SURGE ENERGY INC. ANNOUNCES 2016 YEAR END RESERVES; NEW NET ASSET VALUE OF $5.47 PER SHARE; AND $3.74 PER BOE FD&A

CALGARY, Feb. 23, 2017/CNW/ - Surge Energy Inc. ("Surge" or the "Company") announced the results of its independent reserves evaluation (the "Sproule Report") effective December 31, 2016, as prepared by Sproule Associates Limited ("Sproule").

Surge is pleased to announce an increase in the Company's year-end 2016 net asset value ("NAV") of more than 12 percent per share over 2015, to $5.47 per share.

The Company also reported that its 2016 capital program resulted in a finding, development and acquisition ("FD&A") cost of $3.74 per barrel of oil equivalent ("boe"), on a total proved plus probable basis, including changes in undiscounted future development costs ("FDC").

2016 RESERVES HIGHLIGHTS:

Surge's focused operating strategy of utilizing growth capital to acquire, exploit and waterflood high quality, large OOIP, conventional, sandstone reservoirs, continues to provide excellent results, as demonstrated by the following highlights:

- Increased the Company's 2016 NAV by 12 percent to $5.47 per common share.
- Delivered a FD&A cost of $3.74 per boe, on a total proved plus probable basis, including changes in undiscounted FDC.
- Reported a 2016 recycle ratio of 4.61 times FD&A, on a total proved plus probable basis, with oil prices averaging US$43.15 WTI per barrel – the lowest annual price since 2004.
- Lowered the Company's 2016 total proved plus probable finding and development ("F&D") costs by 35 percent to $3.98 per boe, as compared to $6.08 per boe in 2015.
- Delivered a F&D recycle ratio of 4.34 times on proved plus probable reserves, including changes in undiscounted future development costs.
- Proved developed producing reserves are 81 percent light and medium gravity crude oil plus NGL's.
- Achieved significant, repeatable reductions in future development capital in the Sproule Report, reflecting the successful execution of mono-bore drilling technology in two of Surge's three core areas.
- Proved developed producing reserves value increased more than 21 percent over 2015, from $442 million to more than $537 million on a NPV10 basis (excluding acquisitions and divestitures).
- Replaced more than 130 percent of 2016 production with the addition of 6.1 MMboe of proved developed producing reserves (excluding acquisitions and divestitures).
- Reported a 2016 recycle ratio of 1.42 times F&D, on a proved developed producing basis.
- Proved and probable developed producing reserves represent over 55 percent of Surge's total reserve value on an NPV10 basis.
- Only 266 of Surge's 700 well inventory has been booked in the 2016 Sproule Report; this conservative booking reflects FDC of 3.51 years of estimated 2017 funds flow.
- Capital in the Sproule Report reflects conservative drilling and completion cost estimates that are approximately 15 percent above the Company's 2016 actual costs.

- Based on successful results from the Company’s ongoing waterflood pilots, waterflood reserve bookings were initiated for the Upper Shaunavon and Sparky plays – which bookings Surge believes to be conservative.

2016 INDEPENDENT RESERVES EVALUATION:

The evaluation of our reserves was done in accordance with the definitions, standards and procedures contained in the Canadian Oil and Gas Evaluation Handbook ("COGE Handbook") and National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities ("NI 51-101"). Additional reserves information as required under NI 51-101 will be included in Surge’s Annual Information Form which will be filed on SEDAR on or before March 31, 2017.

Independent reserve evaluators, Sproule, evaluated 100 percent of Surge’s total net present value reserves (calculated using a discount rate of 10 percent).

RESERVES SUMMARY:

The following tables summarize Surge’s working interest oil, natural gas liquids and natural gas reserves and the net present values ("NPV") of future net revenue for these reserves (before taxes) using forecast prices and costs as set forth in the Sproule Report.

				NPV of Future Net Revenue Discounted at		
Gross Reserves[1]:	**Crude Oil and NGLs[2]**	**Natural Gas[3]**	**Oil Equivalent Total Reserves**	**5%**	**10%**	**15%**
	(Mbbls)	(MMcf)	(Mboe)	($000's)	($000's)	($000's)
Proved:						
Proved Producing	23,812	33,028	29,318	673,003	553,046	472,127
Proved Non-Producing	1,136	1,543	1,393	23,157	19,349	16,332
Proved Undeveloped	16,621	31,015	21,790	352,199	254,775	188,937
Total Proved	41,569	65,587	52,501	1,048,359	827,170	667,396
Probable	26,277	33,968	31,938	693,733	474,217	350,023
Total Proved plus Probable	67,846	99,555	84,439	1,742,092	1,301,388	1,027,419

(1) Amounts may not add due to rounding.
(2) Includes light, medium, heavy and tight oil and natural gas liquids.
(3) Includes conventional natural gas, solution gas and coal bed methane.

