

Surge Energy Inc. Announces Strategic Transition to Sustainable Growth + Dividend Model; \$240 Million Acquisition of Elite, Large OOIP, Crude Oil Asset; \$225 Million Bought Deal Financing

Significant Increase to 2013 Production Exit Rate; and Significantly Larger Than Anticipated Dividend

CALGARY, June 11, 2013 - Surge Energy Inc. ("Surge" or the "Company") (TSX:SGY) announced today the orderly transition / conversion of the Company to a sustainable, moderate growth, dividend paying oil and gas company with high quality, focused, operated light and medium gravity crude oil assets.

Surge also announced an accretive acquisition of an elite, operated, medium gravity crude oil producing asset in the southwest area of Saskatchewan (the "Acquisition") with original oil in place ("OOIP")(1) of over 250 million barrels, and a recovery factor of less than 1.5 percent.

In conjunction with the Acquisition, Surge has entered into a \$225 million bought deal financing issuing (the "Surge Financing") with a syndicate of underwriters (the "Underwriters") led by Macquarie Capital Markets Canada Ltd. ("Macquarie"), and including GMP Securities L.P., National Bank Financial Inc., CIBC World Markets Inc., TD Securities Inc., Scotia Capital Inc., FirstEnergy Capital Corp., Dundee Securities Inc., Cormark Securities Inc., which is described in further detail below. Members of the Surge team will be participating in the Surge Financing.

Based upon the Company's detailed modeling, which was completed pursuant to the transition to a sustainable growth + dividend model, together with the very positive effects of the cash flow accretion from the Acquisition, Surge is now announcing a significant increase to the Company's projected 2013 production exit rate, and a substantially higher dividend than management had been modeling for Surge on a "stand alone" basis.

Upon completion of the Acquisition, Surge will commence the payment of an initial monthly dividend of \$0.0333 per share, or \$0.40 per share per annum, on August 1, 2013.

TRANSITION TO SUSTAINABLE GROWTH + DIVIDEND MODEL - STRATEGIC RATIONALE

As discussed in the Company's press release dated May 8, 2013, Surge has a high quality, high netback, reserves, production and cash flow base focused primarily in just 3 high quality, operated, crude oil properties. Over 90 percent of the Company's assets are concentrated in these 3 elite properties in the Valhalla, Nipisi and Silver areas of Alberta. These core assets are characterized by large OOIP reservoirs, with low recovery factors, significant upside from infill and step-out development drilling, and successful water flood implementation.

In addition, in the first quarter of 2013 Surge delivered the best drilling quarter in the Company's history, with 3 significant exploration discoveries at its core properties of Valhalla, Nipisi and Silver, respectively.

In spite of these very positive developments, Surge continues to trade at a significant discount to the Company's net asset value. At year-end 2012, Surge's independent engineering report provided an estimate net asset value of \$8.21 per basic share, before tax, based on proved plus probable reserves (PV10).

Consequently, given that Surge has an elite, high quality crude oil asset and opportunity base, and that the Company's true value as a growth junior is being significantly discounted, Surge's management and Board unanimously believe and agree that an orderly transition to a sustainable growth plus dividend business model is appropriate and well suited for the Company on a go-forward basis.

Consequently, Surge's management and Board have:

1. Retained Mr. Paul Colborne as President and CEO of Surge. Mr. Colborne has successfully led 3 high growth juniors in the Canadian oil and gas industry and successfully transitioned these companies into elite, moderate growth, dividend paying companies with excellent results.
2. Completed a detailed 10 week technical analysis of Surge and its assets.

