



SURGE ENERGY INC. ANNOUNCES FIRST QUARTER 2018 RESULTS; LARGE INCREASE TO PRIMARY CREDIT FACILITY

CALGARY, ALBERTA (May 8, 2018) Surge Energy Inc. (“Surge” or the “Company”) (TSX: SGY) announces its operating and financial results for the quarter ended March 31, 2018.

Over the last seven financial quarters Surge has delivered consistent drilling results, production per share growth, and funds flow per share growth. This consistent track record continued in Q1 2018 with the following production and funds flow metrics, as well as the other highlights from the quarter. All production and funds flow results in Q1 2018 are net of the sale of a non-core asset that closed on January 4, 2018, which accounted for approximately 240 boepd of production.

Based on better than anticipated drilling and waterflood results in the Company’s three core areas, Surge’s Q1 2018 production of 16,027 boepd exceeded management’s guidance expectations.

Surge’s daily production for the month of April exceeded the Company’s 2018 production exit rate guidance of 16,650 boepd (82% oil and liquids).

HIGHLIGHTS

- Surge’s Q1 2018 quarterly production of 16,027 boepd increased by 16 percent over Q1 2017 production of 13,866 boepd (12 percent per share).
- Adjusted funds flow in Q1 2018 was \$28.2 million, an increase of over 30 percent as compared to Q1 2017 at \$21.6 million.
- Adjusted funds flow per share in Q1 2018 was \$0.121, an increase of 26 percent over Q1 2017 at \$0.096 per share.
- Crude oil and liquids production increased by over 18 percent - from 10,982 barrels per day in Q1 2017 to 13,006 barrels per day in Q1 2018.
- The Company’s unhedged operating netback increased by over 12 percent, to \$25.28 per boe in Q1 of 2018, from \$22.47 per boe in Q1 of 2017.
- Subsequent to Q1 2018, Surge received commitments from its banking syndicate to increase the Company’s bank line to \$350 million from \$305 million (pending formal approval of an amendment to the credit agreement), which is expected to occur on or before May 31, 2018. This large increase to Surge’s bank line will provide the Company with more than \$125 million of pro-forma liquidity on its bank line as at March 31, 2018.



- Surge drilled an exciting, large, new pool extension to the south at Lakeview in the Company’s Sparky core area. The well is producing with similar characteristics to an Eyehill Sparky type curve, and sets up over 20 follow up low risk development locations in the Lloyd formation.
- Proved up Betty Lake as another exciting growth asset in Surge’s Sparky play trend with a successful discovery well in late Q4 2017; Surge plans to drill four more wells at Betty Lake in the second half of 2018, as well as construct and install a new production battery to allow for further well optimization; The Company now sees up to 35 more development locations at Betty Lake.
- Closed the previously announced disposition of Surge’s non-core, gas-weighted Windfall property for \$6.8 million.
- During the first quarter of 2018, Surge acquired more than 2 million of its common shares under the Company’s normal course issuer bid (“NCIB”).
- Delivered a 2017 finding development and acquisition (“FD&A”) cost of \$13.60 per boe, on a total proved plus probable basis, including changes in undiscounted future development capital (“FDC”).
- Reported a top decile 2017 recycle ratio of 1.74 times FD&A, on a total proved plus probable basis.
- Increased the Company’s net asset value (“NAV”) by over 10 percent to \$6.06 per common share, as compared to \$5.47 per share at year end 2016, based on the Company’s independently evaluated reserve reports; Sproule’s 2017 year end WTI crude oil price forecast is approximately US \$10.00 per barrel below current strip oil pricing for 2018.

Following an outage on TransCanada’s Keystone pipeline in November 2017, Western Canada Select (“WCS”) differentials expanded from US\$12.26 per barrel in Q4 2017 to US\$24.27 per barrel in Q1 2018. Prompt month WCS differentials are now tightening, returning to near-historical averages in recent weeks following the restart of the Keystone pipeline.

For comparative purposes only, had WCS differentials remained at Q4 2017 levels (ie. US\$12.26/bbl), Surge estimates that the Company’s adjusted funds flow for Q1 2018 would have been approximately \$37 million, or \$0.16 per share.

