Surge Energy

Surge Energy Inc. Announces Operations Update

CALGARY, Dec. 10, 2012 /CNW/ - Surge Energy Inc. ("Surge" or the "Company") (TSX: SGY) announces operations update.

Surge has drilled, completed and placed on production all 22 gross (17.9 net) planned wells in the fourth quarter of 2012. As such, Surge is well positioned to meet its targeted exit production guidance of 11,000 boe per day.

At Valhalla South, Surge drilled, completed and tied-in three gross (1.96 net) horizontal multi-frac wells. All wells are currently on production, and although all of the wells have not produced for an entire month, it appears that on average the wells will exceed the Company's best 30 day average production rate of 620 boe per day per well. The Company is currently in the process of drilling one gross (0.44 net) horizontal multi-frac well, which is planned to be on production in early January 2013.

On November 27, 2012, Surge's 6-18 battery at Valhalla South experienced an unplanned outage. The battery was fully operational on Sunday December 9, 2012. The repair cost impact to Surge is estimated to be less than $300,000. As a result of this unplanned outage, Surge's fourth quarter production will be negatively impacted by approximately 600 boe per day.

The five gross (five net) horizontal multi-frac wells that were drilled and completed at Nipisi during the third quarter of 2012 have now cleaned up approximately 90 percent of their load fluid. Wells in the core of the structure are cleaning up well and are proving capable of meeting the Company's type curve expectations. Light oil production rates from recent down-dip step-out horizontal wells drilled along the south and west perimeter of the Slave Point pool have proved very encouraging, supporting the Company's belief that the pool is over 30 percent larger than originally thought. The Company's current estimate of DPIIP[1] is 85 million barrels in the northern block and 30 million barrels in the southern block.

At South East Alberta, Surge drilled and completed two gross (two net) horizontal wells into a new Cretaceous pool. These wells are producing at their best 30 day average production rate of 100 barrels of oil per day per well. In addition, two gross (two net) horizontal multi-frac wells were drilled and completed and have recovered most of their load fluid. These two wells are trending towards their best 30 day average production rate of 125 barrels of oil per day per well.

In North Dakota, all five of Surge's 100 percent operated wells, drilled from a single pad, are currently producing and are in various stages of load fluid recovery. All of these wells will be cleaned up before the end of the year and are forecast to produce at their best 30 day average production rate of 125 barrels of oil per day per well. The five gross (1.9 net) joint venture wells that Surge participated in during the third quarter were on production early in the fourth quarter. Production from these wells has exceeded the Company's type curve expectations.

Management continues to protect Surge's balance sheet with a strong risk management program. Surge has protected 61 percent of its forecast fourth quarter oil and NGL production after royalties with 70 percent participation in the upside above an average WTI floor price of C$89.84 per barrel. Surge also has a WTI-to-Edmonton oil differential swap for 2,000 barrel per day at $0.00 (no differential) for the fourth quarter of 2012. The Company has assembled more than 570 gross (435 net) oil drilling locations, made significant progress in reducing its cost structure and increasing netbacks and gained exposure to an internally estimated gross DPIIP of more than 680 million barrels, with multiple waterflood opportunities and exploration initiatives.

Surge expects to release its 2013 capital expenditure plans in mid-January 2013.

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 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. The Company currently has 71.2 million basic and 79.8 million fully diluted common shares outstanding.

---

[1] Discovered Petroleum Initially-In-Place or "DPIIP" (equivalent to discovered resources) 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 discovered petroleum initially in place includes production, reserves, and contingent resources; the remainder is unrecoverable. Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political, and regulatory matters, or a lack of markets. It is also appropriate to classify as contingent resources the estimated discovered recoverable quantities associated with a project in the early evaluation stage. Contingent Resources are further classified in accordance with the level of certainty associated with the estimates and may be subclassified based on project maturity and/or characterized by their economic status.

Forward-Looking Statements:

This press release contains forward-looking statements. More particularly, this press release contains statements concerning anticipated: (i) timing of the release of 2013 planned capital expenditures (ii) exploration, development, drilling, construction and acquisition activities, (iii) average and exit oil & natural gas production during 2012, (iv) expected results from completion technology, (v) initial production rates, (vi) production capacity (vii) operating and transportation costs and (viii) primary and secondary recovery potentials and implementation thereof.

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 and the application of regulatory and royalty regimes.

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.

This press release contains the term "netbacks" which is not a term recognized under IFRS Generally Accepted Accounting Principles ("GAAP"). The Company uses this measure to help evaluate its performance as well as to evaluate acquisitions. The Company considers netbacks as a key measure as it demonstrates its profitability relative to current commodity prices. Operating netbacks are calculated by taking total revenues (excluding derivative gains and losses) and subtracting royalties, operating expenses and transportations costs on a per boe basis. Funds flow netbacks are calculated by taking the operating netback, adding finance income and then subtracting interest costs, and general and administrative costs on a per boe basis.

In this press release: (i) mcf means thousand cubic feet; (ii) mcf/d means thousand cubic feet per day (iii) mmcf means million cubic feet; (iv) mmcf/d means million cubic feet per day; (v) bbls means barrels; (vi) mbbls means thousand barrels; (vii) mmbbls means million barrels; (viii) bbls/d means barrels per day; (ix) bcf means billion cubic feet; * mboe means thousand barrels of oil equivalent; and (xi) mmboe means million barrels of oil equivalent.

SOURCE: Surge Energy Inc.

For further information:

Dan O'Neil, President and 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 Energy Inc. Announces Operations Update
(144 KB)

---

https://surgeenergy.mediaroom.com/index.php?s=10448&item=135192