3. Successfully negotiated and closed a non-core asset sale for proceeds of US\$42.75 million that significantly reduces the Company's debt to forward cash flow ratio, and now provides over \$80 million of credit availability on the Company's bank line. This strategic, non-core asset sale was completed at a 16 percent premium to Surge's NPV10 proven plus probable valuation for such assets.
4. Completed a detailed, 7 week, financial analysis of the Company in its transition to a sustainable, moderate growth, dividend paying business model, including:
 - a. Selecting sustainable base production levels that allow the Company's decline rates to reduce to less than 25 percent annually;
 - b. Selecting coincident cash flow estimates that fund capital expenditure for sustainable production levels, provide solid, attractive dividends, AND have substantial additional cash remaining for debt reduction, share buy-backs, dividend increases, or as protection against commodity price volatility;
 - c. Utilizing conservative capital spending estimates, and a sustainable dividend policy, that preserve the Company's solid balance sheet, and are resilient with respect to a drop in commodity prices; and
 - d. Utilizing balance sheet and cash flow management techniques, including non-core asset sales and implementation of a comprehensive risk management/hedging program, to manage the Company's financial position and lock-in cash flows.
5. Successfully negotiated and closed a Settlement Agreement dated May 23, 2013 regarding a dispute relating to the southern portion of the Company's core, operated, light oil property at Valhalla.

The results of management's actions with regard to the orderly transition of Surge to a sustainable growth, dividend paying business model, are very positive and exciting for shareholders. The Company has proven leadership, an elite, focused, operated, crude oil asset and opportunity base, and a solid balance sheet - which are all necessary ingredients for this transition.

On this basis, Surge will now:

1. Grow, cost effectively, 3 to 5 percent per year on a reserves, production and cash flow per share basis; AND

2. Provide a sustainable, resilient, annual dividend to shareholders, payable monthly; AND
3. Provide additional growth through accretive acquisitions of new, high quality, large OOIP assets with low recovery factors.

ACQUISITION OF ELITE, LARGE OOIP CRUDE OIL ASSET

Pursuant to a purchase and sale agreement with a large Canadian independent oil and gas company, dated June 11, 2013, Surge has agreed to acquire an elite, large OOIP, producing crude oil asset located in the southwest area of Saskatchewan. Details of this exciting, high quality, accretive Acquisition are set forth below:

1. Contiguous Land Base; Operatorship; High Working Interests:

- The lands comprising the Acquisition (the "Lands") include 54 contiguous sections in one of the largest reservoirs in the Province of Saskatchewan.
- The Lands are located in the southwest area of Saskatchewan, and are 100 percent operated with an average working interest of 98 percent.

2. Large OOIP; Low Recovery Factors:

- Surge's detailed internal mapping indicates more than 230 million barrels of OOIP in the Lower Shaunavon formation on the acquired Lands - with only 1.5 percent of the OOIP recovered to date.
- Surge also maps an additional 20 to 30 million barrels of OOIP in the Upper Shaunavon formation, which provides significant additional upside.

3. High Quality Reserves:

- The Acquisition includes 10.62 million barrels of independently engineered reserves on a proven plus probable basis (McDaniel engineering report effective April 1, 2013). This equates to a purchase price of \$22.59 per barrel.
- The McDaniel reserve report has only 61 gross locations booked, and does not include any reserves booked for waterflood upside.

4. Solid Production Base; Attractive Netbacks:

- Current production is in excess of 3,600 barrels of oil per day of medium gravity crude oil, which equates to a purchase price of less than \$67,000 per flowing barrel of oil per day.
- Netbacks are greater than \$50 per barrel based on current pricing. The recycle ratio associated with the Acquisition metrics is greater than 2 times.

5. Substantial Unbooked Upside:

- Surge estimates approximately 210 gross unbooked crude oil drilling locations on the acquired Lands in the Lower and Upper Shaunavon formation based on eight wells per section spacing in the Lower Shaunavon formation.
- The Company also estimates significant unbooked upside for waterflood recovery as the assets are fully developed over time.

6. Additional Value:

- The acquired assets also include:
 - Key producing infrastructure, including new crude oil batteries and pipelines; and
 - Full tax pool coverage.

The Acquisition is accretive to Surge on a debt-adjusted production and cash flow per share basis, and is set to close on or before July 16, 2013.

