SURGE ENERGY INC. ANNOUNCES $40 MILLION, 4 YEAR BDC TERM FACILITY; $50 MILLION EDC CREDIT COMMITMENT; EXTENSION OF CREDIT FACILITY MATURITY TO DECEMBER 31, 2021; ALBERTA SITE REHABILITATION PROGRAM UPDATE; AND THIRD QUARTER FINANCIAL AND OPERATING RESULTS

CALGARY, ALBERTA (NOVEMBER 3, 2020) Surge Energy Inc. ("Surge" or the "Company") (TSX: SGY) is pleased to announce that it has received lender approvals for a total of $90 million in new credit commitments to the Company, subject to final documentation. These commitments include:

1. a new term loan facility (the "Term Facility") led by the Business Development Bank of Canada ("BDC") in partnership with the Company's syndicate of lenders (the "Syndicate"), for a non-revolving facility of $40 million with attractive interest rates and a four year term; and

2. a credit commitment of up to $50 million from Export Development Canada ("EDC") to join the Company's existing $335 million first-lien credit facility ("Credit Facility").

Subject to the closing of the Term Facility, the Syndicate has agreed to an extension of Surge's Credit Facility. Maturity on the Credit Facility will be extended from March 31, 2021 to December 31, 2021 and the Company's next semi-annual borrowing base redetermination will be shifted out from December 15, 2020 to June 30, 2021.

Surge anticipates that these new credit commitments, as well as the extension of the Credit Facility, will close on or about the week of November 16th, 2020. Closing is subject to final documentation.

$40 MILLION 4 YEAR TERM DEBT FACILITY

Surge has received commitments for a $40 million Term Facility under the BDC's Business Credit Availability Program ("BCAP") Mid-Market Financing Program, which provides the Company with a four year, non-revolving second lien Term Facility.

The BDC's BCAP Mid-Market Financing Program was designed to provide support to financially viable, medium-sized businesses impacted by the COVID-19 pandemic, and the recent decline in oil prices, in the form of additional liquidity to continue operations through the pandemic, and to assist these companies in returning to pre-COVID-19 operating levels.

This Term Facility will also drive meaningful economic activity across the country, through the creation of hundreds of direct and indirect full-time jobs.

The Term Facility will provide Surge with significant, long term liquidity at attractive interest rates, and allows the Company to return production to pre-COVID-19 levels through the development of its high-quality, medium and light crude oil asset base. In turn, the Company will generate net asset value per share growth for all stakeholders.

$50 MILLION EDC CREDIT COMMITMENT

In addition to the Term Facility, the Company has received a credit commitment of up to $50 million from EDC, providing Surge with a significant new Syndicate banking partner in the Company's existing $335 million Credit Facility.

EXTENSION OF CREDIT FACILITY

Concurrently with closing of the Term Facility, Surge's lending Syndicate will re-confirm the Company's existing $335 million Credit Facility.

Subject to the closing of the Term Facility, Surge's Syndicate of lenders have agreed to extend the maturity of the Company's $167.5 million revolving facility, and its non-revolving $167.5 million facility, from March 31, 2021 to December 31, 2021. In addition, the Company's next semi-annual borrowing base redetermination will be extended to June 30, 2021.

The above reconfirmation and Credit Facility extensions, in combination with the Term Facility, will provide Surge with over $75 million in available liquidity on its credit facilities[1].

Additionally, the Credit Facility requirement that Surge explore potential options for a small number of its lenders, through an asset sales solicitation process, has been deferred.

The Company appreciates the support and partnership of the BDC, EDC, and Surge's Syndicate of lenders.

ESG AND ALBERTA SITE REHABILITATION PROGRAM UPDATE

As part of the Company's commitment to Environmental, Social and Governance ("ESG") stewardship, Surge and its service providers submitted more than 1,700 applications under the Government of Alberta's Site Rehabilitation Program ("SRP") to abandon and reclaim well bores, pipelines and well sites. The Government of Alberta is administering the SRP in various phases, providing grant funding through service providers for the abandonment or remediation of oil and gas sites.

