SURGE ENERGY INC. ANNOUNCES $37 MILLION CORE SPARKY AREA ACQUISITION; UPWARD REVISION TO 2017 GUIDANCE; INCREASED DIVIDEND

CALGARY, ALBERTA (April 19, 2017) Surge Energy Inc. ("Surge" or the "Company") (TSX: SGY) announces the acquisition (the "Acquisition") of a low decline, high netback, waterflooded, crude oil producing asset in its core Sparky area of Central Alberta. In addition, Surge has acquired two net undeveloped sections in the Company's core operated Eyehill asset (collectively the "Assets"). Surge has identified up to 29 low risk, development drilling locations on the Assets.

The purchase price for the Assets is $37 million, subject to standard closing adjustments. The closing of the Acquisition occurred on April 12, 2017 (the "Closing"). The Acquisition is accretive to Surge on all key per share metrics. In addition, the two undeveloped sections at Eyehill are strategic to Surge for continued consolidation of this large, high quality, 130 million barrel OOIP, 29° API crude oil asset. The purchase of these two sections will allow the Company to continue its excellent Eyehill Sparky development drilling program, and the Company's successful ongoing waterflood activities.

As a result of Surge's successful drilling and waterflood activities in the Company's three primary operating areas, together with the core Sparky area asset Acquisition referred to herein, Surge will now be delivering production growth of more than 24 percent from Q2/16 to the end of Q4/17.

With current core production of more than 745 boepd (97 percent oil), and an annual decline of less than 12 percent, the Assets provide Surge with substantial free funds flow. Accordingly, pursuant to the Company's conservative dividend policy, Surge's Board of Directors will look to increase the Company's dividend by 11.8 percent from $0.085 per year ($0.00708 per month) to $0.095 per year to ($0.00792 per month).

Surge's increased dividend equates to a simple payout ratio of 16 percent of forecast 2H/17 funds flow, which compares favorably with the Company's peer group average simple payout ratio of approximately 25 percent.

STRATEGIC RATIONALE FOR ACQUISITION

Over the last 30 months of the extended crude oil price downturn, Surge management strategically created financial liquidity of over $750 million to reduce debt and position the Company's balance sheet – without issuing treasury shares in a depressed market.

Management have also materially increased Surge's netbacks over $8 per boe by focusing on rigorous cost cutting initiatives for operating costs, G&A, and interest expenses. Further, the Company has delivered excellent operational results by delineating Surge's high quality, large OOIP, light and medium gravity crude oil reservoirs through top tier development drilling results, combined with successful waterflood activities.

These capital allocation decisions, cost cutting initiatives, and excellent operational results have now strategically positioned Surge to begin deploying growth capital into accretive, core area acquisitions on very attractive terms.

The Acquisition is entirely consistent with Surge's stated goal of acquiring high quality, operated, large OOIP, conventional crude oil assets with low recovery factors. The Assets are located in the Company's half a billion barrel net OOIP, Sparky/Lloyd play in Central Alberta, and are characterized by the following attributes:

- More than 56 million barrels OOIP; 17 percent recovery factor;
- 745 boepd of low decline, oil-weighted production (i.e. less than a 12 percent annual decline);
- Long life reserves – over 4.4 mmboe of internally estimated proved and probable reserves;
- 97 percent oil weighting;
- Production is 100 percent owned and operated;
- Majority of the production is under successful, active waterflood;
- Up to 29 low-risk developmental drilling locations; and
- Highly accretive operating netbacks (i.e. > $30 per boe netbacks at US$55 WTI).

Surge's ongoing Eyehill Sparky drilling and waterflood program at its operated, 130 million barrel OOIP, 29° API gravity oil asset, has significantly exceeded expectations. The Company recently drilled six consecutive successful development wells in Q1 of 2017. Current production rates at the Eyehill battery recently exceeded 2,000 bopd net to Surge, up from approximately 385 bopd in Q2 of 2016.

Operating costs at Eyehill are now budgeted at less than $5.00 per boe for 2017, down from $7.40 per boe in 2016. With over 65 net remaining locations at Eyehill, this area will continue to underpin Surge's production per share growth for the foreseeable future. Risked rates of return for Sparky development wells are now over 150 percent at strip pricing for primary reserves only.

