## 2014 highlights

**15%**
Growth in production

**14%**
Growth in funds flow

**7%**
Growth in 2P reserves

**$8.62**/BOE
FD&A cost

ERF LISTED NYSE

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# Message from the President & CEO

### 2014 in review

This past year was an extremely volatile time in our industry, with the second half of the year seeing a steep decline in oil and natural gas prices. While we experienced a decrease in our share price, our operating and financial results largely met or exceeded expectations.

> **"We delivered another year of strong operating performance while maintaining our financial discipline."**

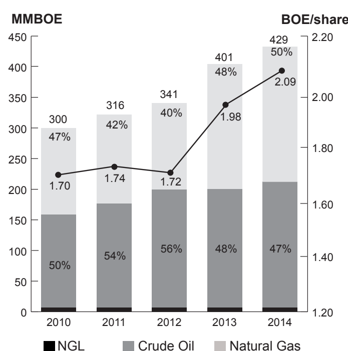
We delivered record production, had meaningful organic reserves growth, and continued to drive down costs and improve capital efficiencies across our portfolio. This led to robust funds flow growth, placing us in a position of strength for 2015.

We reached our production target – averaging 103,130 BOE per day – representing growth of 15% year over year (13% on per-share basis). We accomplished this despite the sale of 3,500 BOE per day of non-core production and the curtailment of natural gas production in the Marcellus as we await the return of higher prices in that region. The term "curtailment" refers to the practice of voluntarily reducing production rates on wells with the expectation it will be more profitable to produce the gas at higher prices in the future.

We replaced 175% of our 2014 production, net of acquisitions and divestments, and grew proved plus probable reserves by 75 MMBOE to 429 MMBOE. We added these reserves with an exceptional finding, development and acquisition cost of $8.62 per BOE including the future development capital required to bring these reserves on-stream. We also increased our economic best estimate contingent resources by 86 MMBOE to a total of 449 MMBOE, further expanding our inventory of opportunities.

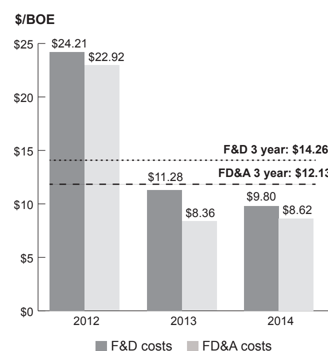
We maintained our balance sheet strength and improved our financial position, with a debt to trailing 12 month funds flow ratio of 1.3 times and less than 10% of our $1 billion credit facility drawn at year end. We grew funds flow to $859 million, an increase of 14% from last year. As a result of our continued focus on decreasing costs and outstanding well performance in our Bakken and Marcellus assets, our capital efficiencies continued to improve – falling to $22,500 BOE per day in 2014 excluding the impact of production curtailments.

2P Reserves [1]



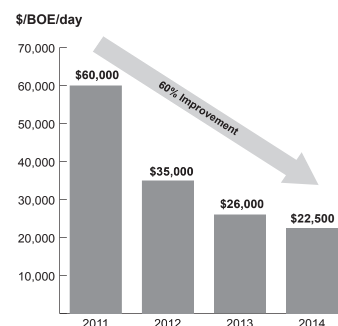

(1) Gross reserves at December 31.

2P F&D and FD&A [1][2]




(1) Based on gross 2P reserves as at December 31.
(2) Including future development capital.

Q4 Capital Efficiencies [1]



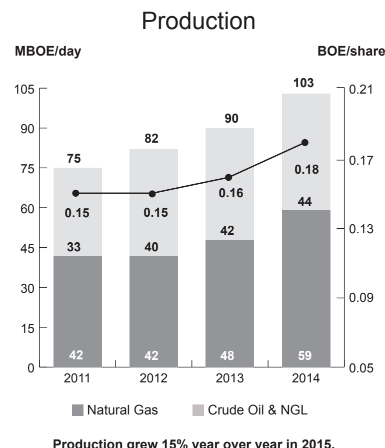

(1) Capital efficiency is calculated as the change in production from the fourth quarter of the previous year to the fourth quarter of the current year, including base decline, divided by total capital expenditures from the fourth quarter of the previous year up to and including the third quarter of the current year. 2014 excludes the impact of the Marcellus production curtailment.

