,688	1,354
<b>Total – barrels of oil equivalent (6:1)<sup>(1)</sup></b>	<b>38,489</b>	<b>31,178</b>	<b>38,453</b>	<b>31,462</b>
Average sales price (\$ CDN) <sup>(2)</sup>				
Light oil – (per barrel)	64.93	104.72	56.03	101.01
Natural gas – (per thousand cubic feet)	2.86	4.81	2.92	5.46
NGLs – (per barrel)	59.57	96.13	52.84	95.74
<b>Total – barrels of oil equivalent (6:1)<sup>(1)</sup></b>	<b>23.62</b>	<b>41.33</b>	<b>22.95</b>	<b>44.04</b>
<b>NETBACK AND COST (\$ per barrel of oil equivalent at 6:1)<sup>(1)</sup></b>				
Petroleum and natural gas revenue <sup>(2)</sup>	23.64	41.35	22.96	44.05
Royalty expense	(0.61)	(3.35)	(0.72)	(3.89)
Operating expense	(4.53)	(5.25)	(4.82)	(5.23)
Transportation and marketing expense	(2.46)	(2.47)	(2.52)	(2.47)
<b>Netback<sup>(3)</sup></b>	<b>16.04</b>	<b>30.28</b>	<b>14.90</b>	<b>32.46</b>
General & administrative expense, net	(1.50)	(1.91)	(1.60)	(1.90)
Interest expense	(1.48)	(1.70)	(1.45)	(1.70)
Realized loss on financial instruments	-	(0.10)	-	(0.10)
<b>Funds flow netback<sup>(3)</sup></b>	<b>13.06</b>	<b>26.57</b>	<b>11.85</b>	<b>28.76</b>
Stock-based compensation expense, net	(0.25)	(0.75)	(0.23)	(0.54)
Depletion and depreciation expense	(10.75)	(11.56)	(10.99)	(11.37)
Accretion expense	(0.15)	(0.22)	(0.16)	(0.22)
Amortization of deferred financing fees	(0.07)	(0.08)	(0.06)	(0.09)
Gain on sale of assets	-	-	0.09	-
Unrealized loss on financial instruments	-	(0.01)	-	(0.03)
Dividends on Series C preferred shares	(0.25)	(0.31)	(0.25)	(0.31)
Income tax expense	(2.78)	(3.74)	(1.35)	(4.33)
<b>Net income (loss)</b>	<b>(1.19)</b>	<b>9.90</b>	<b>(1.10)</b>	<b>11.87</b>
Dividends on Series A preferred shares	(0.29)	(0.35)	(0.29)	(0.35)
<b>Net income (loss) to common shareholders</b>	<b>(1.48)</b>	<b>9.55</b>	<b>(1.39)</b>	<b>11.52</b>
<b>FINANCIAL</b>				
Petroleum and natural gas revenue (\$000s) <sup>(2)</sup>	82,791	117,308	159,817	250,866
Funds flow from operations (\$000s) <sup>(3)</sup>	45,752	75,382	82,472	163,751
Per common share – basic (\$) <sup>(3)</sup>	0.30	0.52	0.54	1.13
Per common share – diluted (\$) <sup>(3)</sup>	0.30	0.49	0.53	1.09
Net income (loss) (\$000s)	(4,174)	28,087	(7,653)	67,586
Net income (loss) to common shareholders (\$000s)	(5,174)	27,087	(9,653)	65,586
Per common share – basic (\$)	(0.03)	0.19	(0.06)	0.45
Per common share – diluted (\$)	(0.03)	0.18	(0.06)	0.44
Common shares outstanding (000s)				
End of period – basic	152,294	145,912	152,294	145,912
End of period – diluted	168,181	166,285	168,181	166,285
Weighted average common shares for period – basic	152,289	145,145	152,266	144,588
Weighted average common shares for period – diluted	154,650	152,623	154,422	149,895
Dividends on Series A preferred shares (\$000s)	1,000	1,000	2,000	2,000
Dividends on Series C preferred shares (\$000s)	875	875	1,750	1,750
Capital expenditures, net (\$000s)	65,122	75,484	163,661	236,887
Long-term bank debt (\$000s)	599,998	452,183	599,998	452,183
Working capital deficit (\$000s)	32,308	62,454	32,308	62,454
Total debt (\$000s) <sup>(3)</sup>	632,306	514,637	632,306	514,637

(1) See "Advisories" in this press release.

(2) Excludes the effect of hedges using financial instruments.

(3) See "Non-GAAP Measures" in this press release.

## **PRESIDENT'S MESSAGE FROM THE 2015 SECOND QUARTER REPORT**

August 12, 2015

Fellow Shareholders,

We are pleased to report the second quarter financial and operational results for Birchcliff Energy Ltd. ("**Birchcliff**") for the three and six month periods ended June 30, 2015.

Current production is approximately 39,000 boe per day. We had record quarterly average production of 38,489 boe per day during the second quarter of 2015, notwithstanding numerous service curtailments on TransCanada's NGTL System. Production consisted of 86% natural gas, 10% light oil and 4% natural gas liquids. Production was 23% above the average production in the second quarter of 2014. The majority of the wells drilled in 2014 and 2015 are outperforming our internal production estimates, which we expect will result in a material increase in our reserves at year end.

Production per basic common share increased 18% from the second quarter of 2014.