FINANCIAL AND OPERATING SUMMARY

The Q1 2018 financial and operating highlights are summarized below:



(\$000s except per share amounts)	Three Months Ended March 31,		
	2018	2017	% Change
Financial highlights			
Oil sales	64,492	48,194	34 %
NGL sales	2,461	2,240	10 %
Natural gas sales	1,337	4,016	(67)%
Total oil, natural gas, and NGL revenue	68,290	54,450	25 %
Adjusted funds flow ¹	28,169	21,640	30 %
Per share basic (\$)	0.121	0.096	26 %
Capital expenditures - petroleum & gas properties ²	34,909	34,041	3 %
Capital expenditures - acquisitions & dispositions ²	(6,485)	(269)	nm(4)
Total capital expenditures ²	28,424	33,772	nm
Net debt at end of period ³	252,742	178,753	41 %
Operating highlights			
Production:			
Oil (bbls per day)	12,446	10,298	21 %
NGLs (bbls per day)	560	684	(18)%
Natural gas (mcf per day)	18,128	17,302	5 %
Total (boe per day) (6:1)	16,027	13,866	16 %
Average realized price (excluding hedges):			
Oil (\$ per bbl)	57.58	52.00	11 %
NGL (\$ per bbl)	48.82	36.39	34 %
Natural gas (\$ per mcf)	0.82	2.58	(68)%
Netback (\$ per boe)			
Oil, natural gas and NGL sales	47.34	43.63	9 %
Realized gain (loss) on commodity contracts	(1.10)	(1.59)	nm
Royalties	(6.20)	(5.64)	10 %
Net operating expenses	(14.60)	(13.95)	5 %
Transportation expenses	(1.26)	(1.57)	(20)%
Operating netback	24.18	20.88	16 %
G&A expense	(2.22)	(1.93)	15 %
Interest expense	(2.44)	(1.61)	52 %
Corporate netback	19.52	17.34	13 %
Common shares outstanding, end of period	231,357	225,766	2 %
Weighted average basic shares outstanding	233,007	225,764	3 %
Stock option dilution	—	3,427	nm
Weighted average diluted shares outstanding	233,007	229,191	2 %

1 Management uses adjusted funds flow (cash flow from operating activities before changes in non-cash working capital, decommissioning expenditures, transaction and other costs and cash settled stock-based compensation) to analyze operating performance and leverage. Adjusted funds flow as presented does not have any standardized meaning prescribed by IFRS and, therefore, may not be comparable with the calculation of similar measures for other entities.

2 Please see capital expenditures discussion in the MD&A.

3 The Company defines net debt as outstanding bank debt and the liability component of the convertible debentures plus or minus working capital, however, excluding the fair value of financial contracts and other current obligations.

4 The Company views this change calculation as not meaningful, or "nm".



OPERATIONAL MOMENTUM CONTINUES

Based on better than anticipated drilling and waterflood results in the Company's three core areas, Surge's Q1 2018 production of 16,027 boepd exceeded management's guidance expectations.

Surge's daily production for the month of April exceeded the Company's 2018 production exit rate guidance of 16,650boepd (82% oil and liquids).

With WCS differentials widening in Q1 2018, Surge was able to react quickly and successfully execute a strategic operational pivot to the Company's extensive light oil assets at Valhalla. Accordingly, the Company accelerated its Valhalla capital program to include an additional well in the first quarter of 2018. This was in addition to a significant new light oil well drilled late in the fourth quarter of 2017. Surge also recently completed a successful workover on a Doig well at Valhalla. Combined, these three projects added over 2,000 boepd (more than 70 percent light oil) of sustainable production for a capital cost of approximately \$9 million.

Operating costs in Q1 2018 were higher than budget due to the more severe weather conditions experienced this winter. We expect operating costs to revert back to budget levels of \$13.95 per boe on a go forward basis.

Following are the Q1 2018 operational highlights for Surge's three core properties:

Sparky – Key Wells at Provost, Lakeview and Betty Lake

Better than anticipated results at Surge's Sparky play in Southeast Alberta continues to support significant allocation of the Company's capital resources to this core area. Surge's prospective Sparky land base and drilling inventory continues to expand as the Company remains active at both Crown land sales and through the acquisition of freehold lease agreements. Surge drilled nine gross wells on its Southeast Alberta Sparky properties during the first quarter. In addition to continued success at Eyehill, the Company also drilled exciting step out wells at both Provost and Lakeview.

