14-05 May 14, 2014

BIRCHCLIFF ENERGY LTD. ANNOUNCES 2014 PRODUCTION GUIDANCE, RECORD 2014 FIRST QUARTER RESULTS AND OPERATIONAL UPDATE

Calgary, Alberta - Birchcliff Energy Ltd. ("Birchcliff") (TSX: BIR) is pleased to announce financial and operational results for the first quarter of 2014 with record production, cash flow and earnings, a continued decrease in per unit operating costs and 2014 production and cash flow guidance. The full 2014 First Quarter Report, containing the unaudited interim condensed financial statements for the three month period ended March 31, 2014 and the related Management's Discussion and Analysis, is available on Birchcliff's website at www.birchcliffenergy.com and will be available on SEDAR at www.sedar.com.

Current Highlights

- **Current production is approximately 32,000 boe per day**.
- **Estimated record annual average production of approximately 34,000 boe per day for 2014**, representing 32% growth over the annual average of 25,829 boe per day in 2013.
- **Estimated 2014 fourth quarter average production is approximately 38,000 boe per day.**
- **Estimated 2014 cash flow is approximately $331 million or $2.30 per common share**, based on estimated annual production of 34,000 boe per day, an AECO natural gas price of $4.50 per GJ and WTI oil price of US $95.00 per bbl from April 1 through December 31, 2014, and based on basic weighted average common shares outstanding in the first quarter of 144,026,125.
- **Increased credit facilities to $750 million**, from $600 million.
- **On schedule and on budget for the Phase IV expansion of the Pouce Coupe South Natural Gas Plant ("PCS Gas Plant")**, increasing processing capacity to 180 MMcf per day from 150 MMcf per day for a cost of $11.6 million, starting up in September 2014.
- **2014 budgeted capital expenditure program of $291 million (excluding acquisitions) is expected to be funded wholly out of internally generated funds flow.**
- **Drilling results to date of 20 (20.0 net) wells,** all 100% working interest, consisting of 12 Montney/Doig horizontal natural gas wells and two Montney/Doig horizontal light oil wells in the Pouce Coupe area; one Doig horizontal light oil well in the Progress area; and five Charlie Lake horizontal light oil wells in the Worsley area.
- **Birchcliff currently has two drilling rigs at work** in the Pouce Coupe area, drilling Montney/Doig horizontal natural gas wells through break-up on multi-well pads. After break-up, two other rigs will resume their drilling programs, one rig will be drilling Montney/Doig horizontal wells in the Pouce Coupe area and the other rig will be drilling Charlie Lake horizontal wells in the Worsley area.

2014 First Quarter Highlights

- **Record average production of 31,749 boe per day,** an increase of 22% from 26,108 boe per day in the first quarter of 2013 and an increase of 12% from 28,391 boe per day in the fourth quarter of 2013. Production per share increased 20% from the first quarter of 2013.

- **Record funds flow of $88.4 million**, an increase of 124% from $39.4 million in the first quarter of 2013 and an increase of 77% from $50.1 million in the fourth quarter of 2013. Birchcliff exceeded its previously announced 2014 first quarter cash flow guidance of $83 million by $5.4 million, due mainly to higher than forecasted oil and liquids pricing for February and March production.
- **Funds flow of $0.61 per common share**, an increase of 118% from the first quarter of 2013 and an increase of 74% from the fourth quarter of 2013.
- **Record net income to common shareholders of $38.5 million or $0.27 per common share,** an increase of 499% and 440% respectively, from the first quarter of 2013. This is an increase of 259% from net income to common shareholders of $10.8 million in the fourth quarter of 2013, excluding a non-recurring gain on the sale of assets.
- **Operating costs of $5.21 per boe**, a decrease of 10% from $5.77 per boe in the first quarter of 2013 and a decrease of 4% from $5.44 per boe in the fourth quarter of 2013. At our PCS Gas Plant, where we processed 76% of our natural gas production and achieved an operating margin of 81%, operating costs were approximately $0.43 per Mcfe or $2.61 per boe in the first quarter of 2014.
- **General and administrative costs of $1.89 per boe,** a decrease of 9% from $2.08 per boe in the first quarter of 2013 and a decrease of 26% from $2.54 per boe in the fourth quarter of 2013.
- **Total cash costs of $11.28 per boe** (operating, transportation and marketing, general and administrative and interest), a decrease of 11% from the first quarter of 2013 and a decrease of 8% from the fourth quarter of 2013.
- **Funds flow netback of $30.93 per boe,** an increase of 84% from $16.79 per boe in the first quarter of 2013 and an increase of 61% from $19.16 per boe in the fourth quarter of 2013, as a result of strong oil and natural gas prices and Birchcliff's low cost structure.
- **2,335.8 net future horizontal drilling locations on our Montney/Doig Natural Gas Resource Play,** increased from 2,254.4 net future horizontal drilling locations at December 31, 2013.
- **Strategic acquisition effective January 1, 2014,** purchasing a partner's 30% working interest in land and production on the Montney/Doig Natural Gas Resource play, giving Birchcliff a 100% working interest in 38 sections of land. Approximately 9.6 MMcfe per day (1,600 boe per day) of production was acquired, the majority of which goes to Birchcliff's PCS Gas Plant.