Our operating costs were \$4.53 per boe, down 11% from the first quarter of 2015 and down 14% from the second quarter of 2014, showing a continued reduction in our operating costs per boe.

Our general and administrative expense was \$1.50 per boe, down 12% from the first quarter of 2015 and down 21% from \$1.91 per boe in the second quarter of 2014.

Our total cash costs were also a record low of \$10.58 per boe, down 9% from the first quarter of 2015 and down 28% from the second quarter of 2014.

We have achieved long-term reductions in both our operating and capital costs as a result of the hard work of our people, the implementation of new horizontal drilling and completion technologies and more efficient project execution. In addition, the collapse in oil prices has led to cost reductions in most aspects of our business.

Based on our recent multi-well pad drilling, our costs to drill, case, complete, equip and tie-in our Montney/Doig horizontal natural gas wells have decreased by approximately 22% to an average of \$4.5 million per well from an average of \$5.8 million per well.<sup>1</sup> The combination of these decreased capital costs and the improved well performance that we are now realizing, has had a positive effect on our capital efficiencies and internal rates of return.

In summary, we had record production, record low operating costs per boe and improved well performance during the second quarter of 2015. In addition, we have increased our fourth quarter average production by 2,000 boe per day to 41,000 to 42,000 boe per day while reducing our capital expenditure program to approximately \$250 million from \$266.7 million. Further, we are now seeing improved economics with the reductions in both our capital costs and operating costs.

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<sup>1</sup> The average cost of \$4.5 million per well assumes that there are no costs associated with an extended gathering system.

### Reduced 2015 Capital Expenditures and Revised 2015 Capital Expenditure Program

On February 11, 2015, we announced our capital budget for 2015 of \$266.7 million, which included the drilling of 25 (24.5 net) wells. With capital expenditures of \$266.7 million, we estimated annual average production of 38,000 to 40,000 boe per day.

In the current environment, our planned capital expenditure program for 2015 can now be achieved for approximately \$220 million to \$225 million as a result of significant cost savings, more efficient execution and the deferral until 2016 of approximately \$17 million of capital associated with the Phase V expansion of the PCS Gas Plant. Accordingly, we have made the decision to drill an additional 7 (7.0 net) Montney/Doig horizontal natural gas wells during 2015. Our forecast of total capital expenditures during 2015 is now approximately \$250 million, a reduction of \$16.7 million from the \$266.7 million capital budget we previously announced. These additional wells will be drilled in the Pouce Coupe area and it is anticipated that 5 of these wells will be brought on production by year end and the remaining 2 wells will be brought on production during the first quarter of 2016. We now expect that a total of 32 (31.5 net) wells will be drilled in 2015.

The following table provides the details of our revised 2015 capital expenditure program:

<i>2015 Capital Expenditure Program</i>	Gross Wells		Net Wells		Net Capital (MM\$) <sup>(1)</sup>		Difference in Capital (MM\$)
	New	Old	New	Old	New	Old	
	Drilling & Development						
Montney D1 Horizontal Gas Wells	18.0	15.0	18.0	15.0	86.8		
Montney D4 Horizontal Gas Wells	5.0	4.0	5.0	4.0	27.9		
Basal Doig/Upper Montney Horizontal Gas Wells	6.0	3.0	6.0	3.0	30.3		
Charlie Lake Horizontal Light Oil Well <sup>(2)</sup>	1.0	1.0	1.0	1.0	7.0		
Halfway Horizontal Light Oil Well	1.0	1.0	0.5	0.5	3.6		
Acid Gas Well	1.0	1.0	1.0	1.0	5.2		
<b>Total Drilling &amp; Development<sup>(3)</sup></b>	<b>32.0</b>	<b>25.0</b>	<b>31.5</b>	<b>24.5</b>	<b>160.8</b>		
Infrastructure <sup>(4)</sup>					43.7		
Production Optimization					21.5		
Land & Seismic					10.6		
Acquisition & Dispositions					(0.7)		
Other					13.6		
<b>Total Net Capital</b>					<b>249.4</b>	<b>266.7</b>	<b>17.3</b>

(1) Numbers may not add due to rounding.

(2) Includes approximately \$1.9 million of drilling capital carried over from 2014.

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

(4) Includes approximately \$33 million of capital in 2015 for the PCS Gas Plant Phase V expansion.

We expect to fund our revised 2015 capital expenditure program primarily using internally generated funds flow and available credit facilities. Our revised capital expenditure program is based on an expected annual average WTI price of US\$50.00 per barrel of oil (revised from US\$60.00 per barrel under our original capital expenditure program announced on February 11, 2015) and an AECO price of CDN\$2.70 per GJ of natural gas (revised from CDN\$3.00 per GJ under our original capital expenditure program announced on February 11, 2015) during 2015. We may adjust our 2015 capital budget or further adjust our capital expenditure program to respond to changes in commodity prices and other material changes in the assumptions underlying our capital expenditure program.

### **2015 Production Guidance**

We expect to achieve record annual average production of 39,000 to 40,000 boe per day for 2015, revised upwards from our previous guidance of 38,000 to 40,000 boe per day, representing a range of 16% to 19% growth above the annual average of 33,734 boe per day in 2014.

As a result of the drilling of the 7 additional wells under our revised 2015 capital expenditure program and the improved production performance from the wells that we have drilled in 2014 and 2015, our 2015 fourth quarter average production is expected to be 41,000 to 42,000 boe per day, an increase of approximately 2,000 boe per day from our original internal expectations.