As a result of these applications, the Company has now received SRP grants to date in excess of $10 million, which will allow Surge to greatly increase the number of wells, pipelines, and facilities it can abandon. In addition, Surge has received funding from the Saskatchewan Accelerated Site Closure Program to complete abandonments at the Company's Saskatchewan properties.

Surge's internal ongoing abandonment program, together with the enhanced SRP abandonment program, will meaningfully reduce the Company's decommissioning liability over the next 12 months. The Company now anticipates abandoning more than 300 wells by March, 2021 - which is equal to approximately 26 percent of Surge's total inactive well count.

Surge remains actively engaged with the Government of Alberta regarding additional SRP

[1] Based on bank debt of $296.1 million as at September 30, 2020 and a Credit Facility of $335 million, combined with $40 million of credit availability under the Term Facility.

developments, as well as new developments in both Federal and Government of Saskatchewan programs, in order to accelerate the decommissioning of the Company's asset retirement obligations.

Surge strives to be a leader in reducing the impact of its operations on the environment. The Company is committed to producing energy in a safe, responsible, and sustainable manner.

Q3 2020 FINANCIAL AND OPERATING HIGHLIGHTS

During Q3/20, the Company reactivated most of its temporarily curtailed production, averaging 17,092 boepd for the period. As a result of a lower than anticipated corporate production decline rate (now approximately 19 percent), Q3/20 production was consistent with the average production rate of Q2/20 with no drilling activity during the period.

Reactivation of the Company's temporarily curtailed production was due to both rising crude oil and natural gas prices, as well as successful cost optimization projects, which have resulted in a lower breakeven price for several of Surge's properties.

Strong operating results, combined with cost reduction efforts, resulted in the Company continuing to reduce net debt meaningfully during the quarter, despite crude oil prices averaging only US$40.93WTI per barrel. Year to date, Surge has reduced bank debt by more than $20 million through the COVID-19 pandemic and the Saudi/Russia crude oil price war. In Q3/20 alone, Surge generated $10 million of adjusted funds flow in excess of exploration and development expenditures.

Additionally, in Q3/20 the Company brought onstream two new Sparky wells that were drilled in the first quarter of 2020, confirming a significant new medium gravity crude oil discovery at Betty Lake North. This discovery at Betty Lake North further de-risks over 75 net Sparky locations[2] in Surge's internal drilling inventory, with full waterflood upside.

This exciting new discovery is consistent with the Company's stated operating strategy of focusing capital towards large OOIP[3] per section, conventional, low-cost, long-life, medium/light oil pools. Betty Lake North is the latest in a series of Sparky new pool discoveries for the Company over the last 6 years.

Surge has recently completed its 2020 internal type curve review of the Company's extensive ~500 well (> 12 year) Sparky drilling inventory, and the weighted average Sparky drilling location delivers an IRR[3] of greater than 50 percent at US$40 WTI per barrel flat pricing.

[2] See Drilling Inventory section.

[3] See Oil and Gas advisories.