BOUGHT DEAL FINANCING

In connection with the Acquisition, Surge has entered into a bought-deal financing with a syndicate of underwriters (the "Underwriters") led by Macquarie. Under the terms of the agreement, the Company will issue 15,000,000 units ("Units" or "Offered Securities") of the Company at a price of \$15.00 per Unit ("Offering Price") for gross proceeds of \$225 million. Each Unit will be comprised of 1 common share ("Common Share") of the Company at a price of \$5.00 per Common Share and 2 subscription receipts ("Subscription Receipts") at a price of \$5.00 per Subscription Receipt (the "Subscription Receipt Offering Price") of the Company. The Underwriters will have an option to purchase up to an additional 15% of the Subscription Receipts, on the same terms, exercisable in whole or in part within a period of 48 hours prior to Closing of the Surge Financing.

The gross proceeds from the issuance of Common Shares will be used to pay down debt and for general corporate purposes and the gross proceeds from the issuance of Subscription Receipts will be used to partially fund the Acquisition.

The Surge Financing will be completed by way of short form prospectus in all of the provinces of Canada and on a private placement basis in the United States pursuant to exemptions from the registration requirements of the U.S securities laws. The Surge Financing is subject to customary conditions including receipt of applicable regulatory approvals and is expected to close on or about July 3, 2013.

The gross proceeds from the sale of Subscription Receipts will be held in escrow pending the satisfaction of all conditions to the completion of the Acquisition, provided that the closing date of the Acquisition is on or before September 30, 2013, upon which time each Subscription Receipt will entitle the holder to receive a Surge share, without further payment or action on the part of the holder, upon the closing of the Acquisition. If the Acquisition is not completed on or before September 30, 2013 or is terminated at an earlier time, holders of Subscription Receipts will receive, for each Subscription Receipt held, a cash payment equal to the Subscription Receipt Offering Price and any interest earned thereon during the term of the escrow.

Members of the Surge team will be participating in the Surge Financing.

PROFORMA SURGE - SIGNIFICANT INCREASE TO 2013 PRODUCTION EXIT RATE; AND SUBSTANTIALLY HIGHER DIVIDEND

As a result of the accretive Acquisition, Surge is now projecting a significant increase to the Company's 2013 production exit rate, and a substantially higher dividend rate than management had been anticipating for Surge prior to the Acquisition.

In addition, Surge will now be initiating its monthly dividend policy on August 1st 2013, rather than on September 1st 2013, which management had been modeling.

Proforma the Acquisition, Surge now has the following key operating and financial indicia:

	Surge Dividend Model Pre-Acquisition(2)	Surge Dividend Model Post-Acquisition(3)
2014E first quarter		
production	8,300-8,400 boe/d	12,000 boe/d
% Oil & liquids	approx. 71%	approx. 78%
2014E Average production	approx. 8,300 boe/d	12,100 boe/d
% Oil & liquids	approx. 71%	approx. 78%
2014E Exit production	8,400-8,500 boe/d	12,500 boe/d
% Oil & liquids	approx. 70%	approx. 77%
2P Reserves	44.0 mmboe	54.6 mmboe
RLI (based on 2013E Exit production)	greater than 14 years	greater than 12 years
2014E Funds from operations ("FFO")	\$84 million	\$142 million
Per share (basic)	\$0.97	\$1.21 per share
2014E Operating netback	\$33.39/boe	\$37.63/boe
2014E Cash flow netback	\$28.40/boe	\$33.05/boe
2014E Development capital spending	\$48 million	\$85 million
2014E Wells Drilled	approx. 14 wells	less than 30 wells