Our exit production in 2015 is expected to be 41,000 to 42,000 boe per day, setting us up for strong average production in the first quarter of 2016.

### **Update on the PCS Gas Plant**

Our PCS Gas Plant is currently processing approximately 170 MMcf per day of sales gas and has a processing capacity of 180 MMcf per day of raw gas.

Engineering, procurement and fabrication work is underway for the Phase V expansion of our PCS Gas Plant which will increase processing capacity to 260 MMcf per day from 180 MMcf per day. We previously announced that we expected to rebid the field assembly and construction work of the Phase V expansion after the first quarter of 2015. It is our expectation that service costs will continue to fall and accordingly, we have delayed the bid process. We currently anticipate that the Phase V expansion will be completed sometime in the fall of 2016. Accordingly, we have deferred until 2016 approximately \$17 million of capital associated with the Phase V expansion of the PCS Gas Plant.

In addition, preliminary planning and permitting work has been initiated for the Phase VI expansion of our PCS Gas Plant which is being designed to increase processing capacity to 340 MMcf per day from 260 MMcf per day, increased from 320 MMcf per day which we previously announced. We had previously announced that start-up of Phase VI would occur in late 2016. As a result of our deferral of the Phase V expansion, the timing of the construction and start-up of Phase VI is currently uncertain and will be determined at a later date.

### **Firm Natural Gas Transportation Capacity**

We expect that we have enough firm transportation capacity to meet our production guidance. Virtually all of our natural gas production is transported on TransCanada's NGTL Alberta Pipeline System pursuant to both firm and interruptible service agreements.

In recent months, interruptible service has been suspended and transportable volumes have been curtailed from time to time to as low as 90% of firm service entitlements as a result National Energy Board ordered pipeline integrity testing procedures and other operational issues.

We have in place firm service contracts that currently provide transportation capacity slightly below the processing capacity available to us at our own facilities and at third party processing facilities that we use. On October 1, 2015, additional firm transportation service on the NGTL Alberta Pipeline System will become available to us, which will provide us with sufficient firm transportation capacity to transport the majority of our anticipated production volumes from the Phase V expansion of our PCS Gas Plant.

The recent shut down of the Alliance pipeline has only affected approximately 250 boe per day of our production.

## Elmworth Gas Plant

As part of our future growth plans for our Montney/Doig Natural Gas Resource Play, we are continuing to prove up the play in the Elmworth area and we intend to construct and operate the 100% owned Elmworth Gas Plant. We have commenced the preliminary planning for this plant and a critical requirement is the nearby acid gas disposal well which we drilled in the first quarter of 2015. In the second quarter, we conducted injectivity tests on the well and we are currently evaluating its injection capability and preparing the required regulatory application.

## 2015 SECOND QUARTER FINANCIAL AND OPERATIONAL RESULTS

### Production

Record second quarter production averaged 38,489 boe per day, an increase of 23% from production of 31,178 boe per day in the second quarter of 2014. Production per basic common share increased 18% from the second quarter of 2014. The increase in production from the second quarter of 2014 was largely due to incremental production added from new Montney/Doig horizontal natural gas wells that were tied into our PCS Gas Plant, offset by numerous service curtailments on TransCanada Corporation's NGTL system and natural production declines.

Production consisted of approximately 86% natural gas, 10% light oil and 4% natural gas liquids in the second quarter. Approximately 80% of our total corporate natural gas production and 72% of our total corporate production was processed at our PCS Gas Plant in the first half of 2015.

We have consistently demonstrated significant growth in second quarter production per common share. The following table highlights Birchcliff's second quarter production per basic common share growth since 2011 year-over-year:

	Q2 2011	Q2 2012	Q2 2013	Q2 2014	Q2 2015	Change Since 2011 (%)	Average Annual Growth (%)
Quarterly Average Production ( <i>boe/day</i> )	17,324	22,039	24,141	31,178	38,489	122	31
Production per day per million common shares ( <i>boe</i> ) <sup>(1)</sup>	137.1	159.2	169.7	214.8	252.7	84	21

(1) Based on quarterly average production and weighted average basic common shares outstanding in the respective quarter.

### Funds Flow and Net Loss

Funds flow was \$45.8 million or \$0.30 per basic common share, a decrease from \$75.4 million or \$0.52 per basic common share in the second quarter of 2014. This decrease was largely due to a 43% decrease in the average realized oil and natural gas wellhead price.

We would have had net income to common shareholders of \$2.6 million but for the \$7.8 million deferred income tax expense resulting from the recently announced increase in the Alberta corporate income tax rate to 12% from 10%.

We recorded a net loss to common shareholders of \$5.2 million (\$0.03 per basic common share) in the second quarter of 2015, a decrease from net income to common shareholders of \$27.1 million (\$0.19 per basic common share) in the second quarter of 2014. The decrease from the second quarter of 2014 was mainly attributable to lower funds flow as a result of the decrease in commodity prices. Also included in the net loss in the second quarter of 2015 was a \$7.8 million deferred income tax expense resulting from the recently announced increase in the Alberta corporate income tax rate to 12% from 10%.



## Operating Costs and General and Administrative Expense

Operating costs for the second quarter of 2015 were \$4.53 per boe, a decrease from \$5.25 per boe in the second quarter of 2014. Operating costs per boe decreased from the second quarter of 2014 largely due to the continued cost benefits achieved from processing incremental volumes of natural gas through our PCS Gas Plant and the continued implementation of various optimization initiatives.