NET ASSET VALUE:

The Company's new NAV, as of December 31, 2016, is estimated to be $5.47 per share – utilizing Sproule's most recent price forecast.

Surge's December 31, 2016 detailed NAV calculation is set forth below:

NAV ($M except share amounts)		
Proved Plus Probable Reserve Value NPV10 BT (incl. FDC)	$	1,301,000
Undeveloped Land and Seismic	$	96,000
Estimated Net Debt (unaudited)	$	(162,000)
Total Net Assets	$	1,235,000
Basic Shares Outstanding (000's)		225,755
Fully Diluted Shares Outstanding (000's)		235,634
Estimated NAV per Basic Share	$	5.47
Estimated NAV per Fully Diluted Share	$	5.24

RESERVE LIFE INDEX ("RLI"):

Surge aims to create shareholder value through the efficient development of high quality oil and natural gas assets. The profitable growth of the Company's reserves, combined with the sustainable production of these reserves will generate long term returns for our shareholders.

In 2016, the Company's total proved plus probable RLI increased by 6.5 percent to 17.9 years demonstrating the sustainability that exists between the Company's capital program, its reserve additions, and its production levels.

The following table highlights Surge historical RLI:

Reserve Life Index (Years)(1)	**2016**	2015	2014
Total Proved	11.1	10.3	9.4
Total Proved plus Probable	17.9	16.8	15.3

(1) Calculated based on the amount for the relevant reserves category divided by the production forecast for the applicable year prepared by Sproule.

FUTURE DEVELOPMENT COSTS ("FDC"):

Future development cost estimates reflect Sproule's best estimate of the costs required to bring the total proved and proved plus probable reserves on production. The Company has 42.8 MMboe of total proved and probable undeveloped reserves assigned to $435.8 million of FDC. At a cost of $10.18 per boe, these future reserves generate $578 million of net present value discounted at 10 percent.

The total FDC represents 266 booked locations of Surge's 700 location inventory.

The Company estimates 2016 corporate capital expenditures at $74 million (unaudited), and an additional net negative of $11 million pursuant to acquisitions and divestitures. The Sproule Report also includes a change in undiscounted FDC of a negative $50 million, of which approximately 50 percent relates to the successful proven adoption of mono-bore technology in two of Surge's three core areas.

During the year, the Company completed the sale of non-core Northern Alberta producing assets for gross proceeds of $28 million. Late in 2016, the Company completed a $15 million strategic, core-area acquisition of prospective light oil Montney acreage directly offsetting Surge's operated Valhalla light oil asset. Excitingly, the Company sees up to 12 net Montney light oil drilling locations on this acreage. This core-area acquisition also provided Surge with a strategic working interest ownership in a large sour gas processing plant in the Valhalla area. Consequently, Surge's Valhalla production base has continued to realize operational efficiencies and stabilized run times.

The following table sets forth the schedule of FDC required to develop Surge's future undeveloped reserves (using forecast prices and costs).

Future Development Costs	**Total Proved**	**Total Proved plus Probable**
	($ thousands)	($ thousands)
2017	44,857	63,661
2018	93,303	124,037
2019	91,803	130,312
2020	59,554	87,259
2021	18,291	30,297
Remaining	0	264
Total (Undiscounted)	307,809	435,830
Total (Discounted at 10%)	251,124	354,504

RESERVES PERFORMANCE RATIOS:

Surge believes that the recycle ratio is an important measure of profitability. It is measured by dividing the unhedged operating netback by the F&D costs per boe for the year.

Throughout the year, the Company realized significant improvements in capital efficiencies, improving Surge's proved plus probable F&D costs by 35 percent to $3.98 per boe, compared to $6.08 per boe in 2015.

With a 2016 unhedged operating netback of $17.25 per boe, Surge delivered a F&D recycle ratio of 4.34 times on proved plus probable reserves, including changes in undiscounted future development costs.

RISK MANAGEMENT UPDATE

In early 2017, the Company put in place 2,000 bbl/d of physical Western Canadian Select (“WCS”) differential collars at US$12.75 by US$18.00 for April through to December, 2017.

Surge's ongoing strategic hedging program protects the execution of the Company's 2017 drilling program through spring break-up, at a crude oil price level as low as US $39 WTI, while maintaining a first half of 2017 debt-to-cash flow ratio of under 2.0 times (i.e. at that low crude oil pricing assumption).

OUTLOOK – STRONG PROFITABILITY AT STRIP CRUDE OIL PRICES

Management’s stated goal at Surge is to be the best positioned public crude oil growth and dividend paying company in Canada.

As set forth above, in 2016 Surge delivered one of the lowest ‘all-in” FD&A finding costs (including change to FDC) of any light and medium gravity crude oil company in Canada.