2014 FIRST QUARTER FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Three months ended March 31, 2014	Three months ended March 31, 2013
OPERATING		
Average daily production		
Light oil – *(barrels)*	3,977	4,047
Natural gas – *(thousands of cubic feet)*	158,456	128,101
NGLs – *(barrels)*	1,362	710
Total – barrels of oil equivalent *(6:1)*	**31,749**	26,108
Average sales price *($ CDN)*[(1)]		
Light oil – *(per barrel)*	97.30	84.82
Natural gas – *(per thousand cubic feet)*	6.10	3.40
NGLs – *(per barrel)*	95.35	86.80
Total – barrels of oil equivalent *(6:1)*	**46.73**	32.21
NETBACK AND COST *($ per barrel of oil equivalent at 6:1)*		
Petroleum and natural gas revenue	46.74	32.22
Royalty expense	(4.43)	(2.74)
Operating expense	(5.21)	(5.77)
Transportation and marketing expense	(2.48)	(2.25)
Netback	**34.62**	21.46
General & administrative expense, net	(1.89)	(2.08)
Interest expense	(1.70)	(2.59)
Realized loss on financial instruments	(0.10)	-
Funds flow netback	**30.93**	16.79
Stock-based compensation expense, net	(0.34)	(0.55)
Depletion and depreciation expense	(11.19)	(11.51)
Accretion expense	(0.21)	(0.20)
Amortization of deferred financing fees	(0.09)	(0.08)
Unrealized loss on financial instruments	(0.05)	-
Dividends on Series C Preferred Shares	(0.31)	-
Income tax expense	(4.92)	(1.29)
Net income	13.82	3.16
Dividends on Series A Preferred Shares	(0.35)	(0.43)
Net income to common shareholders	**13.47**	2.73
FINANCIAL		
Petroleum and natural gas revenue *($000's)*	133,558	75,718
Funds flow from operations *($000's)*[(2)]	88,369	39,444
Per common share – basic *($)*[(2)]	0.61	0.28
Per common share – diluted *($)*[(2)]	0.60	0.27
Net income *($000's)*	39,499	7,424
Net income to common shareholders *($000's)*[(3)]	38,499	6,424
Per common share – basic *($)*[(3)]	0.27	0.05
Per common share – diluted *($)*[(3)]	0.26	0.04
Common shares outstanding		
End of period – basic	144,503,777	142,096,130
End of period – diluted	166,085,345	164,106,949
Weighted average common shares for period – basic	144,026,125	141,821,280
Weighted average common shares for period – diluted	147,090,254	144,366,102
Dividends on Series A Preferred Shares *($000's)*	1,000	1,000
Dividends on Series C Preferred Shares (*$000's*)	875	-
Capital expenditures, net *($000's)*	161,403	81,010
Long-term bank debt *($000's)*	453,772	451,371
Working capital deficit *($000's)*[(4)]	70,948	50,920
Total debt *($000's)*	524,720	502,291

(1) Average sales price excludes the effect of hedges on financial instruments.

(2) Funds flow from operations and per common share amounts are non-GAAP measures that represent cash flow from operating activities as per the statements of cash flows before the effects of changes in non-cash working capital and decommissioning expenditures. Per common share amounts are calculated by dividing funds flow from operations by the weighted average number of basic or diluted common shares outstanding for the period.