During the first quarter at Eyehill, Surge drilled six successful wells, and completed a facilities expansion at the battery. Recent production at Eyehill is more than 2,000 boepd. Surge plans to drill an additional eight wells at Eyehill in 2H 2018.

At Provost, Surge drilled two of its top producing Sparky wells to date on the northern portion of the Company's land base. These exciting wells confirm recently acquired 3D seismic data that supports incremental capital allocation to the Provost area. The Company plans to drill two additional wells at Provost in 2018. In addition to the successful drilling in the north, Surge also drilled two successful Sparky step out wells to the south - significantly extending the Company's large OOIP



pool to the southwest. The Company now estimates that its operated Provost Sparky pool has more than 70 million barrels of net internally estimated OOIP, and up to 25 net additional internally estimated Sparky drilling locations.

At Lakeview, Surge drilled its first Lloyd well during Q1 2018. This successful well confirms the presence of a large, internally estimated 54 million barrels of original oil in place (“OOIP”¹) pool in the Lloydminster formation at Lakeview. The well is currently producing similar to an Eyehill Sparky type curve well. This exciting new pool extension discovery has added up to 20 net internally estimated drilling locations into the Lloydminster sand at Lakeview. Future Lloydminster well costs are expected to be in the range of \$800,000 per well, as these wells do not require fracture stimulation. Surge plans to drill an additional two wells at Lakeview in 2018.

Surge’s initial Q4 2017 well at the Betty Lake discovery has now been on production for the majority of Q1 2018, and is currently producing at a rate of 115 boepd. The Company estimates that this 100 percent working interest play has potential for more than 80 million barrels of net OOIP (with an internally estimated recovery factor of 10 percent on primary, and up to 30 percent with waterflood), and more than 35 net additional internally estimated drilling locations. Based on these results, the Company now plans to drill an additional four wells at Betty Lake in the second half of 2018, and install a production battery to facilitate well optimization and further development.

Valhalla – Incremental Capital Allocation Leads to Higher Light Oil Volumes

Over the past several years price differentials for WCS barrels have averaged approximately US \$14 per barrel below WTI US prices. During this period, Surge focused on growing its WCS-linked core areas at Sparky and Shaunavon. Following the TransCanada Keystone pipeline outage in November of 2017, WCS pricing differentials widened - but have since narrowed to near historical averages in Q2 2018, with the TCPL pipeline repaired.

Due to wider WCS differentials in Q1 2018, Surge successfully executed a strategic operational pivot to the Company’s extensive light oil assets at Valhalla. In addition to a significant new Doig oil well drilled in the fourth quarter of 2017, the Company was able to accelerate its Valhalla light oil capital program to include an additional well in the first quarter of 2018. Surge also completed a successful workover on an existing horizontal Doig well at Valhalla during the quarter. Combined, these three projects added over 2,000 boepd (more than 70 percent light oil) of sustainable production for a capital cost of approximately \$9 million.

¹ Original Oil in Place (OOIP) is the equivalent to Discovered Petroleum Initially In Place (DPIIP) for the purposes of this press release.



Due to market conditions and recent drilling success, Surge has elected to keep one rig running at Valhalla during the second quarter of 2018. The Company recently completed drilling its third Doig well in 2018, and plans to drill three more Doig wells, over the balance of the year. In addition to the Doig, Surge maintains significant light oil production and drilling potential in the conventional Montney, Doe Creek, and Charlie Lake plays at Valhalla. The Company plans to drill one additional well in either the Charlie Lake or Montney formations prior to year's end.

Shaunavon – Contribution from Workovers and Waterflood

Surge drilled five and completed seven net wells at Shaunavon in the first quarter of 2018, including five in the Upper Shaunavon and two Lower Shaunavon. The Company continues to be encouraged with results from a new cemented liner completion design in both Upper and Lower Shaunavon horizons.

In addition to recent drilling activity, the Company has also implemented a very successful artificial lift workover program for legacy Lower Shaunavon wells. To date, Surge has converted 16 wells from progressive cavity pumps to pump jack operations, which has resulted in the addition of 245 bopd of production gain. For the balance of 2018, the Company plans to drill six more wells, and complete up to 10 more pump jack conversions.

