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Surge Energy Inc. Announces Operations Update at Valhalla South, the Closing of the Previously Announced Light Oil Asset Acquisition in North Dakota and Increase in Bank Line

CALGARY, ALBERTA (May 16, 2011) Surge Energy Inc. (“**Surge**” or the “**Company**”) (TSXV: SGY) is pleased to provide the results of its third horizontal multi-frac well at Valhalla South and to announce the closing of its previously announced light oil asset acquisition in North Dakota. Surge is also pleased to announce that it has syndicated its bank facility and increased its bank line from \$90 million to \$120 million.

Operations Update at Valhalla South:

Surge’s third horizontal well (14-19-74-8W6M, 53.5 percent working interest “WI”) in the Valhalla South Doig light oil pool (40 degree API) has been successfully drilled and completed. The well encountered approximately 1,000 meters of Doig Formation and was completed with ten frac stages averaging approximately 30 Tonnes of proppant per frac. A five day flow test on the well has been recently completed, resulting in flow rates averaging 1,450 boe/d (77 percent light oil and NGLs) with the last day of the test flowing at a rate of 1,225 boe/d (77 percent light oil and NGLs). The well produced through the 114mm (4.5”) tie back liner which is currently being replaced with a more optimum production string of 89 mm (3 1/2”) tubing.

This very encouraging result compares very favourably to the previously disclosed flow test on Surge’s second horizontal well at 2-7-74-8W6M (100 percent WI) which averaged 945 boe/d (85 percent light oil and NGLs) over a similar five day flow period, with the fifth day flowing at 835 boe/d (79 percent light oil and NGLs). The 2-7 well has since been flowing for more than a month with a first month average rate of 635 boe/d (80 percent light oil and NGLs). The last day of the first month, the well flowed at 615 boe/d (80 percent light oil and NGLs).

Surge has identified at least 22 gross (15.8 net) more horizontal multi-frac locations to drill into the pool and has budgeted to drill, complete and tie-in at least three more wells this year. Drilling of the next well is scheduled to spud later this month.

In addition, Surge has now completed operations on the re-fracing of four of the 22 original vertical wells in the Doig pool. The first four were selected in order to sample and evaluate a

representative cross section of the re-frac opportunities that the team initially envisioned. Two of the wells have now produced for over one month free of frac fluid and have far exceeded the team's initial expectations. In the first month, the two wells averaged a combined rate of 350 boe/d (50 percent light oil and NGLs) versus a combined pre re-frac rate of 50 boe/d. The other two wells are recovering re-frac load fluid and the team ultimately expects to see production improvements from these wells. A total of \$1.4 million was spent on the program which has resulted in first month average incremental production additions of 300 boe/d (\$4,700/boe/d production efficiency). With the results of the first four wells known, the team now views half of the remaining 18 vertical Doig wells as attractive re-frac candidates. The costs of these re-fracs are forecasted to be approximately \$300,000 per well. These opportunities will be blended in with the future drilling and multi-frac operations in the Doig light oil pool. Surge is also evaluating plans for a secondary recovery pilot program in the area.

In addition to its operations at Valhalla South, Surge has budgeted four more Bluesky light oil wells at Windfall and ten more light oil Spearfish wells planned at Waskada to achieve its 2011 exit production estimate of 7,500 boe/d (greater than 70 percent light/medium oil & NGLs).

Closing of the Second Light Oil Asset Acquisition in North Dakota:

Surge is pleased to announce that it has closed its second light oil asset acquisition in North Dakota. As previously disclosed, the first light oil asset acquisition in North Dakota closed on March 31, 2011. The assets from both acquisitions were acquired by Surge Energy USA Inc., a wholly owned subsidiary of Surge Energy Inc.

Through the two acquisitions, Surge acquired 100 bbl/d (2010 exit rate) of high quality, high netback, light oil production, 6,000 net acres of highly prospective land in the Spearfish light oil resource play and greater than 100,000 acres of high working interest, undeveloped land for total consideration of \$21.5 million in cash. The acquisitions added an internally estimated 205 gross (120 net) horizontal Spearfish drilling locations and approximately 126 mmbbls gross DPIIP¹. Surge now has approximately 329 gross (231 net) horizontal Spearfish drilling locations in southwest Manitoba and North Dakota and greater than 460 gross (350 net) oil drilling locations in the Company.

Outlook:

Based upon continued light oil drilling success at Valhalla South, Windfall and Waskada, Surge is well positioned to meet or exceed its recently increased 2011 average production guidance of

¹ Discovered Petroleum Initially In Place (DPIIP) is defined as quantity of hydrocarbons that are estimated to be in place within a known accumulation, plus those estimated quantities in accumulations yet to be discovered. There is no certainty that it will be economically viable or technically feasible to produce any portion of this DPIIP except for those identified as proved or probable reserves. There is no certainty that it will be commercially viable to produce any portion of the resources.

6,000 boe/d (greater than 65 percent light/medium oil and NGLs) and its upwardly revised 2011 exit production guidance of 7,500 boe/d (greater than 70 percent light/medium oil and NGLs).

Surge is a light oil focused energy production company with operations throughout Alberta, southwest Manitoba and North Dakota. Surge's common shares trade on the TSX Venture Exchange under the symbol "SGY" and has 56.1 million basic and 61.3 million fully diluted common shares outstanding at the date of this press release.

Forward Looking Statements:

This press release contains forward-looking statements. More particularly, this press release contains statements concerning anticipated: (i) capital expenditures for the remainder 2011, (ii) exploration, development, and acquisition activities, (iii) average and exit oil & natural gas production during 2011, (iv) debt and bank facilities and (v) operating and transportation costs.

The forward-looking statements are based on certain key expectations and assumptions made by Surge, including expectations and assumptions concerning the performance of existing wells and success obtained in drilling new wells, anticipated expenses, cash flow and capital expenditures and the application of regulatory and royalty regimes.

Although Surge believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because Surge can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), commodity price and exchange rate fluctuations and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. Certain of these risks are set out in more detail in Surge's Annual Information Form which has been filed on SEDAR and can be accessed at www.sedar.com.

The forward-looking statements contained in this press release are made as of the date hereof and Surge undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

Note: Boe means barrel of oil equivalent on the basis of 1 boe to 6,000 cubic feet of natural gas. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 1 boe for

6,000 cubic feet of natural gas is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Boe/d means barrel of oil equivalent per day.

In this press release: (i) mcf means thousand cubic feet; (ii) mcf/d means thousand cubic feet per day (iii) mmcf means million cubic feet; (iv) mmcf/d means million cubic feet per day; (v) bbls means barrels; (vi) mbbls means thousand barrels; (vii) mmbbls means million barrels; (viii) bbls/d means barrels per day; (ix) bcf means billion cubic feet; (x) mboe means thousand barrels of oil equivalent; and (xi) mmboe means million barrels of oil equivalent.

Further Information

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