(3) Net income to common shareholders is calculated using net income as determined in accordance with GAAP, adjusted for dividends paid on Series A Preferred Shares. Per common share amounts are calculated by dividing net income to common shareholders by the weighted average number of basic or diluted common shares outstanding for the period.

(4) Excludes the fair value of financial instruments and related deferred premium.

The full text of the President's Message from the 2014 First Quarter Report follows:

May 14, 2014

Fellow Shareholders,

Birchcliff Energy Ltd. ("**Birchcliff**") is pleased to report its first quarter financial and operational results for the three month period ended March 31, 2014. Birchcliff had an excellent quarter. Record natural gas production together with strong natural gas prices resulted in record first quarter revenue, funds flow and earnings. In addition, total cash costs (operating, transportation and marketing, general and administrative and interest costs) were reduced on a per boe basis from the first quarter of 2013 and the fourth quarter of 2013, notwithstanding the difficult operating conditions resulting from the bitterly cold winter.

Outlook for 2014 Production and Cash Flow

Birchcliff is on track to achieve record annual average production of approximately 34,000 boe per day for 2014, representing 32% growth over the annual average of 25,829 boe per day in 2013.

Estimated fourth quarter average production is approximately 38,000 boe per day. We maintain our previously announced exit production rate guidance of 37,500 to 39,500 boe per day.

Estimated 2014 cash flow is approximately $331 million or $2.30 per share, based on forecasted annual production of 34,000 boe per day, an AECO natural gas price of $4.50 per GJ and WTI oil price of US $95.00 per bbl from April 1 through December 31, 2014, and based on basic weighted average common shares outstanding in the first quarter of 144,026,125.

Production

Current production is approximately 32,000 boe per day.

Birchcliff had record average production of 31,749 boe per day in the first quarter of 2014, an increase of 22% from 26,108 boe per day in the first quarter of 2013 and an increase of 12% from 28,391 boe per day in the fourth quarter of 2013. Production per share increased 20% from the first quarter of 2013.

Funds Flow and Earnings

Funds flow was $88.4 million or $0.61 per common share in the first quarter of 2014, an increase of 124% from $39.4 million and an increase of 118% from $0.28 per common share in the first quarter of 2013.

Birchcliff had record net income to common shareholders in the first quarter of 2014 of $38.5 million or $0.27 per common share, an increase of 499% and 440% respectively, from the first quarter of 2013. This is an increase of 259% from net income to common shareholders of $10.8 million in the fourth quarter of 2013, excluding a non-recurring gain on the sale of assets.

Continued Cost Reductions

We are very pleased that our operating costs per boe continue to decline quarter over quarter. The credit for maintaining our low operating costs in the bitterly cold winter and difficult operating conditions goes to our field employees. We never forget that our best assets are our people.

In the first quarter of 2014, we reduced our operating costs to an average of $5.21 per boe, a decrease of 10% from the first quarter of 2013 and a decrease 4% from the fourth quarter of 2013. Notably, at Birchcliff's 100% owned Pouce Coupe South Natural Gas Plant ("**PCS Gas Plant**"), where we processed 76% of our natural gas production and achieved an 81% operating margin, operating costs were approximately $0.43 per Mcfe or $2.61 per boe. We anticipate increasing the percentage of natural gas processed at the PCS Gas Plant as new Montney/Doig horizontal natural gas wells are drilled in 2014, which will further reduce our corporate operating costs on a per boe basis.

Total cash costs per boe, including operating costs, transportation and marketing costs, general and administrative expenses and interest were $11.28 per boe in the first quarter of 2014, a decrease of 11% from the first quarter of 2013 and a decrease of 8% from the fourth quarter of 2013. Strong oil and natural gas prices together with Birchcliff's low operating cost structure resulted in material funds flow netback of $30.93 per boe in the first quarter of 2014, an increase of 84% from $16.79 per boe in the first quarter of 2013.

Phase IV Expansion of the PCS Gas Plant

The Phase IV expansion of the PCS Gas Plant will bring processing capacity to 180 MMcf per day, from 150 MMcf per day, by adding additional compression and sales pipeline capacity. The estimated cost of the Phase IV expansion is approximately $11.6 million. The anticipated start-up date of the Phase IV expansion is September 2014. This project is on schedule and on budget.