FINANCIAL AND OPERATING HIGHLIGHTS

	Three Months Ended September 30,			Nine Months Ended September 30,		
($000s except per share amounts)	**2020**	**2019**	**% Change**	**2020**	**2019**	**% Change**
Financial highlights						
Oil sales	**54,000**	93,818	(42)%	**143,643**	289,333	(50)%
NGL sales	**1,161**	1,958	(41)%	**2,868**	6,032	(52)%
Natural gas sales	**1,770**	1,250	42 %	**4,631**	7,194	(36)%
Total oil, natural gas, and NGL revenue	**56,931**	97,026	(41)%	**151,142**	302,559	(50)%
Cash flow from operating activities	**15,082**	40,228	(63)%	**61,190**	114,943	(47)%
Per share - basic ($)	**0.04**	0.13	(69)%	**0.18**	0.37	(51)%
Adjusted funds flow*	**12,523**	41,513	(70)%	**51,405**	134,106	(62)%
Per share - basic ($)*	**0.04**	0.13	(69)%	**0.15**	0.43	(65)%
Net loss**	**(13,184)**	(4,269)	209 %	**(689,570)**	(14,863)	4,540 %
Per share basic ($)	**(0.04)**	(0.01)	300 %	**(2.06)**	(0.05)	4,020 %
Total exploration and development expenditures	**2,477**	22,247	(89)%	**38,497**	88,705	(57)%
Total acquisitions & dispositions	**(762)**	12,077	(106)%	**(6,038)**	(44,896)	(87)%
Total capital expenditures	**1,715**	34,324	(95)%	**32,459**	43,809	(26)%
Net debt*, end of period	**369,993**	377,409	(2)%	**369,993**	377,409	(2)%
Operating highlights						
Production:						
Oil (bbls per day)	**13,759**	17,170	(20)%	**14,817**	17,358	(15)%
NGLs (bbls per day)	**582**	769	(24)%	**558**	713	(22)%
Natural gas (mcf per day)	**16,503**	19,668	(16)%	**16,857**	20,342	(17)%
Total (boe per day) (6:1)	**17,092**	21,217	(19)%	**18,185**	21,461	(15)%
Average realized price (excluding hedges):						
Oil ($ per bbl)	**42.66**	59.39	(28)%	**35.38**	61.06	(42)%
NGL ($ per bbl)	**21.68**	27.69	(22)%	**18.76**	30.97	(39)%
Natural gas ($ per mcf)	**1.17**	0.69	70 %	**1.00**	1.30	(23)%
Netback ($ per boe)						
Petroleum and natural gas revenue	**36.21**	49.71	(27)%	**30.33**	51.64	(41)%
Realized gain (loss) on commodity and FX contracts	**(1.67)**	(0.86)	94 %	**5.29**	(0.84)	(730)%
Royalties	**(4.00)**	(7.12)	(44)%	**(3.61)**	(6.61)	(45)%
Net operating expenses*	**(14.16)**	(13.93)	2 %	**(14.32)**	(14.36)	- %
Transportation expenses	**(1.39)**	(1.42)	(2)%	**(1.58)**	(1.58)	- %
Operating netback*	**14.99**	26.38	(43)%	**16.11**	28.25	(43)%
G&A expense	**(1.91)**	(1.81)	6 %	**(1.91)**	(1.82)	5 %
Interest expense	**(5.11)**	(3.31)	54 %	**(3.88)**	(3.54)	10 %
Adjusted funds flow*	**7.97**	21.26	(63)%	**10.32**	22.89	(55)%
Common shares outstanding, end of period	**339,785**	324,215	5 %	**339,785**	324,215	5 %
Weighted average basic shares outstanding	**337,115**	318,076	6 %	**334,799**	313,876	7 %
Stock option dilution	**-**	-	- %	**-**	-	- %
Weighted average diluted shares outstanding	**337,115**	318,076	6 %	**334,799**	313,876	7 %

* This is a non-GAAP financial measure which is defined in the Non-GAAP Financial Measures section of this document.
** For the nine months ended September 30, 2020, the Company incurred a net loss of $689.6 million, including a non-cash asset impairment charge of $590.6 million recognized in the first quarter of 2020 primarily due to a decrease in the average independent engineering price forecasts. The impairment charge does not impact the Company's adjusted funds flow, and is reversible in future periods should there be any indicators that the value of the assets has increased.

SURGE OUTLOOK: A COMPELLING VALUE PROPOSITION

Surge has a high quality, low decline, light and medium gravity crude oil asset and opportunity base. With the Company's low (19 percent) annual production decline, high netbacks, large OOIP per section (conventional) crude oil assets, Surge provides investors with an excellent opportunity to participate in the ongoing crude oil price recovery.

The Company's anticipated closing of $90 million in new credit commitments, pending final documentation, provides Surge with significant additional long term liquidity at reasonable interest rates, allowing the Company to pursue attractive development opportunities that generate net asset value growth for all stakeholders.

