SURGE ENERGY INC

SURGE ENERGY INC. ANNOUNCES INTENDED 15 PERCENT INCREASE TO ITS DIVIDEND – ON GROWING PRODUCTION VOLUMES AND FREE FUNDS FLOW

CALGARY, ALBERTA (February 8, 2017) Surge Energy Inc. ("Surge" or the "Company") (TSX: SGY) announces the Company's intention to increase its dividend from $0.075 per year ($0.00625 per month) to $0.085 per year ($0.00708 per month) effective March 15th, 2017.

Surge continues to experience increasing production volumes, as a result of continued excellent drilling and waterflood results at its three core properties at Shaunavon, Sparky, and Valhalla. On December 13, 2016 Surge upwardly revised the Company's 2017 average daily production estimate to 14,000 boepd from 13,500 boepd, and the Company's 2017 exit production to 14,450 boepd from 14,000 boepd.

Management confirms that Surge's December, 2016 production averaged more than 13,800 boepd – well above the Company's 2016 exit rate production guidance of 13,500 boepd. Surge anticipates 13.5 net wells will be brought on production before spring break-up at the Company's three core assets.

On this basis, Surge now anticipates delivering more than 18 percent production per share growth over the period from Q2/2016 to the end of 2017 (i.e. greater than 10 percent annualized).

These consistent operational results and top tier production efficiencies, combined with successful, ongoing cost-cutting initiatives for operating expenses, G&A, and interest expense, provide the Company with meaningful excess "free" funds flow (i.e. over and above the Company's 2017 $85 million capital expenditure program, and the present dividend of $17 million) – at the Company's budget 2017 crude oil pricing assumption[1]. Surge's current dividend represents a conservative simple payout ratio of less than 13.6 percent of forecast 2017 funds flow.

Accordingly, with the ongoing protection from Surge's strategic commodity hedging program, and a forward debt to funds flow ratio of less than 1.2 times exiting 2017 (at the Company's budget 2017 crude oil pricing assumption[1]), the Company intends to increase the Company's dividend by 15 percent, from $17 million annually to approximately $19.2 million annually, effective March 15th, 2017. This equates to a simple payout ratio of approximately 15 percent of forecast 2017 funds flow, which compares favorably with Surge's peer group average of approximately 25 percent.

[1] Based on US $55 WTI/bbl; CAD $72.37 WTI/bbl; EDM CAD $68.12/bbl; WCS CAD $52.70/bbl; AECO $2.95/mcf.

Surge’s go-forward dividend policy will continue to target a simple payout ratio of 20 to 30 percent, and an all-in sustainability ratio in the range of 70 to 85 percent. Additional free funds flow beyond Surge’s targeted five to six percent annual production growth targets is expected to be allocated to an expanded capital program, debt repayment, dividend increases, or share buybacks.

It is gratifying for Surge’s management and Board to be able to augment shareholder returns during periods of volatile equity capital markets, and political uncertainty, through orderly increases to the Company’s dividend, based on Surge’s excellent balance sheet, low decline, low cost structure, and excellent production efficiencies.

FORWARD LOOKING STATEMENTS:

This press release contains forward-looking statements. The use of any of the words “anticipate”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “should”, “believe” and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements.

More particularly, this press release contains statements concerning: production volumes; drilling activities; Surge’s capital expenditure program, including drilling and development plans and enhance recovery projects and the timing and results to be expected thereof; expectations with respect to the Company’s ability to operate and succeed in the current commodity price environment; the Company’s declared focus and primary goals; management’s forecast of debt to funds flow ratio; guidance with respect to 2017 average production and production per share;fundsflow; Surge’s dividend; payout ratio; sustainability; Surge’s hedging program and the benefits thereof; management’s estimates and expectations regarding production efficiencies, drilling upside, operating costs, growth opportunities and reserves; the impact of cost savings initiatives; production and cash flow per share growth; and anticipated commodity prices.

The guidance for 2017 set forth in this press release may be considered to be future-oriented financial information or a financial outlook for the purposes of applicable Canadian securities laws. Financial outlook and future-oriented financial information contained in this press release are based on assumptions about future events based on management's assessment of the relevant information currently available. In particular, this press release contains projected operational information for 2017, including exit production, total capital, royalties, operating expenses, transportation expenses, as well as the applicable discount price to be received on future production. The future-oriented financial information and financial outlooks contained in this press release have been approved by management as of the date of this press release. Readers are cautioned that any such financial outlook and future-oriented financial information contained herein should not be used for purposes other than those for which it is disclosed herein.

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, the application of regulatory and royalty regimes, prevailing commodity prices and economic conditions, development and completion activities, the performance of new wells, the successful implementation of waterflood programs, the availability of and performance of facilities and pipelines, the geological characteristics of Surge’s properties, the successful application of drilling, completion and seismic technology, the determination of decommissioning liabilities, prevailing weather conditions, exchange rates, licensing requirements, the impact of completed facilities on operating costs and the availability, costs of capital, labour and services and the creditworthiness of industry partners.

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 constraint in the availability of services, adverse weather or break-up conditions, uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures or failure to obtain the continued support of the lenders under Surge's bank line. Certain of these risks are set out in more detail in Surge's Annual Information Form dated March 16, 2016 and in Surge's MD&A for the period ended September 30, 2016, both of which have 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.

Reserves Data

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 and boepd means barrel of oil equivalent per day. Original Oil in Place (OOIP) is the equivalent to Discovered Petroleum Initially In Place (DPIIP) for the purposes of this press release. DPIIP is defined as quantity of hydrocarbons that are estimated to be in place within a known accumulation. There is no certainty that it will be commercially viable to produce any portion of the resources. A recovery project cannot be defined for this volume of DPIIP at this time, and as such it cannot be further sub-categorized.

Non-IFRS Measures

This press release contains the terms "sustainability", which do not have a standardized meaning prescribed by International Financial Reporting Standards ("IFRS") and therefore may not be comparable with the calculation of similar measures by other companies. Management uses funds generated by operations to analyze operating performance and leverage. Sustainability is a comparison of a company's cash outflows (capital investment and dividends) to its cash inflows (funds flow) and is used by the Surge to assess the appropriateness of its dividend levels and the long-term ability to fund its development plans. Sustainability ratio is calculated using the development capital plus dividends paid divided by funds flow. Additional information relating to this non-IFRS measure can be found in the Company's most recent management's discussion and analysis MD&A, which may be accessed through the SEDAR website (www.sedar.com).

FURTHER INFORMATION:

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