

BIRCHCLIFF ENERGY LTD

12-01

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BIRCHCLIFF ENERGY LTD. ANNOUNCES MATERIAL PRODUCTION GAINS, SIGNIFICANT 2011 RESERVE ADDITIONS AND CORPORATE SALE PROCESS UPDATE

Calgary, Alberta - Birchcliff Energy Ltd. ("Birchcliff") (TSX: BIR) is pleased to provide the following update.

PRODUCTION

Birchcliff's estimated average production month to date in February is in excess of 21,100 boe per day. Production for January 2012 was approximately 20,400 boe per day.

Average production in the fourth quarter of 2011 was 19,812 boe per day, a 21% increase over fourth quarter 2010 average production of 16,375 boe per day.

2011 average production was 18,136 boe per day, a 39% increase over 2010 average production of 13,079 boe per day.

DECEMBER 31, 2011 RESERVES EVALUATION

AJM Deloitte ("AJM"), qualified independent petroleum engineers, prepared a Reserves Assessment and Economic Evaluation effective December 31, 2011 in respect of Birchcliff's oil and natural gas properties, which is contained in a report dated February 21, 2012 (the "AJM Evaluation"). A predecessor of AJM Deloitte, AJM Petroleum Consultants prepared a reserves evaluation effective December 31, 2010. Reserves estimates stated herein as at each of those dates are extracted from the relevant evaluation. The AJM Evaluation and the prior reserves evaluation have been prepared in accordance with the standards contained in the Canadian Oil and Gas Evaluation Handbook ("COGEH") and National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101").

At December 31, 2011, AJM estimated that Birchcliff had **275.4 mmboe** of proved plus probable reserves and **156.2 mmboe** of total proved reserves. Birchcliff's proved plus probable reserves are comprised of 85% natural gas and 15% light oil and natural gas liquids.

The following table summarizes AJM's estimates of Birchcliff's working interest oil and natural gas reserves at December 31, 2011 and December 31, 2010, using AJM forecast price assumptions in effect at the evaluation date.

	Dec 31, 2011 mmboe	Dec 31, 2010 mmboe	% Increase from Dec 31, 2010
Proved Developed Producing	38.7	30.8	25.6%
Total Proved	156.2	114.0	37.0%
Probable	119.3	87.1	37.0%
Proved Plus Probable	275.4	201.1	36.9%

The following table summarizes AJM's estimates at December 31, 2011 of Birchcliff's future net revenue attributable to its oil and natural gas reserves before deducting future income tax expenses at various discount rates. AJM relied upon its December 31, 2011 forecast of commodity prices which can be found at <http://www.ajmpc.com/price-forecasts.html>.

NET PRESENT VALUE OF FUTURE NET REVENUE ⁽¹⁾						
Before Income Taxes Discounted at % per year						
	0%	5%	8%	10%	15%	20%
	(MM\$)	(MM\$)	(MM\$)	(MM\$)	(MM\$)	(MM\$)
PROVED						
Developed Producing	1,291.1	992.1	871.1	806.1	681.1	592.0
Developed Non-Producing	178.3	139.2	122.3	113.0	94.5	80.9
Undeveloped	2,764.2	1,697.6	1,284.9	1,070.2	677.4	418.9
TOTAL PROVED	4,233.6	2,828.9	2,278.3	1,989.3	1,453.0	1,091.8
PROBABLE	4,187.1	2,252.1	1,627.7	1,330.8	838.7	552.9
PROVED PLUS PROBABLE	8,420.7	5,081.0	3,906.0	3,320.2	2,291.7	1,644.7

(1) National Instrument 51-101 requires the inclusion of the following statement: Estimates of future net revenues whether discounted or not do not represent fair market value.

The natural gas price forecast used by AJM in the AJM Evaluation for the years 2012 through 2016 is approximately \$0.87 per mmbtu lower than the forecast used by AJM for the same years in its December 31, 2010 reserves evaluation. Notwithstanding the natural gas price forecast for these years decreased by more than 15.6%, the net present value of the proved plus probable reserves (at a 10% discount rate) increased by 29.3% as a result of the additional reserves that are included in the AJM Evaluation.