Surge has the flexibility to strategically deploy capital into its Sparky play, which has now emerged as one of the premium medium and light oil growth plays in Canada. Surge's industry leading Sparky play has some of the best production efficiencies[4] (<$10,000/boepd IP90), and rates of return for drilling new wells in all of Canada. Surge estimates a weighted average, risked, IRR @ $40 WTI per bbl flat pricing for its entire Sparky inventory, of greater than 50 percent. These excellent risked returns are for primary drilling only, and do not include waterflood upside.

The Company has now drilled 138 consecutive successful horizontal Sparky wells, and grown production in its Sparky core area by more than 650 percent from 1,200 boepd (95 percent oil), to approximately 9,000 boepd (95 percent medium/light oil), in the last 6 years.

Surge's Sparky core area now has:

- Numerous high quality, high permeability, high porosity, conventional sandstone reservoirs.
- 9,000 boepd (95 percent medium/light oil) of current production;
- ~500 internally identified net drilling locations[4] (>12 year inventory) – with very predictable drilling results; and
- Top decile production efficiencies (<$10,000/boepd IP90).

Additionally, Western Canadian Select ("WCS") differentials have contracted meaningfully in the last several months, with WCS to WTI differentials currently over 20 percent tighter than the long term average. Surge's Sparky play will benefit significantly from this tightening, with cashflows, netbacks and reserve values in this premier conventional medium/light oil play increasing commensurately.

Management believes that Surge's premium Sparky crude oil growth asset is unique within the Company's entire peer group in Canada.

[4] See Drilling Inventory section.

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: the ability of management to protect stakeholder’s capital; 2020 forward strip oil prices; management’s expectations and plans with respect to the development of its assets and the timing thereof; Surge’s assets and performance, the characteristics thereof, and the potential for shareholders to benefit from such assets; drilling inventory of Surge; Surge’s operational and financial flexibility for the balance of 2020; the ability of Surge to maximize corporate cash flows; Surge’s declared focus and primary goals; the continued participation and exploration by Surge in all applicable Government assistance programs relating to COVID-19, and additional funding expected to be received by Surge as a result of such programs; Surge’s continued commitment to ESG initiatives; Surge’s capital expenditure program and its flexibility to make adjustments thereto; Surge’s cost reduction efforts and the anticipated results and benefits therefrom; commodity prices and management’s ability to react to changes thereto; Surge’s risk management program;

The forward-looking statements are based on certain key expectations and assumptions made by Surge, including expectations and assumptions 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; the availability and 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 condition of the global economy, including trade, public health (including the impact of COVID-19) and other geopolitical risks; 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; and failure to obtain the continued support of the lenders under Surge's bank line as a result of fluctuating commodity prices and reserve determinations by the lenders or otherwise.

Certain of these risks are set out in more detail in Surge's AIF dated March 9, 2020 and in Surge's MD&A for the period ended December 31, 2019, 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.

Oil and Gas Advisories

The term "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" mean barrel of oil equivalent per day. "Bbl" means barrel of oil. "Bopd" and "bbl/d" means barrels of oil per day. "NGLs" means natural gas liquids.

This press release contains certain oil and gas metrics and defined terms which do not have standardized meanings or standard methods of calculation and therefore such measures may not be comparable to similar metrics/terms presented by other issuers and may differ by definition and application.

Original Oil in Place ("OOIP") means Discovered Petroleum Initially In Place ("DPIIP"). DPIIP is derived by Surge's internal Qualified Reserve Evaluators ("QRE") and prepared in accordance with National Instrument 51-101 and the Canadian Oil and Gas Evaluations Handbook ("COGEH"). DPIIP, as defined in COGEH, is that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production. The recoverable portion of DPIIP includes production, reserves and Resources Other Than Reserves (ROTR). OOIP/DPIIP and potential recovery rate estimates are based on current recovery technologies. There is significant uncertainty as to the ultimate recoverability and commercial viability of any of the resource associated with OOIP/DPIIP, and as such a recovery project cannot be defined for a volume of OOIP/DPIIP at this time. "Internally estimated" means an estimate that is derived by Surge's internal QRE's and prepared in accordance with National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities.