Increase to Credit Facilities

On May 9, 2014, Birchcliff's bank syndicate approved an increase of the aggregate credit facilities limit to $750 million from $600 million and the revolving credit facilities were converted to a three-year term with a maturity date of May 9, 2017. The aggregate credit facilities include $620 million of revolving term credit facilities (previously $470 million); a $70 million non-revolving five-year term credit facility; and a $60 million non-revolving five-year term credit facility. The increased aggregate credit facilities will provide Birchcliff with increased financial flexibility.

Strategic Acquisitions

We are very pleased with the $56 million strategic acquisition of a partner's 30% working interest in land and production on the Montney/Doig Natural Gas Resource Play in January 2014, giving Birchcliff a 100% working interest in 38 sections of land that has Montney and Doig rights. Approximately 9.6 MMcfe per day (1,600 boe per day) of production was acquired, the majority of which goes to Birchcliff's PCS Gas Plant. This transaction has allowed Birchcliff to consolidate lands it formerly held at 70% working interest with lands it held at 100% working interest, allowing for a contiguous development plan, eliminating holding buffers and increasing the flexibility of capital allocation.

Land additions in the first quarter of 2014 have increased Birchcliff's number of Montney/Doig Resource Play net future horizontal drilling locations to 2,335.8 from 2,254.4 at December 31, 2013.

Hedging Activities

Birchcliff's natural gas production during the winter of 2013/2014 was unhedged and as a result we received the full benefit of the high natural gas prices in the first quarter of 2014.

Birchcliff has contracted forward physical sales of 75,000 GJ per day for approximately $4.35 per Mcf, representing 40% of our estimated natural gas volumes during the summer months, April 1 to October 31, 2014. We have no current intention of contracting forward physical sales of natural gas for the winter months of 2014/2015, however later in 2014 we will consider hedging natural gas for the 2015 summer months.

2014 FIRST QUARTER FINANCIAL AND OPERATIONAL RESULTS

Production

First quarter 2014 production averaged 31,749 boe per day, an increase of 22% from 26,108 boe per day in the first quarter of 2013.

Production consisted of approximately 83% natural gas and 17% crude oil and natural gas liquids in the first quarter of 2014. Approximately 76% of Birchcliff's natural gas production and 66% of corporate production was processed at the PCS Gas Plant during the first quarter of 2014.

Funds Flow and Earnings

First quarter 2014 funds flow was $88.4 million or $0.61 per common share, a 124% increase from $39.4 million or $0.28 per common share in the first quarter of 2013. The increase from the first quarter of 2013 was a result of the 24% increase in natural gas production and 78% increase in the AECO natural gas spot price, which averaged $5.71 per Mcf for the first quarter of 2014 compared to $3.20 per Mcf for the first quarter of 2013.

Birchcliff exceeded its previously announced 2014 first quarter cash flow guidance of $83 million by $5.4 million, due mainly to higher than forecasted oil and liquids pricing for February and March production.

Birchcliff had record net income to common shareholders in the first quarter of 2014 of $38.5 million or $0.27 per common share, an increase of 499% from $6.4 million and 440% from $0.05 per common share respectively from the first quarter of 2013. This is an increase of 259% from net income to common shareholders of $10.8 in the fourth quarter of 2013, excluding a non-recurring gain on the sale of assets.

Debt and Capitalization

At March 31, 2014, Birchcliff's long-term bank debt was $453.8 million from available credit facilities of approximately $600 million. Total debt, including the working capital deficit of $70.9 million, was $524.7 million as compared to $454.0 million at December 31, 2013.

On May 9, 2014**,** Birchcliff's bank syndicate approved an increase of the aggregate credit facilities limit to $750 million from $600 million as a result of the significant reserve additions in 2013.

At March 31, 2014, Birchcliff had outstanding 144,503,777 basic common shares.

Preferred Share Warrants

At March 31, 2014, Birchcliff had 6,000,000 warrants outstanding, each warrant providing the right to purchase one common share at an exercise price of $8.30 until August 8, 2014. Birchcliff expects that the holders of the warrants will exercise their warrants prior to August 8, which will result in Birchcliff receiving approximately $50 million in warrant proceeds and will require the issuance of six million common shares.