Decline Rate	less than 25%	less than 25%
Annual dividend	\$26 million	\$47 million
	\$0.30 per share per	\$0.40 per share per
Dividend per share	annum	annum
Basic Payout Ratio 2014E	31%	33%
"All-in" Payout Ratio	88%	92%
2013E Year-end net debt	\$126 million	\$222 million
2013E Year-end net debt /		
2014E FFO	1.5x	1.6x
Bank line	\$277 million	\$350 million
Shares outstanding		
(basic)	87 million	117 million
2014 Edmonton par	\$88.66/bbl	\$88.66/bbl
2014 AECO gas	\$3.69/mcf	\$3.69/mcf
2014 CAD/USD	\$0.98	\$0.98

2. Based on \$75 million Common Share Financing as described above.

3. Based on \$225 million financing as described above.

Additional key highlights of Proforma Surge:

1. Significant Upside:

1. Surge also has 8,440 mcf per day of AECO natural gas hedged at CAD\$3.40 for the remainder of 2013, and 4,220 mcf per day of AECO natural gas hedged at CAD\$3.70 for 2014.

2. Risk Management/Hedging Program:

1. Pursuant to the transition to dividend paying business model, the Company will be initiating an orderly, on-going, risk management/hedging program designed to lock in future cash flows to protect the Company's capital expenditure program and fund

dividends.

2. In conjunction with the closing of the Acquisition, Surge now has 2,850 barrels per day of WTI oil hedged at almost CAD\$94.00 for the second half of 2013, and 2,000 barrels per day of WTI oil hedged at approximately CAD\$93.00 for 2014.

3. Surge has a large, lower risk, development drilling inventory of over 500 gross locations for light and medium gravity crude oil. This represents an inventory of over 10 years.

3. Tax Pools:

1. Proforma the Acquisition, Surge estimates it will have over \$725 million of available tax pools, providing substantial current tax coverage until 2016 at the earliest.

ELITE, NEW, SUSTAINABLE DIVCO

Surge Energy Inc. has the highest standards of honesty, business ethics and integrity. Managements' stated goal is to be the best positioned junior/intermediate oil and gas company in Canada.

Surge has a high quality crude oil reserve, production and cash flow base, focused in just 4 key assets. The Company has elite, operated properties characterized by large OOIP crude oil reservoirs with low recovery factors. Surge has an extensive 10 year inventory of low risk development drilling locations, several high quality waterflood projects, and an excellent balance sheet. Management has initiated an orderly, on-going risk management/hedging program designed to protect cash flows, fund capital expenditures, and to pay dividends.

Surge has a low payout ratio of 33 percent, providing an "all-in" sustainability ratio of 92%. Surge management are very excited about the orderly transition into a sustainable, moderate growth, dividend paying oil and gas company with our elite, focused, operated, light and medium gravity crude oil assets.

FINANCIAL ADVISORY

Macquarie acted as exclusive financial advisor to Surge with respect to the Acquisition.

FORWARD-LOOKING STATEMENTS:

This press release contains forward-looking statements. More particularly, this press release contains statements concerning anticipated: (i) timing and completion of the Acquisition and Surge Financing, expectations and assumptions concerning timing of receipt of required regulatory approvals and the satisfaction of other conditions to the completion of the Acquisition and Surge Financing, (ii) potential development opportunities and drilling locations associated with the Acquisition, expectations and assumptions concerning the success of future drilling and development activities, the performance of existing wells, the performance of new wells, the successful application of technology and the geological characteristics of the Acquisition, (iii) the timing and amount of future dividend payments, (iv) oil & natural gas production growth during 2013, (v) debt and bank facilities, (vi) hedging results, (vii) primary and secondary recovery potentials and implementation thereof, (viii) potential acquisitions, (ix) potential dispositions, (x) reductions of operating costs and general and administrative expenses, (xi) potential normal course issuer bid, and (xiii) realization of anticipated benefits of acquisitions.

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 news release does not constitute an offer to sell or a solicitation of an offer to buy any of the securities in the United States. The securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws and may not be offered or sold within the United States or to U.S. Persons unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available.

(1) 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, 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. A recovery project cannot be defined for this volume of DPIIP at this time, and as such it cannot be further sub-categorized.

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.

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