Drilling Inventory

This press release discloses drilling locations in two categories: (i) booked locations; and (ii) unbooked locations. Booked locations are proved locations and probable locations derived from an internal evaluation using standard practices as prescribed in the Canadian Oil and Gas Evaluations Handbook and account for drilling locations that have associated proved and/or probable reserves, as applicable.

Unbooked locations are internal estimates based on prospective acreage and assumptions 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. Unbooked locations have been identified by Surge's internal certified Engineers and Geologists (who are also Qualified Reserve Evaluators) as an estimation of our multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that the Company will drill all unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas reserves, resources or production. The drilling locations on which the Company actually drills wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the unbooked drilling locations have been de-risked by drilling existing wells in relative close proximity to such unbooked drilling locations, the majority of other unbooked drilling locations are farther away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves, resources or production.

The Company's Sparky core area has 184 net booked locations, of which 137 net are Proved locations and 47 net are Probable locations based on 2019YE reserves.

The Company's Betty Lake asset has 35 net booked locations based on 2019YE reserves, of which 25 net are Proved locations and 10 net are Probable locations.

Surge's internally used type curves were constructed using a representative, factual and balanced analog data set, as of January 1, 2020. All locations were risked appropriately, and EUR's were measured against OOIP estimates to ensure a reasonable recovery factor was being achieved based on the respective spacing assumption. Other assumptions, such as capital, operating expenses, wellhead offsets, land encumbrances, working interests and NGL yields were all reviewed, updated and accounted for on a well by well basis by Surge's Qualifies Reserve Evaluators. All type curves fully comply with Part 5.8 of the Companion Policy 51 – 101CP.

Sparky Core area has ~500 net locations (>460 net Sparky formation + >40 net locations from formations other than Sparky).

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Surge's weighted average internal Sparky type curve economics have an IRR of greater than 50 percent at US$40/bbl WTI (C$2.00/mmbtu AECO, US$13/bbl WCS differential and 0.75 FX) and are supported by >460 internally evaluated Sparky locations by Surge's Qualified Reserve Evaluators (with weighted average metrics of: ~$1.15 MM per well capital, ~100 boe/d IP180 per well and ~125 mboe Estimated Ultimate Recoverable reserves per well).

Internal Rate of Return is the discount rate required to achieve an NPV of $0.

The average IP90 from Surge's 2019 & 2020 programs (>40 wells) was 125 boe/d. Using the weighted average capital of $1.15 MM per well, and average production from the 2019 and 2020 programs of 125 boe/d, generates production efficiencies over these two years of <$10,000/boepd.

Non-GAAP Financial Measures

Certain secondary financial measures in this press release – namely, "adjusted funds flow", "adjusted funds flow per share", "net debt", "net operating expenses", "operating netback", and "adjusted funds flow per boe" are not prescribed by GAAP. These non-GAAP financial measures are included because management uses the information to analyze business performance, cash flow generated from the business, leverage and liquidity, resulting from the Company's principal business activities and it may be useful to investors on the same basis. None of these measures are used to enhance the Company's reported financial performance or position. The non-GAAP measures do not have a standardized meaning prescribed by IFRS and therefore are unlikely to be comparable to similar measures presented by other issuers. They are common in the reports of other companies but may differ by definition and application. All non-GAAP financial measures used in this document are defined below:

Adjusted Funds Flow & Adjusted Funds Flow per Share

The Company adjusts cash flow from operating activities in calculating adjusted funds flow for changes in non-cash working capital, decommissioning expenditures and transaction costs. Management believes the timing of collection, payment or incurrence of these items involves a high degree of discretion and as such may not be useful for evaluating Surge's cash flows.

Changes in non-cash working capital are a result of the timing of cash flows related to accounts receivable and accounts payable, which management believes reduces comparability between periods. Management views decommissioning expenditures predominately as a discretionary allocation of capital, with flexibility to determine the size and timing of decommissioning programs to achieve greater capital efficiencies and as such, costs may vary between periods. Transaction costs represent expenditures associated with acquisitions, which management believes do not reflect the ongoing cash flows of the business, and as such reduces comparability. Each of these expenditures, due to their nature, are not considered principal business activities and vary between periods, which management believes reduces comparability.

