



News Release

January 10, 2019

## **Parex Tests a Combined 3,800 bopd from the Andina-2 Guadalupe Formation**

### **Calgary, Canada**

Parex Resources Inc. ("Parex" or the "Company") (TSX:PXT), a company headquartered in Calgary, Alberta and focused on Colombian oil exploration and production, provides an operational update, highlighted by the testing of the Capachos Block Andina-2 well in the Guadalupe Formation.

**Capachos (WI Parex 50%, Ecopetrol S.A 50%):** As previously reported (please refer to September 10, 2018 and October 10, 2018 press releases), Parex, as the operator drilled the Andina-1 exploration well to a total depth of 17,500 feet and encountered potential oil bearing reservoirs in the Une, Guadalupe and Mirador formations. The Une Formation was first tested and had a final production rate during the test period of 2,545 barrels of oil per day ("bopd") and 8.7 million cubic feet per day ("MMCFD") of natural gas. Subsequently Parex completed and tested the Lower Guadalupe Formation over an 88-hour period under natural flow conditions, recovering a total of 8,826 barrels of 35 API oil and 3.9 million cubic feet ("MMCF") of natural gas (gas-oil-ratio ("GOR") of 442 scf/stb) with an average production rate from the Lower Guadalupe Formation during the test of 2,407 bopd.

Based on the positive test results of the Andina-1 well, the Andina-2 well was drilled 400 meters south-east from the Andina-1 well to a total depth of 16,450 feet with the objective of delineating the discovery and allowing more thorough testing of the multiple reservoirs encountered at the Andina-1 well.

The Andina-2 well first evaluated an untested Lower Guadalupe zone over a 48 hour period under natural flowing conditions and recovered a total of 4,171 barrels of 35 API oil with a final water cut of 3% which included some remaining completion fluids. The final test rate over the last 12 hours was 2,195 bopd at a GOR of 430 scf/stb. Pressure recorders installed in the Andina-1 well confirmed the connectivity and continuity of the lower Guadalupe reservoir between the wells.

Next, the Lower Guadalupe reservoir was isolated, and the Upper Guadalupe reservoir was tested in Andina-2. Over a 36 hour period under natural flowing conditions this zone recovered a total of 2,164 barrels of 35 API oil with a final watercut of 1.5%. The final test rate over the last 12 hours was 1,606 bopd at a GOR of 525 scf/stb. Pressure recorders installed in the Andina-1 well indicate no communication between the Lower and Upper Guadalupe reservoirs, suggesting a separate oil column.

Following the tests, the drilling rig was skidded on the same pad and the Andina Norte-1 exploration well was spud to evaluate another undrilled compartment on the Capachos structure. The well is currently drilling at approximately 7,500 feet.

At present, the Capachos block gross production is restricted at approximately 2,100 bopd (net 1,050 bopd). During 2019 we expect to increase the field's productive capability in stages to 10,000 boe/d by Q4 2019 with the commissioning of a central gas plant and field flowlines.

**Production:** Parex' Q4 2018 average production is estimated at 49,290 barrels of oil equivalent per day ("boe/d") compared to the Company's Q3 2018 average quarterly production of 45,020 boe/d. We expect full year 2018 production to average 44,400 boe/d which is a 25% year-over-year increase. Current production is approximately 50,500 boe/d.

**Share Repurchases:** On December 21, 2018 Parex began a normal course issuer bid ("NCIB") with the intent to repurchase for cancellation approximately 15 million shares (10% of public float). As at January 10, 2019 the Company has repurchased 2,235,665 shares at an average cost of C\$16.82 per share for a total of C\$37.6 million. The total cost of this program will be funded from existing working capital and/or free cash flow.

**For more information, please contact:**

**Mike Kruchten**

Vice-President Capital Markets & Corporate Planning

Parex Resources Inc.

Phone: (403) 517-1733

[investor.relations@parexresources.com](mailto:investor.relations@parexresources.com)

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**Advisory on Forward Looking Statements**

Certain information regarding Parex set forth in this press release contains forward-looking statements that involve substantial known and unknown risks and uncertainties. The use of any of the words "plan", "expect", "prospective", "project", "intend", "believe", "should", "anticipate", "estimate", "forecast", "budget" or other similar words, or statements that certain events or conditions "may" or "will" occur are intended to identify forward-looking statements. Such statements represent Parex' internal projections, estimates or beliefs concerning, among other things, future growth, results of operations, production, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, plans for and results of drilling activity, business prospects and opportunities. These statements are only predictions and actual events or results may differ materially. Although the Company's management believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievement since such expectations are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause Parex' actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, Parex.