Operating Costs

Operating costs in the first quarter of 2014 were $5.21 per boe, a decrease of 10% from $5.77 per boe in the first quarter of 2013. This reduction of operating costs on a per boe basis was largely due to increased volumes of natural gas being processed through the PCS Gas Plant and the implementation of various optimization initiatives.

General and administrative expenses in the first quarter of 2014 was $1.89 per boe, a decrease of 9% from $2.08 per boe in the first quarter of 2013.

Capital Expenditures

The following table sets forth a summary of Birchcliff's capital expenditures at the end of the first quarter of 2014.

($000's)	**Three months ended March 31, 2014**
Land	9,064
Seismic	5,384
Workovers	2,952
Drilling and completions	66,942
Well equipment and facilities	20,230
Finding and development costs (F&D)	104,572
Acquisitions	56,553
Dispositions	-
Finding, development and acquisition costs (FD&A)	161,125
Administrative assets	278
Capital expenditures, net	**161,403**

PCS Gas Plant Netbacks

Processing natural gas at the PCS Gas Plant has materially improved Birchcliff's funds flow and net earnings. In the first quarter of 2014, operating costs for natural gas processed at the PCS Gas Plant averaged $0.43 per Mcfe ($2.61 per boe) and the estimated operating netback for Birchcliff's natural gas production flowing to the PCS Gas Plant was $5.25 per Mcfe. Approximately 76% of Birchcliff's natural gas production and 66% of corporate production was processed at the PCS Gas Plant in the first quarter of 2014.

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

Production Processed at the PCS Gas Plant	**Three months ended March 31, 2014[1]**		**Three months ended March 31, 2013**	
Average daily production, net to Birchcliff:				
Natural gas *(Mcf)*		120,316		87,104
Oil & NGLs *(bbls)*		923		246
Total boe *(6:1)*		**20,975**		14,763
Percentage of corporate natural gas production		*76%*		*68%*
Percentage of corporate production		*66%*		*57%*
Netback and cost:	*$/Mcfe*	*$/boe*	*$/Mcfe*	*$/boe*
Petroleum and natural gas revenue[2]	6.51	39.08	3.57	21.40
Royalty expense	(0.53)	(3.19)	(0.22)	(1.33)
Operating expense[3]	(0.43)	(2.61)	(0.28)	(1.68)
Transportation and marketing expense	(0.30)	(1.78)	(0.24)	(1.40)
Estimated operating netback	**5.25**	**31.50**	2.83	16.99
Operating margin[4]	**81%**	**81%**	79%	79%

(1) The PCS Gas Plant processed an average of 127 MMcf per day of gross raw gas at the inlet during the first quarter of 2014, against a current licensed processing capacity of 150 MMcf per day.

(2) AECO natural gas spot price averaged $5.71 per Mcf and $3.20 per Mcf in the first quarter of 2014 and first quarter of 2013, respectively.

(3) The increased operating expense per boe results from reduced third party recoveries as a result of the January 2014 acquisition of a partner's working interest in joint lands, offset by increased volumes of natural gas processed through the PCS Gas Plant.

(4) Operating margin at the PCS Gas Plant is determined by dividing the estimated operating netback by petroleum and natural gas revenue in the period.

OPERATIONS UPDATE

Drilling

Birchcliff's 2014 drilling program is focused on our two proven resource plays, the Montney/Doig Natural Gas Resource Play and the Worsley Charlie Lake Light Oil Resource Play. During the first quarter of 2014, Birchcliff drilled 15 (15.0 net) wells, all 100% working interest, including 7 (7.0 net) natural gas wells, and 8 (8.0 net) oil wells.

Wells drilled in the first quarter of 2014 include 7 (7.0 net) Montney/Doig horizontal natural gas wells, 2 (2.0 net) Montney/Doig horizontal oil wells; 1 (1.0 net) Upper Doig horizontal oil well; and 5 (5.0 net) Charlie Lake horizontal oil wells, all of which were completed utilizing multi-stage fracture stimulation technology, and all of which were successful.