In September of 2017, Surge commenced waterflood operations on its southernmost development pod in the Upper Shaunavon. The Company is pleased to report that it has observed early signs of production stabilization across Surge's Southern lands, as well as a positive production response from producing wells that are bound by injectors. These results, combined with continued success at Surge's original Upper Shaunavon waterflood, confirm the Upper Shaunavon sandstone reservoir has ideal reservoir characteristics for waterflood operations.

FINANCIAL HIGHLIGHTS

Large Increase to Primary Credit Facility

Surge has now delivered consistent, cost effective production per share growth of 25 percent over the last seven financial quarters. On this basis, subsequent to Q1 2018 Surge received commitments from its banking syndicate to increase the Company's bank line to \$350 million from \$305 million (pending formal approval of an amendment to the credit agreement), which is expected to occur on or before May 31, 2018.

This large increase to Surge's bank line will provide the Company with more than \$125 million of pro-forma liquidity on its bank line as at March 31, 2018.



NCIB Update

In February of 2018, Surge instituted a NCIB with the intent to repurchase the Company's shares. The NCIB was announced in conjunction with the Company's independent December 31, 2017 Sproule engineering reserve report, and Surge's new Total Proved NAV of \$3.67 per share. Sproule's 2017 year end WTI crude oil price forecast is approximately US \$10.00 per barrel below current strip pricing for 2018.

The prevailing market price for Surge common shares for much of February and March was below \$2.00 per share, which allowed for the Company to repurchase shares at less than Sproule's 2017 Proved Developed Producing NAV value of \$2.01 per share. Under reasonable assumptions, purchasing Surge common shares at less than the Company's Total Proved NAV of \$3.67 per share provides an excellent rate of return that is competitive with other investment opportunities that compete for Surge's capital resources.

During the first quarter, the Company acquired over 2 million Surge common shares in the market at an average price of \$1.97 per share - utilizing free funds flow and returning the acquired shares to treasury. The NCIB has now been extended into the second quarter of 2018.

Hedging Update

Surge continues an active, ongoing crude oil hedging program. Over the past several quarters, the Company has adopted a primarily options-based hedging program, which has allowed Surge to retain up to 80 percent of the upside to crude oil prices in 2018. The options-based program consists of a portfolio of costless collars, three-way collars, and put option spreads.

The following table summarizes the WTI and WCS crude oil hedges that were completed during, and subsequent, to the first quarter of 2018:

Type	Term	Bbl/d	Currency	Put Sold (per bbl)	Put acquired (per bbl)	Call sold (per bbl)
WTI (financial)	Jul 2018 – Mar 2019	500	USD	50.00	60.00	70.25
WTI (financial)	Jul 2018 – Mar 2019	500	USD	50.00	57.50	78.10
WTI (financial)	Q2 2019	500	USD	50.00	57.50	72.50
WCS (physical)	H2 2018	500	USD	n/a	22.00	16.45
WCS (physical)	Cal 2019	1500	USD	n/a	22.00	16.45



When combined with existing hedges, the Company now has 1,500 bopd of WCS collars in place for the second half of 2018 with a blended price collar of US \$19.33 per barrel (ceiling) x \$12.82 per barrel (floor).

In addition to the Company's ongoing crude oil hedging program, Surge entered into an interest rate hedge during the first quarter of 2018. This floating to fixed rate swap was on a principal amount of C\$100 million, with a term from February 2018 to February 2023. Based on the current bank borrowing spread, this interest rate swap results in an effective all-in rate of 5.13 percent for the five-year term. When combined with Surge's convertible debenture, Surge has now fixed \$144.5 million of the Company's core debt with an average all-in interest rate of 5.3 percent for 5 years.

OUTLOOK – SUSTAINABLE GROWTH, LONG TERM VALUE, AND INCOME

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

Surge's track record over the last seven financial quarters of delivering consistent drilling results, production per share growth, and funds flow per share growth, continued into the first quarter of 2018. Surge has now delivered production per share growth of 25 percent from Q2 2016 to Q1 2018.

In addition, Surge has increased the Company's dividend per share by more than 27 percent since the start of 2017, while maintaining a conservative simple payout ratio of less than 20 percent.

Accordingly, Surge intends to continue: 1) delivering annual production per share growth of five to seven percent in accordance with the Company's strategic Five-Year Business Plan; 2) returning capital to its shareholders pursuant to the Company's attractive and sustainable dividend; 3) generating substantial free funds flow at current strip pricing; and 4) returning capital to its shareholders pursuant to the accretive buyback of its common shares in accordance with the NCIB.