Based on AJM estimates of Birchcliff's reserves at December 31, 2011:

- **Proved plus probable reserves of 275.4 mmboe** is a 36.9% increase from December 31, 2010;
- **Total proved reserves of 156.2 mmboe** is a 37.0% increase from December 31, 2010;
- **Proved developed producing reserves of 38.7 mmboe** is a 25.6% increase from December 31, 2010;
- **Net present value of proved plus probable reserves (NPV 10%) of \$3.3 billion** is a 29.3% increase from December 31, 2010. No additional value for Birchcliff's substantial, high working interest, undeveloped land base has been included in this calculation;
- **Net present value of total proved reserves (NPV 10%) of \$2.0 billion** is a 24.3% increase from December 31, 2010;
- **Net present value of proved developed producing reserves (NPV 10%) of \$806 million** is a 24.6% increase from December 31, 2010;
- Birchcliff added **2.2 boe** of proved developed producing reserves for each boe that was produced during the year (**220% reserve replacement** on a proved developed producing basis);
- Birchcliff added **12.2 boe** of proved plus probable reserves for each boe that was produced during the year (**1,223% reserve replacement** on a proved plus probable basis); and
- **On a per share basis** using shares outstanding at year end, Birchcliff **increased its proved plus probable reserves by 35.2%** and its **total proved reserves by 35.3%** from December 31, 2010.

AJM's estimates of future development costs are **\$1.19 billion on a total proved basis** and **\$1.90 billion on a proved plus probable basis**, which includes (a) approximately \$54 million of remaining capital to be spent in 2012 for the Phase III expansion of the 100% owned Pouce Coupe South Gas Plant ("PCS Gas Plant") from 60 mmcf per day to 120 mmcf per day of total capacity and (b) approximately \$130 million for the Phase IV expansion of the PCS Gas Plant from 120 mmcf per day to 240 mmcf per day of total capacity. The increase in future development capital for 2011 over 2010 is \$420 million on a total proved basis and \$760 million on a proved plus probable basis.

Reserve Life Index

Birchcliff's reserve life index is **36 years** on proved plus probable basis and **20 years** on a total proved basis, in each case using reserves estimates at December 31, 2011 and assuming an average daily production rate of 21,100 boe per day.

CORPORATE SALE PROCESS UPDATE

The Corporate Sale Process that was announced on October 3, 2011 is continuing. Birchcliff has not entered into an agreement with any party and is currently in negotiations. At this time, there can be no assurance that the ongoing negotiations will result in a successful transaction.

OUTLOOK

Birchcliff will release its 2011 audited financial results on March 14, 2012, after the close of markets.

Birchcliff expects continued material production growth in 2012, primarily as a result of the commissioning of the Phase III expansion of the PCS Gas Plant in the fourth quarter.

ADVISORIES

BOE Conversions: *Barrels 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.*

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 the Corporation's current internal expectations, estimates, projections, assumptions and beliefs. All information other than historical fact is forward-looking information. Information relating to "reserves" is forward-looking as it involves the implied assessment, based on certain estimates and assumptions, that the reserves 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", "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 estimates of recoverable reserves volumes, an expansion of gas processing facilities and a public sale of the Corporation.*

The forward-looking information is based upon assumptions as to future commodity prices, currency exchange rates, inflation rates, well production rates, well drainage areas, success rates for future drilling and availability of labour and services. With respect to estimates of reserves volumes, a key

assumption is the validity of the data used by AJM Deloitte in their independent reserves evaluation. Another key assumption is that geological and other technical interpretations performed by the Corporation's technical staff, which indicate that commercially economic reserves can be recovered from the Corporation's lands as a result of drilling such future wells, are valid.

With respect to the public sale process, there can be no assurance that negotiations will be successful. Undue reliance should not be placed on forward-looking information, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. Although the Corporation believes that the expectations reflected in the forward-looking statements 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 associated with oil and gas exploration, production, transportation and marketing such as uncertainty of geological and technical data, imprecision of reserves estimates, operational risks, environmental risks, loss of market demand, general economic conditions affecting the ability to access sufficient capital, changes in governmental regulation of the oil and gas industry 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 the Corporation'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. The Corporation 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 the Corporation's plans or expectations, except as otherwise required by applicable securities laws.

Birchcliff is a publicly traded company that trades on the TSX Exchange under the symbol "BIR".

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