Birchcliff currently has two drilling rigs at work in the Pouce Coupe area, drilling Montney/Doig horizontal natural gas wells through break-up on multi-well pads. These rigs are designed for multi-well pad drilling and as a result, have drilled over the break-up period. After break-up, two other rigs will resume their drilling programs, one rig will be drilling Montney/Doig horizontal wells in the Pouce Coupe area and the other rig will be drilling Charlie Lake horizontal wells in the Worsley area.

Land

The Corporation has been strategically acquiring more land. We have continued to expand our undeveloped land base and held 577,572 (549,083 net) acres at March 31, 2014, with a 95% average working interest. During the first quarter of 2014, Birchcliff acquired 17,953 net acres of land, all in its core area of the Peace River Arch of Alberta through Crown land sales and the purchase of third party lands. Most of the land acquired in the first quarter of 2014 was on the Montney/Doig Resource Play in the Pouce Coupe area. Key lands were acquired through the strategic acquisition of a partner’s 30% working interest in land and production on the Montney/Doig Resource Play, giving Birchcliff 100% interest in 38 sections of land. The other newly acquired lands on the Montney/Doig Resource Play are contiguous with our existing land base and we expect a significant amount of proved plus probable reserves and discovered resources to be attributed to these newly acquired lands at year end.

Birchcliff's land base primarily consists of large contiguous blocks of high working interest acreage located near facilities owned and/or operated by Birchcliff or near third party infrastructure. This gives Birchcliff the flexibility to optimize well layouts in order to maximize reservoir contact.

Seismic

Birchcliff believes seismic data, more specifically three dimensional (“**3-D**”) seismic data, is a key technical tool in the development of resource plays. A high percentage of Birchcliff’s drilling activities are supported by 3-D seismic. In the first quarter of 2014 Birchcliff spent $5.4 million on 3-D seismic, which included 74 square kilometers of new proprietary 3-D seismic; 27 square kilometers of new industry speculative 3-D seismic; and 308 square kilometers of trade 3-D seismic. This geophysical data gives a much more refined image of what the subsurface looks like, assisting in geological interpretations to delineate reservoir distribution of our resource plays, and assisting in the drilling of the horizontal wells.

Montney/Doig Natural Gas Resource Play

In the first quarter of 2014, Birchcliff drilled 7 (7.0 net) Montney/Doig horizontal natural gas wells and 2 (2.0 net) Montney/Doig horizontal light oil wells. Year-to-date Birchcliff has drilled 12 (12.0 net) Montney/Doig horizontal natural gas wells and 2 (2.0 net) Montney/Doig horizontal light oil wells. Birchcliff continues to expand the Montney/Doig Natural Gas Resource Play both geographically and stratigraphically.

All seven Montney/Doig horizontal natural gas wells and the two Montney/Doig horizontal light oil wells drilled in the first quarter of 2014 have been brought on production. With respect to the Montney/Doig light oil wells, Birchcliff has a modest development plan for the Montney/Doig light oil play, but at this time we have only a limited number of follow-up locations with oil potential in this area.

On our Montney/Doig Natural Gas Resource Play we are currently utilizing multi-well pad drilling, allowing us to drill continuously right through spring break-up. We are currently drilling on two multi-well pads where we are drilling five horizontal natural gas wells on each.

To quantify our aggressive growth strategy for the Montney/Doig Resource Play, in the first quarter of 2014, through landsales and acquisitions and removing any expires, we added 12.8 net sections of land for the Basal Doig/Upper Montney Play and 13.0 sections of land for the Middle/Lower Montney Play, for a total of 25.8 net sections to develop on the Montney/Doig Resource Play. These lands, developed at four wells per section, per play, yields a total of 103.2 net future locations.

At March 31, 2014, Birchcliff's total land holdings on the Middle/Lower Montney Play and the Basal Doig/Upper Montney Play was 644.5 (615.7 net) sections. On full development of four horizontal wells per section per play, at the end of the first quarter of 2014 Birchcliff had 2,462.7 net horizontal existing wells and future horizontal drilling locations. By subtracting the 126.9 net locations drilled at the end of the first quarter of 2014, there remain 2,335.8 net future horizontal drilling locations.