## 2015 – Preserving balance sheet strength

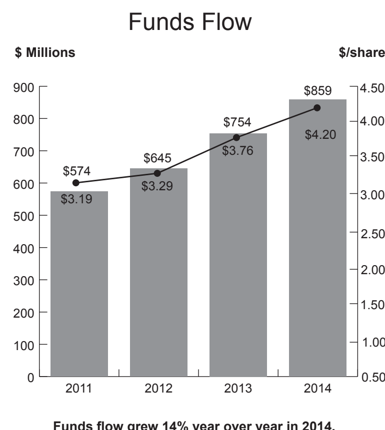
Given the collapse in crude oil and natural gas prices, Enerplus has taken a number of actions to navigate 2015. We believe it is prudent to defer certain activities, selectively curtail production and reduce our dividend to a more appropriate level of $0.05/share per month until we have more visibility to an improvement in costs and/or commodity prices. While these measures have modest implications on near-term funds flow, our primary focus is on balance sheet preservation and maximizing returns for our shareholders. This strategy positions us to re-establish profitable growth in the future and also consider acquisitions to complement our organic development inventory. Further savings will be generated through ongoing discussions with our suppliers to reduce costs across our business as well as through internal cost reduction initiatives.

In addition, our on-going non-core divestment program will continue to improve our portfolio while supporting our balance sheet. To this end, in February we signed agreements to sell non-core properties for gross proceeds of $182 million, which are expected to improve our sustainability in 2015.

We have a robust hedge position in place, with more than 40% of our anticipated 2015 oil and gas production protected at prices well above current market levels. Based on our hedging program, anticipated cash flow and the proceeds from recent non-core asset sales, our dividend and capital program are effectively funded this year under forward prices, with a projected adjusted payout ratio of less than 100%. We do not expect a material increase in debt year over year, although debt-to-funds flow is expected to increase to about 2.2 times by year-end as a result of declining funds flow. Our 2015 guidance is based on a WTI price of US$55/bbl, a NYMEX gas price of US$2.75/Mcf, an AECO gas price of $2.50/GJ, and a USD/CDN exchange rate of 1.25.




Production grew 15% year over year in 2015.




Funds flow grew 14% year over year in 2014.

## Disciplined, return-based spending continues

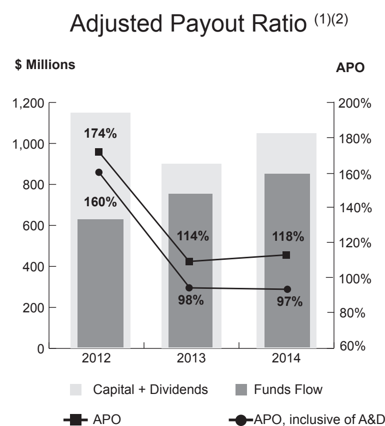
Our $480-million capital investment plan for 2015 marks a 40% reduction compared to 2014 levels, and will be focused on projects with the highest rates of return. We expect to deliver average annual production of 93,000-100,000 BOE per day. This includes anticipated Marcellus production curtailments of between 6,000-7,000 BOE per day. Restricting production when prices are lower enables us to retain the value of our assets; we have the flexibility to increase production quickly as gas prices strengthen.

## In closing

In 2015, we will continue to manage our business with a focus on creating value for our shareholders in both the near and long term. Through our actions, we believe we are well positioned to re-establish our growth as market conditions improve.

As always, we will conduct our operations with an unwavering commitment to working safely and responsibly.

Ian C. Dundas
President & CEO
March 2015




We are positioned to weather the downturn in commodity prices and re-establish growth when market conditions improve.

1) Adjusted Payout Ratio is calculated as cash dividends plus capital and office expenditures divided by funds flow.

2) 2012 – 2014 dividends are net of proceeds of the Stock Dividend Program (SDP) which was suspended in September 2014.

This document includes forward-looking statements and information and makes references to certain financial measures which do not have a standardized meaning or definition as prescribed by U.S. GAAP. Readers should review the forward-looking information and "Non-GAAP Measures" advisories contained in the MD&A dated February 19, 2015. Furthermore, readers are urged to review the "Presentation of Oil and Gas Reserves, Resources and Production Information" contained within Enerplus' 2014 Annual Information Form. These documents can be found on our website at www.enerplus.com or under our SEDAR profile at www.sedar.com.

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