General and administrative expense in the second quarter of 2015 was \$1.50 per boe, a decrease from \$1.91 per boe in the second quarter of 2014.

We continue to focus on reducing our operating costs and general and administrative expense on a per boe basis. Subsequent to June 30, 2015, we implemented two meaningful operating cost reduction initiatives that are expected to further reduce costs over the long term at our PCS Gas Plant. The first initiative is the conversion of an existing standing vertical well near the PCS Gas Plant to a water disposal well and connecting it by pipeline to the PCS Gas Plant. This eliminates the related trucking costs and disposal fees for any produced disposable water. The second initiative is pipeline connecting the condensate stream from the PCS Gas Plant directly to Pembina's pipeline system, which is expected to be operational in the latter half of August 2015. This pipeline will eliminate related condensate trucking fees and secure continuous take away capacity for our produced condensate volumes.

## PCS Gas Plant Netbacks

Since the PCS Gas Plant first became operational in March 2010, we have seen a significant reduction in our corporate operating costs on a per boe basis. During the first half of 2015, we processed approximately 80% of our total corporate natural gas production through our PCS Gas Plant with an average plant and field operating cost of \$2.11 per boe (\$0.35 per Mcfe). The estimated operating netback at our PCS Gas Plant was \$14.44 per boe (\$2.41 per Mcfe) resulting in an operating margin of 75% in the first half of 2015.

The following table details Birchcliff's net production and estimated operating netback for wells producing to the PCS Gas Plant, on a production month basis:

### Production Processed through the PCS Gas Plant

	Six months ended June 30, 2015		Six months ended June 30, 2014		Six months ended June 30, 2013		Six months ended June 30, 2012	
Average daily production, net to Birchcliff:								
Natural gas (Mcf)	157,462		122,277		84,561		57,211	
Oil & NGLs (bbls)	1,249		982		375		232	
<b>Total boe (6:1)</b>	<b>27,494</b>		<b>21,361</b>		<b>14,468</b>		<b>9,768</b>	
Sales liquids yield (bbls/MMcf)	7.9		8.0		4.4		4.1	
% of corporate natural gas production	80%		78%		69%		58%	
% of corporate production	72%		68%		58%		45%	
<b>AECO – C daily (\$/Mcf)</b>	<b>\$2.70</b>		\$5.20		\$3.37		\$2.02	
Netback and cost:	<i>\$/Mcfe</i>	<i>\$/boe</i>	<i>\$/Mcfe</i>	<i>\$/boe</i>	<i>\$/Mcfe</i>	<i>\$/boe</i>	<i>\$/Mcfe</i>	<i>\$/boe</i>
Petroleum and natural gas revenue	3.20	19.21	5.93	35.60	3.81	22.88	2.47	14.82
Royalty expense	(0.12)	(0.74)	(0.40)	(2.38)	(0.23)	(1.39)	(0.07)	(0.42)
Operating expense <sup>(1)</sup>	(0.35)	(2.11)	(0.41)	(2.45)	(0.36)	(2.17)	(0.26)	(1.56)
Transportation and marketing expense	(0.32)	(1.92)	(0.29)	(1.82)	(0.25)	(1.50)	(0.22)	(1.32)
<b>Estimated operating netback<sup>(2)</sup></b>	<b>2.41</b>	<b>14.44</b>	<b>4.83</b>	<b>28.95</b>	<b>2.97</b>	<b>17.82</b>	<b>1.92</b>	<b>11.52</b>
<b>Operating margin<sup>(2)</sup></b>	<b>75%</b>	<b>75%</b>	<b>81%</b>	<b>81%</b>	<b>78%</b>	<b>78%</b>	<b>78%</b>	<b>78%</b>

(1) Represents plant and field operating costs.

(2) See "Non-GAAP Measures".

### **Total Cash Costs and Funds Flow Netback**

During the second quarter of 2015, we had total cash costs of \$10.58 per boe (royalties, operating, transportation and marketing, general and administrative and interest costs), a decrease from \$14.68 per boe in the second quarter of 2014, and funds flow netback of \$13.06 per boe, a decrease from \$26.57 per boe in the second quarter of 2014.

### **Capital Expenditures**

During the second quarter of 2015, we had capital expenditures of \$65.1 million. For details regarding these capital expenditures, please see our management's discussion and analysis for the three and six month periods ended June 30, 2015.

### **Debt and Capitalization**

At June 30, 2015, our long-term drawn bank debt was \$608 million from available credit facilities aggregating \$800 million, leaving \$192 million of unutilized capacity which provides for significant financial flexibility. Total debt at June 30, 2015, including the working capital deficit, was \$632.3 million.

At June 30, 2015, we had 152,293,539 basic common shares outstanding.

### **Increase to Credit Facilities and Removal of Financial Covenants**

On May 11, 2015, the following amendments were made to our syndicated bank credit facilities at our request during our annual credit review:

- (i) the aggregate limit of our credit facilities was increased to \$800 million from \$750 million;
- (ii) our credit facilities were consolidated into a single extendible borrowing base revolving term credit facility with a maturity date of May 11, 2018; and
- (iii) the financial covenants contained in our credit facilities, including the covenants relating to the maintenance of debt to EBITDA and EBITDA to interest expense ratios, were removed.

These changes to our syndicated bank credit facilities provide us with increased financial flexibility.