By definition, all of the new land on the play will contribute to our Total Petroleum Initially In Place ("**TPIIP**") so we anticipate a significant increase in TPIIP at year end. These newly acquired lands are proximal to our Pouce Coupe development area so we expect a large percentage of the TPIIP to be categorized as Discovered Petroleum Initially In Place.

Recently there have been some significant positive developments by industry on the Montney/Doig Natural Gas Resource Play. One general area of development is the increased exploration and commercialization of new stratigraphic intervals within this play. We continue to evaluate additional new target intervals within the Montney and Doig formations, to more fully define the potential of our Montney/Doig Natural Gas Resource Play. We anticipate drilling our first horizontal well in one of the new intervals by year end.

Worsley Charlie Lake Light Oil Resource Play

On the Worsley Charlie Lake Light Oil Resource Play, in the first quarter of 2014, Birchcliff drilled 5 (5.0 net) Charlie Lake horizontal oil wells, utilizing multi-stage fracture stimulation technology.

With the continued success of the water flood on the Worsley Light Oil pool, we are expanding the water flood area and are conducting the field operations necessary to convert two more wells to injectors and will install associated facility infrastructure.

SHAREHOLDER SUPPORT

We thank Mr. Seymour Schulich, our largest shareholder, for his ongoing financial and moral support. Mr. Schulich did not blink when natural gas prices hit $1.61 per GJ in September 2013, and in fact was even more supportive when extremely low gas prices made life difficult at Birchcliff. Having a significant shareholder with a long-term investment horizon is a significant reason why Birchcliff is where it is today. Mr. Schulich holds 40 million common shares representing 28.2% of the current issued and outstanding common shares.

OUTLOOK

Birchcliff has never had a brighter outlook than it has today. Our low cost structure, our solid low decline production base together with higher commodity prices has positioned us to accelerate our growth while improving our balance sheet.

I would like to summarize our current and future outlook as set out below:

1. Birchcliff is on track to achieve record annual average production of approximately 34,000 boe per day for 2014, representing 32% growth over the annual average of 25,829 boe per day in 2013.
2. We currently forecast fourth quarter average production to be approximately 38,000 boe per day. We maintain our previously announced exit production rate guidance of 37,500 to 39,500 boe per day.
3. Estimated 2014 cash flow is approximately $331 million or $2.30 per common share, based on estimated annual production of 34,000 boe per day, an AECO natural gas price of $4.50 per GJ and WTI oil price of US $95.00 per bbl from April 1 through December 31, 2014, and based on basic weighted average common shares outstanding in the first quarter of 144,026,125.
4. We have just had record first quarter cash flow and earnings while continuing to reduce our cash costs per boe. We expect to fund our 2014 budgeted capital expenditure program of $291 million (excluding acquisitions), wholly out of internally generated cash flow.
5. Funding our significant production growth out of our material cash flow has significantly improved our debt ratios, bringing them in line with or ahead of some of our peers.
6. We successfully purchased our partner out of the Pouce Coupe area, giving us 100% working interests in the heart of Pouce Coupe.
7. We are on schedule and on budget with the PCS Gas Plant Phase IV expansion to 180 MMcf per day of processing capacity, setting up for material production growth in the fourth quarter of 2014.
8. At March 31, 2014, Birchcliff's total land holdings on the Middle/Lower Montney Play and the Basal Doig/Upper Montney Play was 644.5 (615.7 net) sections. On full development of four horizontal wells per section per play, less the horizontal wells drilled to March 31, 2014, there remain 2,335.8 net future horizontal drilling locations.
9. To date we have drilled 132 (131.9 net) Montney/Doig horizontal natural gas wells, all the while focusing on reducing costs and increasing our knowledge and expertise on the play.
10. We believe that we have further exploration drilling opportunities on both our Montney/Doig Natural Gas Resource Play and our Worsley Charlie Lake Light Oil Resource Play, which may provide significant and material increases to our future drilling opportunities.
11. Natural gas prices look to be strong for the foreseeable future. With approximately 60% of our natural gas unhedged this summer, and totally unhedged beyond this summer, Birchcliff looks to benefit significantly from these high prices.