The Company’s 2016 recycle ratio of 4.61 times is the best in Surge’s history – providing excellent empirical support for the Company’s strong profitability in the current environment for crude oil prices. This very attractive recycle ratio was accomplished with 2016 oil prices averaging US$43.15 WTI per barrel – the lowest annual price since 2004.

Surge management believe that the Company’s focused operating strategy, top production efficiencies, rigorous cost controls and excellent balance sheet, will allow the Company to continue to outperform its peer group in the future.

DISCLAIMERS

Unaudited Financial Information

Certain financial and operating information included in this press release for the quarter and year ended December 31, 2016, such as finding and development costs, production information, operating netbacks, recycle ratios and net asset value calculations are based on unaudited financial results for the year ended December 31, 2016 and are subject to the certain limitations as discussed under forward-looking statements outlined at the end of this news release. These estimated amounts may change upon completion of the audited financial statements for the year ended December 31, 2016 and those changes may be material.

Per share information is based on the total common shares outstanding, as at December 31, 2016.

For certain calculations, Management used an estimate of $74.0 million for total capital expenditures for 2016 including acquisitions and dispositions.

Information Regarding Disclosure on Oil and Gas Reserves

The reserve data provided in this news release presents only a portion of the disclosure required under NI 51-101. The oil and gas disclosure statements for the year ended December 31, 2016, which will include complete disclosure of Surge's oil and gas reserves and other oil and gas information in accordance with NI 51-101, will be contained within Surge's Annual Information Form which will be available on Surge's SEDAR profile on or before March 31, 2017 at www.sedar.com.

There are numerous uncertainties inherent in estimating quantities of crude oil, natural gas and NGL reserves and the future cash flows attributed to such reserves. The reserve and associated cash flow information set forth above are estimates only. In general, estimates of economically recoverable crude oil, natural gas and NGL reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and natural gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary materially. For those reasons, estimates of the economically recoverable crude oil, NGL and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues associated with reserves prepared by different engineers, or by the same engineers at different times, may vary. The Company's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material.

All evaluations and reviews of future net revenue are stated prior to any provisions for interest costs or general and administrative costs and after the deduction of estimated future capital expenditures for wells to which reserves have been assigned. The after-tax net present value of the Company's oil and gas properties reflects the tax burden on the properties on a stand-alone basis and utilizes the Company's tax pools. It does not consider the corporate tax situation, or tax planning. It does not provide an estimate of the after-tax value of the Company, which may be significantly different. The Company's financial statements and the management's discussion and analysis should be consulted for information at the level of the Company.

The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to effects of aggregations. The estimated values of future net revenue disclosed in this press release do not represent fair market value. There is no assurance that the forecast prices and cost assumptions used in the reserve evaluations will be attained and variances could be material.

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.

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: 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; the Company's estimated decline rate; and the timing of the filing of Surge's Annual Information Form and the information to be contained therein.

Statements relating to "reserves" are also deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and that the reserves can be profitably produced in the future.

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, 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 31, 2017 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.

Drilling Inventory

This press release discloses drilling locations that are booked locations as well as unbooked locations. Proved locations and probable locations, which are sometimes collectively referred to as "booked locations", are derived from the Surge’s Reserves Report and account for drilling locations that have associated proved or probable reserves, as applicable. Unbooked locations are internal estimates based on the Company's prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have attributed reserves or resources. Of the 700 gross (670 net) drilling locations identified herin 434 are unbooked locations. Of the 266 gross (249 net) booked locations identified herin 195 gross (182 net) are Proved locations and 71 gross (67 net) are Probable locations. Unbooked locations have specifically been identified by management as an estimation of our multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves data on prospective acreage and geologic formations. The drilling locations on which we actually drill wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results and other factors.

Test Results and Initial Production Rates

Any references in this press release to initial, early and/or test production/performance rates are useful in confirming the presence of hydrocarbons, however, such rates are not determinative of the rates at which such wells will continue production and decline thereafter. While encouraging, readers are cautioned not to place reliance on such rates in calculating aggregate production. The initial production rate may be estimated based on other third party estimates or limited data available at this time. Initial production or test rates are not necessarily indicative of long-term performance of the relevant well or fields or of ultimate recovery of hydrocarbons.

Non-IFRS Measures

This press release contains the terms "operating netback", and "NAV" 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. Management believes "operating netbacks" are a useful supplemental measures of the amount of revenues received after royalties and operating and transportation costs. Additional information relating to these non-IFRS measures 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).

Select Definitions

bbl	barrel
bbls	barrels
Mbbls	thousand barrels
MMBtu	million British thermal units
NGLs	natural gas liquids
mcf	thousand cubic feet
mmcf	million cubic feet
mmcf/d	million cubic feet per day
boe	barrel of oil equivalent on the basis of 1 boe to 6 Mcf of natural gas.
mboe	thousand boe
$M	thousands of dollars

FURTHER INFORMATION:

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