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: management's expectations with respect to the development of its asset base; production volumes; drilling activities, inventories and locations, and the associated risks; 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; changes to the current commodity price environment; the effect of WCS differentials on the Company's financial metrics; the Company's declared focus and primary goals, including the Five-Year Business Model; 2018 exit production and production per share growth; Surge's dividend; simple payout ratio; operating and corporate netbacks; characteristics of certain wells or assets; management's estimates and expectations regarding capital expenditures and operating costs, growth opportunities and strategies, the underlying value of Surge's common shares, estimated reserves and estimated reserve and resources; the Company's 2018 guidance; sustainability of Surge's current results, production and operations; the increase to the Company's bank line; the availability of Surge's bank line to fund provide the Company with sufficient liquidity and financial flexibility; anticipated commodity prices; and management's expectations regarding debt levels.

The guidance for 2018 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. 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 availability of capital, 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, failure to obtain the continued support of the lenders under Surge's bank line or failure to obtain formal approval for an increase to Surge's bank line. Certain of these risks are set out in more detail in Surge's Annual Information



Form dated March 15, 2018 and in Surge's MD&A for the period ended June 30, 2017, 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. "Internally estimated" and similar terms means an estimate that is derived by Surge's internal APEGA certified Engineers, and Geologists and prepared in accordance with National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities. All internal estimates contained in this new release have been prepared effective as of March 14, 2018. IRR means Internal Rate of Return and is the discount rate required for the net Present Value to equal zero. PIR means Profit to Investment Ratio and is equal to the present value of future cashflow divided by the investment capital (a value lower than 1.0 would indicate that the projects Present Value is less than the initial investment).

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 independent engineering evaluation of the oil, natural gas liquids and natural gas reserves attributable to the Company prepared by Sproule Associates Limited effective December 31, 2017 and dated February 09, 2018 (the "Sproule 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 based on industry practice and internal review. Unbooked locations do not have attributed reserves or resources. Of the more than 700 gross (675 net) drilling locations identified herein 420 gross (404 net) are unbooked locations. Of the 292 gross (277 net) booked locations identified herein 228 gross (216 net) are proved locations and 64 gross (61.2 net) are probable locations as of the Sproule Report. 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.

Non-IFRS Measures

This press release contains the terms "adjusted funds flow", "adjusted funds flow from operations" and "net debt", 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 "adjusted funds flow from operations" (cash flow from operating activities before changes in non-cash working capital, decommissioning expenditures, transaction costs and cash settled stock-based compensation) to analyze operating performance and leverage.



Management believes that adjusted funds flow from operations is a useful supplemental measure as it provides 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 defines net debt as outstanding bank debt and the liability component of the convertible debentures plus or minus working capital, however, excluding the fair value of financial contracts and other current obligations. 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).

Oil and Gas Metrics

This news release contains metrics commonly used in the oil and natural gas industry, such as "operating netback", "corporate netback", "FD&A costs", "recycle ratio" and "payout ratio". These terms do not have a standardized meaning and may not be comparable to similar measures presented by other companies, and therefore should not be used to make such comparisons. Operating netback denotes total sales less royalty expenses, and operating and transportation costs calculated on a per boe basis. Corporate netback denotes operating netback less general and administrative, interest and financing expense, exploration expense plus interest income on a per boe basis. Surge considers corporate netback as an important measure to evaluate its overall corporate performance. FD&A costs are used as a measure of capital efficiency. FD&A cost has been calculated based on exploration and development capital and acquisition capital spent in the applicable period (including changes in future development capital for that period) divided by the change in reserves for that period including revisions for that same period. Surge provides FD&A costs that incorporate all acquisitions and exclude the reserve, capital, and future development capital impact of dispositions during the year. The foregoing calculation is based on working interest reserves. Recycle ratio is a measure for evaluating the effectiveness of a company's reinvestment program and the efficiency of capital investment. It accomplishes this by comparing the operating netback per boe to that year's reserve FD&A cost per boe. Payout ratio is calculated on a percentage basis as dividends declared divided by adjusted funds flow from operations. Payout ratio is used by management to monitor the dividend policy and the amount of adjusted funds flow from operations retained by the Company for capital reinvestment.

FURTHER INFORMATION:

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