Birchcliff expects to receive approximately $50 million in proceeds from the exercise of $8.30 Warrants before their expiry on August 8, 2014. It is our expectation that in August 2014, Birchcliff will increase its capital budget by at least $50 million. We expect to announce the details of this budget increase with our second quarter results on August 13, 2014 at the close of markets. With strong natural gas prices and growing cash flow, we expect to continue to reinvest our cash flow and the proceeds from the exercise of the warrants, which will result in very strong year-end production growth and position Birchcliff for strong growth in 2015.

Our business worked very well and was profitable at low commodity prices. In 2013, we did not issue equity and dilute our shareholders when commodity prices were weak, we chose to carry more debt, yet we still had top decile production, cash flow and earnings growth. With strong natural gas prices and material cash flow growth, we intend to grow as quickly as we prudently can. We will take advantage of our approximately 2,335 net future Montney/Doig drilling locations and our 100% owned infrastructure, which gives us the ability to speed up and slow down capital expenditures. In 2014, we expect to fund our $291 million capital program (excluding acquisitions) wholly out of internally generated cash flow.

It’s show time and we are ready to go.

On behalf of our Management Team and Directors, thank you to the Birchcliff staff for their continued loyalty, dedication and continued hard work to help us achieve our corporate goals.

(signed) “*A. Jeffery Tonken*”

A. Jeffery Tonken, President and Chief Executive Officer

ADVISORIES

***Unaudited Numbers**: All financial amounts referred to in this Press Release for the three month period ended March 31, 2014 are management's best estimates and are unaudited.*

***Non-GAAP Measures:** This Press Release uses "funds flow", "funds flow from operations", "funds flow netback", "funds flow per common share", "netback", "operating netback", "estimated operating netback" and "operating margin", which do not have standardized meanings prescribed by generally accepted accounting principles ("**GAAP**") and therefore may not be comparable measures to other companies where similar terminology is used. Netback or operating netback denotes petroleum and natural gas revenue less royalties, less operating expenses and less transportation and marketing expenses. Operating costs at the PCS Gas Plant are calculated on a production month basis. Estimated operating netback of the PCS Gas Plant (and the components thereof) is based upon certain cost allocations and accruals directly related to the PCS Gas Plant and the related wells and infrastructure, calculated on a production month basis. Funds flow, funds flow netback or funds flow from operations denotes cash flow from operating activities as it appears on the Corporation's Condensed Statements of Cash Flows before decommissioning expenditures and changes in non-cash working capital. Funds flow, funds flow netback or funds flow from operations is derived from net income plus income tax expense, depletion and depreciation expense, accretion expense, stock-based compensation expense, amortization of deferred financing fees and gains on divestitures. Funds flow per common share denotes funds flow divided by the weighted average number of common shares. Operating margin is calculated by dividing the estimated operating netback for the period by the petroleum and natural gas revenue for the period.*

***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.*

***Mcfe, MMcfe, Bcfe and Tcfe Conversions:** Thousands of cubic feet of gas equivalent ("**Mcfe**"), millions of cubic feet of gas equivalent ("**MMcfe**"), billions of cubic feet of gas equivalent ("**Bcfe**") and trillions of cubic feet of gas equivalent ("**Tcfe**") 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. Mcfe, MMcfe, Bcfe and Tcfe 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.*

***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. Words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate", "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 estimated annual and average production for 2014; planned exit production increases; planned 2014 capital spending and sources of funding; anticipated reduction of operating costs on a per boe basis; the intention to drill and complete future wells; an expansion of the PCS Gas Plant; and expected future reserves and resource additions.*

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 numbers of future wells to be drilled, a key assumption is that geological and other technical interpretations performed by the Corporation's technical *staff, which indicate that commercially economic volumes can be recovered from the Corporation's lands as a result of drilling future wells, are valid. Estimates as to 2014 exit production rates assume that no unexpected outages occur in the infrastructure that the Corporation relies on to produce its wells, that existing wells continue to meet production expectations and any future wells, scheduled to come on production in 2014, meet timing and production expectations.*

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 and resource estimates, operational risks, environmental risks, loss of market demand, general economic conditions affecting 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 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; Cumulative Redeemable Preferred Shares, Series A; Cumulative Redeemable Preferred Shares, Series C and Warrants are listed for trading on the Toronto Stock Exchange under the symbols "**BIR**", "**BIR.PR.A**", "**BIR.PR.C**" and "**BIR.WT**", respectively.

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