## **OPERATIONS UPDATE**

### **Drilling**

Birchcliff's 2015 drilling program is primarily focused on our two proven resource plays, the Montney/Doig Natural Gas Resource Play and the Charlie Lake Light Oil Resource Play. We actively employ the evolving technology utilized by the industry regarding horizontal well drilling and the related multi-stage fracture stimulations.

We drilled 10 (10.0 net) wells in the second quarter of 2015, consisting of 9 (9.0 net) Montney/Doig horizontal natural gas wells in the Pouce Coupe area and 1 (1.0 net) Charlie Lake horizontal light oil well in the Progress area.

We have drilled 25 (24.5 net) wells year to date, consisting of 21 (21.0 net) Montney/Doig horizontal natural gas wells in the Pouce Coupe area, 1 (1.0 net) Montney/Doig horizontal natural gas well in the Elsworth area, 1 (1.0 net) Charlie Lake horizontal light oil well in the Progress area, 1 (0.5 net) Halfway horizontal light oil well in the Progress area and a 100% working interest Belloy vertical well drilled as an acid gas disposal well in the Elsworth area.

On our Montney/Doig Natural Gas Resource Play, we are currently utilizing multi-well pad drilling which allows us to drill continuously through spring break-up and reduce our per well costs. Our revised capital expenditure program for 2015 includes drilling 29 (29.0 net) Montney/Doig horizontal natural gas wells on a total of 9 multi-well pads with 2 to 5 wells per pad.

We currently have one drilling rig at work in the Pouce Coupe area drilling Montney/Doig horizontal natural gas wells on a multi-well pad.

### **Montney/Doig Natural Gas Resource Play**

Over our 10 years of focused multi-disciplinary efforts on the Montney/Doig Natural Gas Resource Play, we have learned a great deal about this complex reservoir and how to optimally drill, case, complete and produce horizontal wells utilizing recent horizontal drilling and multi-stage fracture stimulation technology. We have continued to improve our results by reducing our costs and increasing our production and reserves per well. We continue to expand the Montney/Doig Natural Gas Resource Play both geographically and stratigraphically.

Specific completion enhancements that we have been employing over the past 15 to 19 months have resulted in significant individual well performance improvements. As a result, our Montney/Doig natural gas production is exceeding our internal expectations and the production forecast used by our independent reserves evaluator. We therefore expect a reserves increase on many of our existing producing wells and material reserves additions to our related future undeveloped drilling locations at year-end 2015.

We have achieved long-term reductions in both our operating and capital costs as a result of the hard work of our people, the implementation of new horizontal drilling and completion technologies and more efficient project execution. In addition, the collapse in oil prices has led to cost reductions in most aspects of our business.

Based on our recent multi-well pad drilling, our costs to drill, case, complete, equip and tie-in our Montney/Doig horizontal natural gas wells have decreased by approximately 22% to an average of \$4.5 million per well from an average of \$5.8 million per well.<sup>2</sup> The combination of these decreased capital costs and the improved well performance that we are now realizing, has had a positive effect on our capital efficiencies and internal rates of return.

### ***Exploration Success Continues in the Elsworth Area in the Montney D4 Interval on the Montney/Doig Natural Gas Resource Play***

In the first quarter 2015, we drilled our second successful horizontal exploration well on the Montney/Doig Natural Gas Resource Play in our Elsworth area in the Montney D4 interval. This 100% working interest well was drilled, completed and tested in the first quarter of 2015 and was brought on production in June 2015. In the fourth quarter of 2014, we drilled our first successful Montney/Doig

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<sup>2</sup> The average cost of \$4.5 million per well assumes that there are no costs associated with an extended gathering system.

horizontal exploration well in our Elsworth area. The success of these two Montney D4 wells in the Elsworth area has added significant potential future drilling locations to Birchcliff's inventory and is expected to result in follow-up drilling by Birchcliff and significant future reserves additions.

As part of our future growth plans for our Montney/Doig Natural Gas Resource Play, we are continuing to prove up the play in the Elsworth area and we intend to construct and operate the 100% owned Elsworth Gas Plant as discussed above.

### ***Land and Potential Future Drilling Locations***

Our land activities in the first half of 2015 on the Montney/Doig Natural Gas Resource Play included the acquisition of two 100% sections in the heart of our Pouce Coupe area and eight 100% sections in the Elsworth area. As at December 31, 2014, we held 332.6 sections of land that have potential for the Montney/Doig Natural Gas Resource Play. Of these lands, 305.1 (288.4 net) sections have potential for the Basal Doig/Upper Montney interval, 316.1 (306.2 net) sections have potential for the Montney D1 interval and 288.6 (281.7 net) sections have potential for the new Montney D4 interval. As at December 31, 2014, Birchcliff's total land holdings on these three intervals were 909.9 (876.3 net) sections.

On full development of four horizontal wells per section per drilling interval, we have 3,505.2 net existing horizontal wells and potential net future horizontal drilling locations in respect of these three commercial intervals as at December 31, 2014. With 159 (158.9 net) horizontal locations drilled at the end of 2014, there remains 3,346.3 potential net future horizontal drilling locations as at December 31, 2014, up from 2,254.4 net at year-end 2013. This does not include any potential net future horizontal drilling locations for the other three prospective Montney intervals, the Montney C, the Montney D2 and the Montney D3.