Adjusted funds flow per share is calculated using the same weighted average basic and diluted shares used in calculating income per share.

The following table reconciles cash flow from operating activities to adjusted funds flow and adjusted funds flow per share for the three and nine months ended September 30, 2020:

($000s except per share amounts)	Three Months Ended Sep 30, 2020	2019	Nine Months Ended Sep 30, 2020	2019
Cash flow from operating activities	**15,082**	40,228	**61,190**	114,943
Change in non-cash working capital	**(2,622)**	(475)	**(11,637)**	13,693
Decommissioning expenditures	**63**	1,279	**1,754**	4,097
Transaction costs	**-**	481	**98**	1,373
Adjusted funds flow	**$ 12,523**	$ 41,513	**$ 51,405**	$ 134,106
Per share - basic	**$ 0.04**	$ 0.13	**$ 0.15**	$ 0.43

Net Debt

There is no comparable measure in accordance with IFRS for net debt. Net debt is calculated as bank debt plus the liability component of the convertible debentures plus or minus working capital, however, excluding the fair value of financial contracts, decommissioning obligations and lease and other obligations. This metric is used by management to analyze the level of debt in the Company including the impact of working capital, which varies with timing of settlement of these balances.

($000s)	As at Sep 30, 2020	Jun 30, 2020	Sep 30, 2019
Bank debt	**(296,055)**	(306,549)	(308,335)
Accounts receivable	**25,205**	27,503	40,562
Prepaid expenses and deposits	**4,900**	5,828	6,200
Accounts payable and accrued liabilities	**(33,507)**	(33,782)	(45,016)
Convertible debentures	**(70,536)**	(69,907)	(68,118)
Dividends payable	**-**	-	(2,702)
Total	**(369,993)**	(376,907)	(377,409)

Net Operating Expenses

Net operating expenses are determined by deducting processing and other revenue primarily generated by processing third party volumes at processing facilities where the Company has an ownership interest. It is common in the industry to earn third party processing revenue on facilities where the entity has a working interest in the infrastructure asset. Under IFRS this source of funds is required to be reported as revenue. However, the Company's principal business is not that of a midstream entity whose activities are dedicated to earning processing and other infrastructure payments. Where the Company has excess capacity at one of its facilities, it will look to process third party volumes as a means to reduce the cost of operating/owning the facility. As such, third party processing revenue is netted against operating costs in the MD&A.

Operating Netback & Adjusted Funds Flow Netback

Operating netback and adjusted funds flow per boe for the three and nine months ended September 30, 2020 are calculated on a per unit basis as follows:

	Three Months Ended Sep 30,		Nine Months Ended Sep 30,	
($000s)	**2020**	**2019**	**2020**	**2019**
Petroleum and natural gas revenue	**56,931**	97,026	**151,142**	302,559
Processing income	**934**	1,483	**3,766**	2,740
Royalties	**(6,285)**	(13,892)	**(18,005)**	(38,741)
Realized gain (loss) on commodity and FX contracts	**(2,627)**	(1,674)	**26,346**	(4,927)
Operating expenses	**(23,204)**	(28,680)	**(75,109)**	(86,890)
Transportation expenses	**(2,187)**	(2,763)	**(7,874)**	(9,242)
Operating netback	**23,562**	51,500	**80,266**	165,499
G&A expense	**(3,000)**	(3,525)	**(9,518)**	(10,647)
Interest expense	**(8,039)**	(6,462)	**(19,343)**	(20,746)
Adjusted funds flow	**12,523**	41,513	**51,405**	134,106
Barrels of oil equivalent (boe)	**1,572,407**	1,951,893	**4,982,521**	5,859,104
Operating netback ($ per boe)	**$ 14.99**	$ 26.38	**$ 16.11**	$ 28.25
Adjusted funds flow ($ per boe)	**$ 7.97**	$ 21.26	**$ 10.32**	$ 22.89

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