ATTRACTIVE DEAL METRICS

The $37 million Acquisition has the following transaction metrics:

Current Production Multiple	745 boepd (97 percent oil); $49,600 per boepd
2017 Annualized Funds Flow Multiple[1]	4.5x
Total Proved Plus Probable Reserves Multiple (Internally Estimated)	$8.40/boe
Recycle Ratio	3.57x
Reserve Life Index (RLI)	>16 years

In addition, the Assets generate substantial free funds flow, and further strengthen the sustainability of Surge’s production base and dividend. We estimate the Acquisition will positively impact Surge’s annualized 2017 forecast guidance as follows:

Average Annual Production	745 boepd
Funds Flow From Operations	$8.2 million
Development Capital (to maintain production)	$1.2 million
Surplus Funds Flow	$7.0 million

This Acquisition is accretive on all key per share metrics, including five percent on total proved plus probable reserves, and five percent on 2017 funds flow and production per share, respectively.

[1] 2017 guidance and Acquisition metrics are based off of US $55 WTI/bbl; CAD $72.37 WTI/bbl; EDM CAD $68.12/bbl; WCS CAD $52.70/bbl; AECO $2.95/mcf.

UPWARD REVISION TO 2017 GUIDANCE

As a result of continued excellent drilling results at the Company's Shaunavon, Sparky, and Valhalla core areas, combined with successful ongoing waterflood activities, on December 13, 2016 Surge revised upward the Company's 2017 average daily production estimate to 14,000 boepd from 13,500 boepd, and Surge's 2017 production exit rate target to 14,450 boepd from 14,150 boepd.

Pursuant to the core Sparky area Acquisition referenced herein, Surge is now revising upward the Company's 2017 guidance as follows:

OPERATIONAL[1]	**PRIOR GUIDANCE**	**REVISED GUIDANCE**
2017 Average Production (boe/d)	14,000	14,450
2017 Exit Production (boe/d) (82 percent oil)	14,450	15,150
Total Capital Spending (including acquisitions)	$85 million	$124 million
Operating Expenses - 2H 2017 ($/boe)	$11.45/boe to $11.95/boe	$12.00-$12.50/boe
Transportation Expenses ($/boe)	$1.50/boe	$1.50/boe
Royalties as a % of Revenue	12% to 13%	12% to 13%
FINANCIAL[1]		
Estimated 2H/17 Annualized Funds Flow from Operations[1]	$129.5 million	$136.0 million
Estimated 2H/17 Annualized Funds Flow from Operations per Share ($/share)	$0.57	$0.60
Estimated Q4/17 Debt to Funds Flow	1.20 X	1.39 X
Annualized Dividend	$19.2 million	$21.5 million
Sustainability Ratio	80%	80%
Simple Payout Ratio	15%	16%

Surge's current production rates, pro-forma the Acquisition, already exceed the Company's upwardly revised 2017 average daily production guidance rate of 14,450 boepd (82 percent oil and liquids).

DIVIDEND INCREASE

Surge's conservative dividend policy targets a simple payout ratio of 20 to 30 percent of annualized cash flow, and an all-in sustainability ratio in the range of 70 to 90 percent. Additional free funds flow beyond Surge's targeted six percent annual production growth target is expected to be allocated to an expanded capital program, debt repayment, dividend increases, or share buybacks.

The acquired Assets provide Surge with substantial excess funds flow, after capital required to maintain production levels, due to the low decline nature of the Assets (i.e. less than a 12 percent annual decline). Accordingly, Surge's Board of Directors will look to increase the Company's dividend by approximately 11.8 percent per year from $0.085 per year ($0.00708 per month) to $0.095 per year ($0.00792 per month).

The Company's proposed increased dividend equates to a simple payout ratio of approximately 16 percent of forecast annualized 2H 2017 funds flow, which compares favorably with Surge's peer group average payout ratio of approximately 25 percent.

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 corporate decline, low cost structure, and excellent production efficiencies.

INCREASE TO BANK LINE

As previously disclosed, in 2016 Surge delivered record FD&A costs of $3.74 per boe, and a recycle ratio of 4.61 times on a total proved plus probable basis – with oil prices averaging US$43.32 WTI per barrel. These excellent operational results provided an increase in the Company's independently engineered, proved developed producing reserve value of more than 25 percent[2].

