

For immediate release  
December 16, 2014

### **Approach Resources Inc. Announces 2015 Capital Expenditure Budget and Production Forecast**

**Fort Worth, Texas, December 16, 2014** – Approach Resources Inc. (NASDAQ: AREX) (“Approach” or the “Company”) today announced its capital budget plans for 2015. Announced highlights include:

- Estimated capital spending of \$180 million in 2015
- Projected year-over-year production growth of 10% to 14% in 2015
- Estimated operating cash flow to exceed capital expenditures by 4Q 2015
- New Baker well continues to expand development of eastern Pangea
- Projected 2015 oil volumes 64% hedged at a weighted average floor price of \$82.38

#### **Management Comment**

Approach’s Chairman and CEO Ross Craft commented, “We believe Approach is very well-positioned to endure a period of low crude oil prices, given our peer-leading drilling and completion costs, strong balance sheet, balanced commodity mix and hedges in place. Our solid liquidity position and core acreage, which is substantially held by production, give us the flexibility to adapt our drilling program to current market conditions. Given the current macro environment of the crude oil markets, we are planning a capital budget of approximately \$180 million and forecasting year-over-year production growth of 10% to 14% in 2015. We believe that under this budget, we can generate operating cash flow that exceeds capital expenditures by the fourth quarter of 2015.

Commodity price volatility is not new to our industry. In 2008, crude oil prices fell 76% and natural gas prices dropped 61% from their peak levels that year. Due to the sharp decline in commodity pricing, in 2009 we decided not to renew rig contracts and focused on reducing costs, operating within cash flow and paying down debt, all of which we accomplished. Over the last several months, crude oil has fallen by more than 40% from a high of over \$106, to below \$60 per barrel. As we look to 2015, we will continue to closely monitor the crude oil markets and adapt our 2015 strategy accordingly.”

#### **2015 Capital Budget and Production Forecast**

The Company’s capital budget for 2015 is \$180 million and includes approximately \$166 million for drilling and completion activity and \$14 million for infrastructure and other expenses. We plan to operate an average of approximately one rig in 2015, compared to three rigs in 2014, with the flexibility to increase or decrease the number of rigs running depending on market conditions. The Company’s capital budget excludes acquisitions and lease extensions and renewals.

We expect 2015 production to be between 5,450 to 5,650 MBoe. This represents a 10% to 14% increase over our 2014 production guidance of 4,950 MBoe, which we are on track to meet. Based on our current drilling plans, we expect oil and liquids volumes to be approximately 41% and 70%, respectively, of total 2015 production. Additionally, we expect oil and liquids volumes from our horizontal Wolfcamp

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#### **INVESTOR CONTACT**

Sergei Krylov  
Executive Vice President & Chief Financial Officer  
ir@approachresources.com  
817.989.9000

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#### **APPROACH RESOURCES INC.**

One Ridgmar Centre  
6500 West Freeway, Suite 800  
Fort Worth, Texas 76116  
www.approachresources.com

wells to be approximately 48% and 73%, respectively. Our current drilling plan assumes we will drill 20, and complete 34, horizontal Wolfcamp wells in 2015.

### **Operational Update**

Since our last operations update, we have completed a Wolfcamp C-bench well in our East Baker area with a 24-hour IP rate of 827 Boe/d and a 70% oil cut. The 30-day peak rate for this well was 620 Boe/d with a 64% oil cut. Together with the Elliott C-bench well that we announced last month, the East Baker C-bench well continues to expand our development of the horizontal Wolfcamp on our eastern acreage.

### **Commodity Derivatives Update**

We enter into commodity derivatives positions to reduce the risk of commodity price fluctuations. For 2015, approximately 64% of forecasted oil production and 43% of forecasted natural gas production are hedged at weighted average floor prices of \$82.38/Bbl and \$4.05/MMBtu, respectively.

### **Liquidity Update**

At November 30, 2014, we had approximately \$315 million in liquidity, and lender commitments under our revolving credit facility totaled \$450 million. Our borrowing base of \$600 million exceeds current lender commitments, which provides additional protection to our liquidity. Liquidity is calculated by adding the net funds available under our revolving credit facility and cash and cash equivalents. Liquidity is a non-GAAP measure. We have provided reconciliations of non-GAAP financial measures to the most directly comparable GAAP financial measures on the Non-GAAP Financials page in the Investor Relations section of our website at [www.approachresources.com](http://www.approachresources.com).

### **About Approach Resources**

Approach Resources Inc. is an independent energy company focused on the exploration, development, production and acquisition of unconventional oil and gas reserves in the Midland Basin of the greater Permian Basin in West Texas. For more information about the Company, please visit [www.approachresources.com](http://www.approachresources.com). Please note that the Company routinely posts important information about the Company under the Investor Relations section of its website.

### **Forward-Looking and Cautionary Statements**

*This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical facts, included in this press release that address activities, events or developments that the Company expects, believes or anticipates will or may occur in the future are forward-looking statements. Without limiting the generality of the foregoing, forward-looking statements contained in this press release specifically include expectations of anticipated operating and financial results of the Company, including capital expenditures, operating cash flow and production guidance discussed herein. These statements are based on certain assumptions made by the Company based on management's experience, perception of historical trends and technical analyses, current conditions, anticipated future developments and other factors believed to be appropriate and reasonable by management. When used in this press release, the words "will," "potential," "believe," "estimate," "forecast," "intend," "expect," "may," "should," "anticipate," "could," "plan," "predict," "project," "profile," "model" or their*

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*negatives, other similar expressions or the statements that include those words, are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond the control of the Company, which may cause actual results to differ materially from those implied or expressed by the forward-looking statements. Further information on such assumptions, risks and uncertainties is available in the Company's Securities and Exchange Commission ("SEC") filings. The Company's SEC filings are available on the Company's website at [www.approachresources.com](http://www.approachresources.com). Any forward-looking statement speaks only as of the date on which such statement is made and the Company undertakes no obligation to correct or update any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by applicable law.*