Substantial upside exists with respect to the 3,505.2 net existing horizontal wells and potential net future horizontal drilling locations. The reserves estimation and economic evaluation effective December 31, 2014 (the "**2014 Reserves Evaluation**") prepared by our independent reserves evaluator attributed proved reserves to 432.2 net existing wells and potential net future horizontal drilling locations (of which 277.3 net wells are potential future locations) and proved plus probable reserves to 598.8 net existing wells and potential net future horizontal drilling locations (of which 443.9 net wells are potential future locations). The remaining 2,906.4 potential net future horizontal drilling locations have not yet had any reserves attributed to them by our independent reserves evaluator.

### **Charlie Lake Light Oil Resource Play**

We drilled a 100% working interest Charlie Lake horizontal light oil exploration well in the Progress area in the second quarter of 2015 and it is expected that this well will be brought on production in August 2015. The well was drilled, cased and completed utilizing recent advancements in multi-stage fracture stimulation technology. This is the second Charlie Lake exploration success we have had in the Progress area.

In the fourth quarter of 2014, we drilled our first successful horizontal exploration well in our Progress area. As at December 31, 2014, Birchcliff held 26.5 (25.75 net) sections of land in the Progress area on the Charlie Lake Light Oil Resource Play. Year to date, we have added 1.5 (1.75 net) sections and accordingly, Birchcliff now holds 28 (27.5 net) sections of land on this project.

In the first quarter of 2015, we acquired a new 3-D seismic program in the Progress area to help delineate our Charlie Lake Light Oil Resource Play exploration success. The results of this seismic

program are very encouraging and support that a significant amount of our lands have potential for this exciting new play.

### **Halfway Light Oil Resource Play**

In the first quarter of 2015, we drilled 1 (0.5 net) Halfway horizontal light oil well in the Progress area. This well was completed utilizing multi-stage fracture stimulation technology and was brought on production in April 2015 at rates that exceeded our original expectations.

### **Land Holdings**

As at June 30, 2015, our undeveloped land holdings were 422,301 gross (395,174 net) acres.

## **SHAREHOLDER SUPPORT**

We thank Mr. Seymour Schulich, our largest shareholder, for his leadership, unwavering commitment and his ongoing support. It is this kind of leadership that keeps our staff motivated and focused on the execution of our business plan.

Mr. Schulich holds 40 million common shares representing 26.3% of the current issued and outstanding common shares.

## **OUTLOOK**

Our production is stronger than we anticipated and our costs, both operating and capital expenditures, have been further reduced. We expect to achieve record annual average production of 39,000 to 40,000 boe per day for 2015, revised upwards from our previous guidance of 38,000 to 40,000 boe per day, representing a range of 16% to 19% growth above the annual average of 33,734 boe per day in 2014.

As a result of the drilling of the 7 additional wells under our revised 2015 capital expenditure program and the improved production performance from the wells that we have drilled in 2014 and 2015, our 2015 fourth quarter average production is expected to be 41,000 to 42,000 boe per day, an increase of approximately 2,000 boe per day from our original internal expectations.

Our exit production in 2015 is expected to be 41,000 to 42,000 boe per day, setting us up for strong average production in the first quarter of 2016.

We anticipate that as a result of the strong production profiles from our Montney/Doig horizontal natural gas wells drilled in 2014 and 2015 and the success of our revised 2015 capital expenditure program, we will see a material increase in our reserves at year end.

We continue to focus on improving our execution, reducing our costs and increasing our reserves all leading to improved capital efficiency and internal rates of return. We are utilizing multi-well pad drilling on our Montney/Doig Natural Gas Resource Play to improve drilling and completion efficiencies, reduce the cost per well and minimize our environmental footprint. Due to the combination of industry conditions, cost reduction initiatives and more efficient project execution, we have seen a material reduction in our drilling and completion costs. We have also reduced our already low operating costs on a per boe basis to record low levels.

We have recently implemented two meaningful operating cost reduction initiatives that are expected to further reduce costs over the long term at our PCS Gas Plant. The first initiative is the conversion of an existing standing vertical well near the PCS Gas Plant to a water disposal well and connecting it by pipeline to the PCS Gas Plant. This eliminates the related trucking costs and disposal fees for any produced disposable water. The second initiative is pipeline connecting the condensate stream from the PCS Gas Plant directly to Pembina's pipeline system, which is expected to be operational in the latter half of August 2015. This pipeline will eliminate related condensate trucking fees and secure continuous take away capacity for our produced condensate volumes.

As at August 12, 2015, we have successfully drilled and cased 181 (180.9 net) Montney/Doig horizontal natural gas wells. We believe we have up to 3,324.3 potential net future horizontal drilling locations on the Montney/Doig Natural Gas Resource Play. As at December 31, 2014, our total land holdings on the Basal Doig/Upper Montney interval, the Montney D1 interval and the Montney D4 interval were 909.9 (876.3 net) sections. On full development of four horizontal wells per section per interval, we have 3,505.2 net existing horizontal wells and potential net future horizontal drilling locations in respect of these three commercial intervals as at December 31, 2014.

We remain focused on our strategy – growth by the drill bit in our core area of the Peace River Arch of Alberta. As our production and capital expenditures programs have grown over the years, the ownership and control of our infrastructure has become more important to Birchcliff. We continue to reduce our costs, control our capital expenditures, accurately forecast our production and prudently manage our business because we control our own infrastructure. We continue to use the same services, in the same area, directed by the same experienced Birchcliff personnel, which provides consistency, repeatability and reliability in our operations.