On this basis, in accordance with Surge's annual bank line review process, the Company confirms that its banking syndicate, led by National Bank of Canada, has increased Surge's bank line limit (pro-forma the Acquisition) from the previous $250 million to $285 million. The increase provides Surge with significant financial flexibility to execute its capital program, as well as, providing ample liquidity for future core area acquisitions. Surge's next borrowing base review is scheduled for November 1, 2017.

[2] 2015 independently engineered PDP value, post-dispositions, of $441,363,000, compared to the 2016 independently engineered PDP value of $553,046,000.

RISK MANAGEMENT

In connection with the Acquisition, Surge has entered into a 1,250 bbl/d WTI crude oil swap transaction at an average price of US$55.18 WTI for April, 2017 through December, 2017. This strategic swap position increases Surge's second half of 2017 hedge position to 3,750 bbl/d of WTI crude oil – which has now locked in a floor price of over CAD $65.20 per bbl.

Surge's ongoing risk management program is designed to lock-in and protect cash flows to fund capital expenditures, and the Company's dividend, as well as, protecting Surge's significant free funds flow forecast at strip crude oil prices.

OUTLOOK – PER SHARE GROWTH CONTINUES

Management's goal is to be the best positioned public light/medium gravity crude oil growth and dividend paying company in Canada.

As a result of Surge's successful ongoing drilling and waterflood activities in the Company's three primary operating areas, together with the core Sparky area asset Acquisition referred to herein, Surge will now be delivering production per share growth of more than 24 percent from Q2/16 to the end of Q4/17.

Surge's current production rates, pro-forma the Acquisition, already exceed the Company's upwardly revised 2017 average daily production guidance rate of 14,450 boepd (82 percent oil and liquids).

In addition, Surge has increased the Company's dividend per share by 26.7 percent since the start of 2017, while maintaining a simple payout ratio of 16 percent of forecast Q4/17 cash flow annualized, versus a peer group average payout ratio of approximately 25 percent. Surge is also maintaining an annualized Q4/17 debt to cash flow ratio of 1.39 times at strip pricing.

As a result of management's strategic capital allocation decisions, rigorous cost cutting initiatives, and excellent operational results, we believe that Surge is well positioned to continue delivering solid per share growth, and to pay the Company's dividend, on a go-forward basis.

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 enhanced 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 and exit production and production per share; free funds flow; Surge’s dividend; payout ratio; sustainability; recycle ratios; recovery factors; operating netbacks; Surge’s hedging program and the benefits thereof; management’s estimates and expectations regarding capital expenditures, operating costs, transportation expenses, growth opportunities and strategies, reserves and reserve life index and decline rates; the Company 2017 guidance; the availability of Surge’s bank line to fund provide the Company with sufficient liquidity and financial flexibility; the impact of cost savings initiatives; production and cash flow per share growth; and anticipated commodity prices; drilling inventories and locations; and management’s expectations regarding debt levels.

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, Surge’s dividend, payout ratios and annualized funds flow from operations and funds flow from operations per share. 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 and the impact of transactions on Surge’s bank line.

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 15, 2017 and in Surge's MD&A for the period ended December 31, 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 "funds flow", "funds flow from operations", "net debt", "operating netback", "sustainability" and "payout ratio" 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 flow from by operations" to analyze operating performance and leverage. Management believes that in addition to net income, funds flow from operations are useful supplemental measures as they provide an indication of the results generated by the Company's principal business activities before the consideration of how those activities are financed or how the results are taxed. Management believes "operating netbacks" are a useful supplemental measures of the amount of revenues received after royalties and operating and transportation costs and secondly, the amount of revenues received after the royalties, operating, transportation costs, general and administrative costs, financial charges and asset retirement obligations. 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 Company 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. Payout ratio is calculated on a percentage basis as dividends declared divided by funds flow from operations. Payout ratio is used by management to monitor the dividend policy and the amount of funds flow from operations retained by the Company for capital reinvestment. 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)..

FURTHER INFORMATION:

For more information, please contact:

Paul Colborne, President & CEO
Surge Energy Inc.
Phone: (403) 930-1507
Fax: (403) 930-1011
Email: pcolborne@surgeenergy.com

Paul Ferguson, CFO
Surge Energy Inc.
Phone: (403) 930-1021
Fax: (403) 930-1011
Email: pferguson@surgeenergy.ca