Monthly Update

July 20, 2017
Vol. 4 Issue 7

GEAR ENERGY

FROM THE DESK OF INGRAM GILLMORE, PRESIDENT & CEO

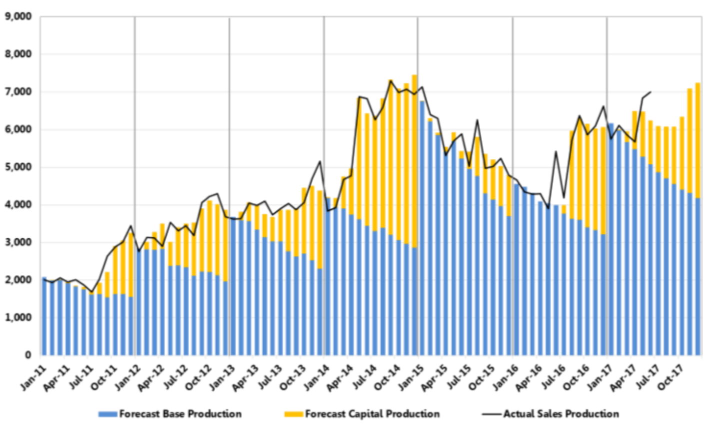
We regularly include the following data populated with estimated monthly results:

Capital * *($k CAD)*	Q2 16	Q3 16	Q4 16	**2016**	Q1 17	Apr-17	May-17	Jun-17	Q2 17	**2017**
Drill & Complete	593	5,734	3,083	**9,501**	14,563	975	480	2,401	3,856	**18,419**
Facilities	1,337	1,396	2,106	**5,064**	3,193	376	1,014	1,328	2,718	**5,911**
Land & Seismic	42	287	978	**1,278**	1,147	124	-2	140	262	**1,409**
A&D	29	58,141	-74	**57,616**	-68	-30	30	-22	-22	**-90**
Other	-809	-384	-100	**-1,479**	-119	0	0	-676	-676	**-795**
TOTAL	**1,192**	**65,174**	**5,993**	**71,980**	**18,716**	**1,445**	**1,522**	**3,171**	**6,138**	**24,854**

Production (boe/d) *										
Sales	**4,536**	**5,420**	**6,203**	**5,152**	**5,907**	**5,681**	**6,841**	**6,997**	**6,510**	**6,210**
Field	4,112	5,447	5,942	4,992	6,084	6,335	6,465	6,603	6,468	**6,277**

* Estimates based on field data, actuals will vary from estimates due to accruals and adjustments. Such variances may be material.

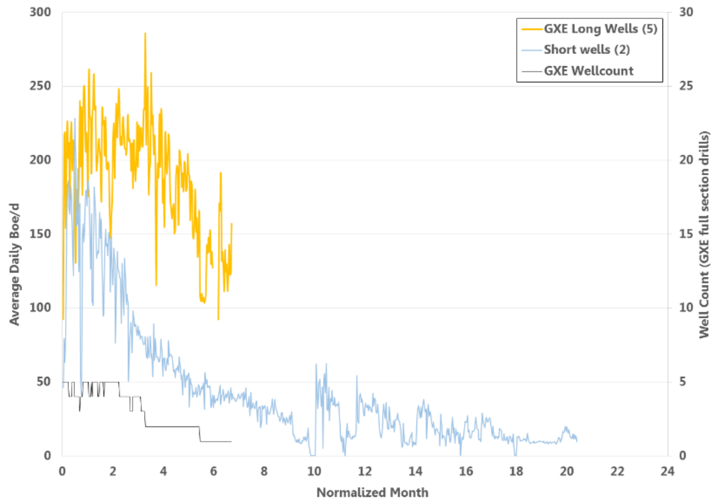
After some weather related delays and challenges through the first quarter of this year, it is refreshing to see that total company sales production is starting to grow again. The low sales number in April was more than offset by outperformance in May and now June.



There are many areas contributing to the good production numbers, but I think the one worth focusing on the most, is our new core light oil property at Wilson Creek. It is just over a year ago that the Gear team added this new area to the portfolio. As you may recall, one of the fundamental reasons for the acquisition was that we felt there was a better way to economically unlock the tight light oil in the regional Basal Belly River formation. Prior to Gear's ownership, the development strategy was focused on half section wells, with relatively small fracture stimulations. The Gear team was convinced that wells with two to three times the reservoir length and two to three times larger fracture stimulations would be a superior development plan and much more likely to yield competitive economics.

The short answer is that we were right.

Gear has drilled five successful full section Basal Belly River wells into the Wilson Creek area and the results to date have met or exceeded our expectations.



If you reference the above chart you can see that the average production from the two previously drilled short wells is shown in blue, and the average from the five new Gear wells is shown in gold. The highlights I pulled from this data are as follows;

- For the initial 30 days, the longer Gear wells averaged about 35% higher rates than the short wells
- After three months, the Gear wells were producing at rates about 2.5 times higher than the rates of the old wells
- After six months, the Gear wells are averaging an astonishing 3.5 times better rates than the wells drilled by the previous owner. (with the caveat that at six months, the "average" is actually just the 9-19 well, and it is arguably not our strongest well)

So what does this mean? Essentially, Gear spent an average of 45% more capital per well to realize an estimated one year average production rate that is approximately three times higher. That basically equates to the Gear wells forecasting a two-fold improvement in capital efficiency over the original two short wells. And we are just getting started!