Surge Energy

Surge Energy Inc. Exceeds its 2011 Upwardly Revised Exit Production Rate Estimate, Closes Previously Announced Light Oil Acquisition and Increases its Bank Line

CALGARY, Jan. 6, 2012 /CNW/ -**Surge Energy Inc.** ("**Surge**" or the "**Company**") (TSX: SGY) is pleased to announce that it has exceeded its 2011 upwardly revised exit production rate estimate of 7,800 boe per day, completed the previously announced private company ("PrivateCo") acquisition and increased its bank line from $150 million to $175 million.

Based on continued operational success at each at each of Surge's core areas in Western Alberta, Southeast Alberta and Manitoba/North Dakota, the Company has exceeded its 2011 upwardly revised exit production rate of 7,800 boe per day. The Company's substantial inventory of light and medium gravity oil drilling locations and strong balance sheet provides the financial and operating flexibility for continued and sustainable growth in 2012.

The completion of the PrivateCo acquisition, as described in the Company's press release dated December 15, 2011, adds 1,200 bbls per day (100 percent light oil) of focused, high quality, high netback and high working interest Slave Point/Gilwood light oil assets to the Company's portfolio. Total consideration of the acquisition was approximately $106 million, consisting of 7.9 million Surge common shares and approximately $33 million in cash including the assumption of net debt.

Surge estimates there to be 65 million barrels (gross) of Discovered Petroleum Initially In Place[1] ("DPIIP") in the contiguous Slave Point pool with a cumulative oil recovery to date of less than one percent on the acquired lands. Management believes the acquired assets have the potential to grow production beyond 2,500 bbls per day (100 percent light oil) over the next two years under primary development and beyond 4,000 bbls per day (100 percent light oil) under secondary waterflood development. Surge has secured drilling services and plans to spud its first horizontal multi-frac well on the property early in the first quarter of 2012.

Surge is now positioned in five established light and medium oil resource plays with significant secondary recovery potential and in several high impact, emerging light oil resource plays. The Company controls a significant undeveloped land base of more than 480,000 net acres, more than 525 million barrels (gross) of internally estimated DPIIP and more than 500 gross (390 net) oil drilling locations. Surge will continue to grow the Company organically in each of its core areas and continue to make accretive acquisitions that fit its business plan of positioning Surge in high impact, emerging light oil resource plays. Surge is committed to delivering top quartile corporate performance and creating value for shareholders by growing reserves, cash flow and production on a per share basis.

Surge is pleased to confirm its previously announced guidance for 2012. The Company is forecasting a growth rate of more than 60 percent (35 percent per share) on average production and more than 40 percent (25 percent per share) on exit production from 2011 to 2012.

	2012 Guidance[2] **(Continued Light Oil Growth)**
Average Production:	9,750 boe/d (~74% oil & NGLs)
Exit Production:	11,000 boe/d (~77% oil & NGLs)
Capital Expenditures Including PrivateCo Acquisition:	$261 million
Capital Expenditures Excluding PrivateCo Acquisition:	$155 million
Planned 2012 Drills:	~56 gross (48.3 net)
Operating Netback:[3]	$43.75/boe
Average Funds from Operations ("FFO"):	$133 million
Average Funds FFO per basic share:	$1.87
Annualized Exit FFO:	$155 million
Annualized Exit FFO per basic share:	$2.19
Current Bank Line:	$175 million
Year End Net Debt:	$146 million
Shares Outstanding (Basic/Fully Diluted):	70.9 million/78.2 million

Surge is an oil focused oil and gas company with operations throughout Alberta, Manitoba and North Dakota. Surge's common shares trade on the Toronto Stock Exchange under the symbol SGY.

Forward Looking Statements:

This press release contains forward-looking statements. More particularly, this press release contains statements concerning anticipated: (1) capital expenditures for 2012, (2) exploration, development, and acquisition activities, (3) average and exit oil, NGLs and natural gas production during 2012, (4) production weighting for 2012 (5) funds from operations, (6) debt and bank facilities and (7) the completion of the PrivateCo acquisition.

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 and prevailing commodity prices and economic conditions.

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 uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. Certain of these risks are set out in more detail in Surge's Annual Information Form which has 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.

Note: 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 means barrel of oil equivalent per day.

In this press release: (1) mcf means thousand cubic feet; (2) mcf/d means thousand cubic feet per day (3) mmcf means million cubic feet; (4) mmcf/d means million cubic feet per day; (5) bbls means barrels; (6) mbbls means thousand barrels; (7) mmbbls means million barrels; (8) bbls/d means barrels per day; (9) bcf means billion cubic feet; (10) mboe means thousand barrels of oil equivalent; and (11) mmboe means million barrels of oil equivalent

Neither the TSX nor its Regulation Services Provider (as that term is defined in the policies of the TSX) accepts responsibility for the adequacy or accuracy of this release.

_____

[1] Discovered Petroleum Initially In Place (DPIIP) is defined as quantity of hydrocarbons that are estimated to be in place within a known accumulation, plus those estimated quantities in accumulations yet to be discovered. There is no certainty that it will be commercially viable to produce any portion of the resources. 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.

[2] Based on US$93.00/bbl WTI, CDN$$3.25/GJ AECO, US$/CDN$ exchange rate of $0.97.

[3] Based on Surge's estimated netback for 2012. Netback assumptions: Revenue/boe: $68.88; Op. and Transportation Costs: $13.17/boe; Royalties/boe: $11.96 and calculated by subtracting royalties and operating costs from revenues.

For further information:

Dan O'Neil, CEO
Surge Energy Inc.
Phone (403) 930-1020
Fax (403) 930-1011
Email doneil@surgeenergy.ca

Max Lof, CFO
Surge Energy Inc.
Phone (403) 930-1021
Fax (403) 930-1011
Email mlof@surgeenergy.ca

Surge Exceeds 2011 Exit Production Rate Estimate, Closes Previously Announced Light Oil Acquisition Increases its Bank Line
(130 KB)

---

https://surgeenergy.mediaroom.com/index.php?s=10448&item=106031