In particular, forward-looking statements contained in this document include, but are not limited to, statements with respect to the performance characteristics of the Company's oil properties; estimated Q4 2018 and 2018 full year average production; initial well test results; the Company's expectation to increase the Capachos field's productivity by Q4 2019; the Company's anticipated drilling, development, exploration and other growth plans, including plans for additional wells; the commissioning and use of a gas plant and activities to be undertaken in various areas. These forward-looking statements are subject

to numerous risks and uncertainties, including but not limited to, the impact of general economic conditions in Canada and Colombia; prolonged volatility in commodity prices; industry conditions including changes in laws and regulations including adoption of new environmental laws and regulations, and changes in how they are interpreted and enforced in Canada and Colombia; competition; lack of availability of qualified personnel; the results of exploration and development drilling and related activities; obtaining required approvals of regulatory authorities in Canada and Colombia; risks associated with negotiating with foreign governments as well as country risk associated with conducting international activities; volatility in market prices for oil; fluctuations in foreign exchange or interest rates; environmental risks; changes in income tax laws or changes in tax laws and incentive programs relating to the oil industry; changes to pipeline capacity; ability to access sufficient capital from internal and external sources; failure of counterparties to perform under contracts; risk that Brent oil prices are lower than anticipated; risk that Parex' evaluation of its existing portfolio of development and exploration opportunities is not consistent with its expectations; risk that initial test results are not indicative of future performance; risk that other formations do not contain the expected oil bearing sands; and other factors, many of which are beyond the control of the Company. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect Parex' operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)).

Although the forward-looking statements contained in this document are based upon assumptions which Management believes to be reasonable, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. With respect to forward-looking statements contained in this document, Parex has made assumptions regarding, among other things: current and anticipated commodity prices and royalty regimes; availability of skilled labour; timing and amount of capital expenditures; future exchange rates; the price of oil, including the anticipated Brent oil price; the impact of increasing competition; conditions in general economic and financial markets; availability of drilling and related equipment; effects of regulation by governmental agencies; receipt of partner, regulatory and community approvals; royalty rates; future operating costs; uninterrupted access to areas of Parex' operations and infrastructure; recoverability of reserves and future production rates; the status of litigation; timing of drilling and completion of wells; on-stream timing of production from successful exploration wells; operational performance of non-operated producing fields; pipeline capacity; that Parex will have sufficient cash flow, debt or equity sources or other financial resources required to fund its capital and operating expenditures and requirements as needed; that Parex' conduct and results of operations will be consistent with its expectations; that Parex will have the ability to develop its oil and gas properties in the manner currently contemplated; that Parex' evaluation of its existing portfolio of development and exploration opportunities is consistent with its expectations; current or, where applicable, proposed industry conditions, laws and regulations will continue in effect or as anticipated as described herein; that the estimates of Parex' production and reserves volumes and the assumptions related thereto (including commodity prices and development costs) are accurate in all material respects; that Parex will be able to obtain contract extensions or fulfill the contractual obligations required to retain its rights to explore, develop and exploit any of its undeveloped properties; and other matters.

Management has included the above summary of assumptions and risks related to forward-looking information provided in this document in order to provide shareholders with a more complete perspective on Parex' current and future operations and such information may not be appropriate for other purposes. Parex' actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do, what benefits Parex will derive. These forward-looking statements are made as of the date of this document and Parex disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

#### **Oil & Gas Matters Advisory**

The term "Boe" means a barrel of oil equivalent on the basis of 6 Mcf of natural gas to 1 barrel of oil ("bbl"). Boe's 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 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 ratio at 6:1 may be misleading as an indication of value.

References in this press release to production test rates and initial flow rates are useful in confirming the presence of hydrocarbons, however such rates are not determinative of the rates at which such wells will commence production and decline thereafter and are not indicative of long term performance or of ultimate recovery. Additionally, such rates may also include recovered "load oil" fluids used in well completion stimulation. While encouraging, readers are cautioned not to place reliance on such rates in calculating the aggregate production for Parex. A pressure transient analysis or well-test interpretation has not been carried out in respect of all wells. Accordingly, the Company cautions that the test results should be considered preliminary.