In conclusion, Birchcliff is in an enviable position. The production from our Montney/Doig horizontal natural gas wells are outperforming our internal estimates. As a result, we had record quarterly average production during the second quarter of 2015 (**Record Production**). We had record low operating costs per boe during the second quarter of 2015 (**Record Low Operating Costs per boe**). In addition to cost reductions resulting from industry conditions, we have also initiated technical and operational advancements that have resulted in significant cost reductions (**Cost Reductions**). With the drilling of 7 additional wells under our revised capital expenditure program, we anticipate strong 2015 fourth quarter and 2015 exit production, setting us up for strong average production in the first quarter of 2016 (**Increased Production, Less Capital**). We have significant financial flexibility with our \$800 million syndicated revolving credit facility that now contains no financial covenants (**Financial Flexibility**). We have long-term shareholders who continue to support Birchcliff notwithstanding the significant changes in our business environment (**Seymour Schulich**). We have a repeatable business operated by excellent people who have their personal wealth invested in Birchcliff (**Invested Staff**).

Thank you to all of our shareholders for your support and to our staff who continue to go that extra mile for the benefit of all of us.

With Respect,

(signed) "A. Jeffery Tonken"

**A. Jeffery Tonken, President and Chief Executive Officer**

## NON-GAAP MEASURES

This press release uses “funds flow”, “funds flow from operations”, “funds flow per common share”, “netback”, “estimated operating netback”, “funds flow netback”, “operating margin”, “total cash costs” 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. Management utilizes funds flow, funds flow from operations, funds flow per common share, netback, estimated operating netback, funds flow netback, operating margin and total cash costs as key measures 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.

“Funds flow” and “funds flow from operations” denote cash flow from operating activities before the effects of decommissioning expenditures and changes in non-cash working capital. “Funds flow per common share” denotes funds flow divided by the basic or diluted weighted average number of common shares outstanding for the period. The following table sets out the reconciliation of cash flow from operating activities, as determined in accordance with IFRS, to funds flow from operations:

	Three months ended		Six months ended	
	June 30,		June 30,	
(\$000s)	2015	2014	2015	2014
Cash flow from operating activities	23,051	78,033	62,078	151,343
Adjustments:				
Decommissioning expenditures	48	99	328	907
Changes in non-cash working capital	22,653	(2,750)	20,066	11,501
<b>Funds flow from operations</b>	<b>45,752</b>	<b>75,382</b>	<b>82,472</b>	<b>163,751</b>

“Netback” denotes petroleum and natural gas revenue less royalties, less operating expenses and less transportation and marketing expenses. “Estimated operating netback” of the PCS Gas Plant (and the components thereof) is based upon certain cost allocations and accruals directly attributable to the PCS Gas Plant and related wells and infrastructure on a production month basis. “Funds flow netback” denotes petroleum and natural gas revenue less royalties, less operating expenses, less transportation and marketing expenses, less net general and administrative expenses, less interest expenses and less any realized losses (plus realized gains) on financial instruments and plus any other cash income sources.

“Operating margin” for the PCS Gas Plant is calculated by dividing the estimated operating netback for the period by the petroleum and natural gas revenue for the period.

“Total cash costs” are comprised of royalties, operating, transportation and marketing, general and administrative and interest costs.

“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. The following table reconciles the non-revolving term credit facilities plus the revolving term credit facilities to total debt:

As at, (\$000s)	June 30, 2015	December 31, 2014
Non-revolving term credit facilities	-	129,476
Revolving term credit facilities	599,998	339,557
Long-term bank debt	599,998	469,033
Working capital deficit	32,308	76,712
<b>Total debt</b>	<b>632,306</b>	<b>545,745</b>

## ADVISORIES

**Boe Conversions:** Barrel of oil equivalent (“boe”) amounts have been calculated by using the conversion ratio of six thousand cubic feet (6 Mcf) of natural gas to one barrel of oil (1 bbl). 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.

**Mcf Conversions:** Thousands of cubic feet of gas equivalent (“Mcf”) amounts have been calculated by using the conversion ratio of one barrel of oil (1 bbl) to six thousand cubic feet (6 Mcf) of natural gas. Mcf amounts may be misleading, particularly if used in isolation. A conversion ratio of 1 bbl to 6 Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

**Operating Costs:** References in this press release to “operating costs” excludes transportation and marketing costs.

**Drilling Locations:** This press release discloses potential drilling locations in three categories: (i) proved locations; (ii) probable locations; and (iii) unbooked locations. Proved locations and probable locations are proposed drilling locations identified in the 2014 Reserves Evaluation that have proved and/or probable reserves, as applicable, attributed to them in the 2014 Reserves Evaluation. Unbooked locations are internal estimates based on Birchcliff’s prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal technical analysis review. Unbooked locations do not have attributed reserves. Of the 3,505.2 net existing horizontal wells and potential net future horizontal drilling locations identified herein, 432.2 are proved locations, 166.6 are probable locations and 2,906.4 are unbooked locations. Unbooked locations are potential locations that have been identified by management based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that Birchcliff will drill all unbooked drilling locations and if drilled, there is no certainty that such locations will result in additional oil and gas reserves, resources or production. The drilling locations on which Birchcliff actually drills wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional geological, geophysical and reservoir information that is obtained and other factors. While certain of the unbooked drilling locations have been derisked by drilling existing wells in relative close proximity to such unbooked drilling locations, some of the other unbooked drilling locations are farther away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves, resources or production.

**Initial Production Rates:** Any references in this press release to initial production rates for any wells are not determinative of the rates at which such wells will continue to produce and decline thereafter and



*are not necessarily indicative of the long-term performance or the ultimate recovery of such wells. Such rates may be based on field estimates and may be based on limited data available at the time.*

**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. Information relating to reserves and resources is forward-looking as it involves the implied assessment, based on certain estimates and assumptions, that the reserves and resources exist in the quantities estimated and that they will be commercially viable to produce in the future. 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, including Birchcliff's intention to construct and operate the Elmworth Gas Plant; expected results from Birchcliff's portfolio of oil and gas assets and results of operations; statements with respect to expected reserves increases; statements regarding Birchcliff's 2015 capital budget and its revised capital expenditure program, including the anticipated sources of funding for its capital expenditure program and its plan to drill a total of 32 (31.5 net) wells; Birchcliff's proposed exploration and development activities and the timing thereof, including wells to be drilled and brought on production; Birchcliff's estimates of its annual average production for 2015, 2015 annual average production growth, 2015 fourth quarter average production and 2015 exit production; Birchcliff's expectation that it will have strong average production in the first quarter of 2016; Birchcliff's expectation that service costs will continue to fall; 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; Birchcliff's expectation that it has enough firm transportation capacity to meet its production guidance and that additional firm transportation will become available to Birchcliff; Birchcliff's expectation that the operating cost reductions that it has implemented will further reduce costs over the long-term at the PCS Gas Plant; estimates of potential future drilling locations and opportunities; and Birchcliff's expectation that the success of its two Montney D4 wells in the Elmworth area will result in follow-up drilling by Birchcliff and significant future reserves additions.*

*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 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 statements regarding Birchcliff's intention to construct and operate the Elsworth Gas Plant, the key assumptions are that: future drilling in the Elsworth area is successful; the acid gas disposal well drilled by Birchcliff is capable of handling the volumes of acid gas to be produced at the plant and complies with all regulatory requirements; there is sufficient labour, services and equipment available; Birchcliff will have access to sufficient capital to fund the Elsworth Gas Plant; and commodity prices warrant proceeding with the construction of the Elsworth Gas Plant and the drilling of associated wells.*
- *With respect to statements regarding expected reserves increases, the key assumptions are that: the production from Birchcliff's wells meet or exceed expectations; and in conducting its reserves evaluation, Birchcliff's independent reserves evaluator will concur with Birchcliff's internal technical interpretations.*
- *With respect to statements of future wells to be drilled and brought on production and estimates of potential future drilling locations and opportunities, the key assumption is 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.*
- *With respect to statements regarding Birchcliff's 2015 capital budget and its revised capital expenditure program, the key assumption is that Birchcliff realizes the annual average production target of 39,000 to 40,000 boe/d and the commodity prices upon which Birchcliff's revised capital expenditure program is based, being an expected annual average WTI price of US\$50.00 per barrel of oil and an AECO price of CDN\$2.70 per GJ of natural gas during 2015. Birchcliff may adjust its 2015 capital budget or further adjust its capital expenditure program to respond to changes in commodity prices and other material changes in the assumptions underlying its 2015 capital expenditure program.*
- *With respect to estimates as to Birchcliff's annual average production for 2015, 2015 annual average production growth, 2015 fourth quarter average production and 2015 exit production and statements that Birchcliff expects strong average production in the first quarter of 2016, the key assumptions are that: no unexpected outages occur in the infrastructure that Birchcliff relies on to produce its wells; 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 sources of funding for Birchcliff's capital expenditure program, the key assumption is that Birchcliff's forecasts of production, commodity prices and funds flow are valid.*
- *With respect to statements regarding proposed expansions of the PCS Gas Plant, 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 that the success of Birchcliff's two Montney D4 wells in the Elsworth area is expected to result in follow-up drilling by Birchcliff and significant future reserves additions, 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 such future drilling; and commodity prices warrant proceeding with such future drilling. In addition, statements regarding future reserve additions assume that in conducting its reserves evaluation, Birchcliff's independent reserves evaluator will concur with Birchcliff's internal technical interpretations.*

*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: risks associated with oil and gas exploration, production, transportation and marketing; uncertainty of geological and technical data; imprecision of reserves and resource estimates; operational risks; environmental risks; loss of market demand; stock market volatility; general economic conditions affecting ability to access sufficient capital; commodity price fluctuations; changes in governmental regulation of the oil and gas industry, including changes to the royalty and carbon tax regimes; and competition from others for scarce resources.*

*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.*

*Birchcliff previously disclosed in its press release of November 12, 2014 that it was initially targeting exit production for 2015 of approximately 48,000 to 50,000 boe per day and that the capital expenditure required to achieve this production target was expected to be approximately \$450 million to \$500 million. Commodity prices have declined significantly since the latter half of 2014. In addition, the Corporation announced on February 11, 2015 its 2015 capital expenditure budget of \$266.7 million and has since further revised its 2015 capital expenditure program to approximately \$250 million as disclosed in this press release. Primarily as a result of the decline in commodity prices and the revisions to Birchcliff's capital expenditure program, Birchcliff has revised its 2015 exit production guidance to 41,000 to 42,000 boe per day.*

*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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