Surge Energy Inc. Exceeds 2010 Exit Production Guidance, Reiterates 2011 Production Guidance and Provides Light Oil Operations Update

CALGARY, Feb. 14 /CNW/ - Surge Energy Inc. ("Surge" or the "Company") (TSX-Venture Exchange: SGY) is pleased to announce it has exceeded its 2010 exit production guidance of 4,500 boe/d (greater than 60 percent weighted to oil and NGLs) and is reiterating its 2011 average and exit production guidance of 5,500 boe/d (greater than 65 percent weighted to oil and NGLs) and 6,500 boe/d (greater than 70 percent oil and NGLs). The Company is also pleased to provide a light oil operations update relating to fourth quarter 2010 and early first quarter 2011.

The Company drilled nine horizontal multi-fracture ("multi-frac") wells and one un-fraced horizontal well in the fourth quarter 2010. Specifically, drilling activity included three wells at Windfall, five wells at Waskada, one well at Valhalla South, and one well at Conrad. Well completion activity and production start up operations on these wells have continued into the first quarter of 2011, resulting in continued operational momentum for Surge. At Valhalla South, the Company has successfully drilled its first horizontal Doig well, is currently drilling its second horizontal Doig well and has successfully re-fraced an existing vertical well in the Doig pool. Surge has also spud its fifth horizontal well at Windfall.

In addition to the drilling operations, Surge has added 640 net acres to its land position at Valhalla South and entered into an agreement to acquire a 50 percent working interest in a key section in the Doig pool, on which it expects to drill one horizontal well prior to spring break-up. The Company also acquired an additional 2,720 net acres prospective for light oil within the Bluesky pool at Windfall and expects to close further small acquisitions at Valhalla South, Provost and in the Spearfish light oil play by the end of March 2011.

Windfall Bluesky Light Oil Play

The first Surge horizontal multi-frac well (16-9-59-15-W5) drilled into the Bluesky light oil pool (36 degree API) encountered approximately 1,000 meters of horizontal section and was completed utilizing ten, 40 tonne frac stages. The well has a flowing first month average production rate of approximately 430 boe/d (335 bbls/d). The well's performance is more than double the performance of the first horizontal multi-frac well (9-9-59-15-W5), which was 700 meters in length and completed with six, 25 tonne frac stages and averaged approximately 200 boe/d (130 bbls/d) in its first month of production. This performance supports the premise that larger fracs per stage and longer horizontal lengths, which accommodate more frac stages, will ultimately enhance the rates of return per well. Surge estimates the average cost to drill, complete, and tie-in wells in the Bluesky will range between $3.3 and $3.5 million.

Surge's second and third horizontal multi-frac wells (1-4-59-15-W5 and 13-10-59-15-W5) are currently cleaning up frac fluid and are producing various amounts of oil and gas along with the frac fluid. Surge plans to publicly update the performance of its operated horizontal multi-frac wells once a full month of frac fluid free production has been obtained.

The fourth well (16-29-58-15-W5) drilled into the pool encountered approximately 900 meters of horizontal section in the Bluesky. The well has been rig released and a multi-frac completion is expected to commence the third week of February 2011. This well was drilled as a step out well and confirmed that the pool extends two miles south of current production. Surge is currently drilling the fifth horizontal well (6-9-58-15-W5) in the southern most portion of the pool. It is directly offsetting a vertical well (6-16-58-15-W5) which was re-activated in December 2010. The re-activated vertical well is currently producing 25 boe/d (100 percent oil).

Surge was successful in acquiring an additional 2,720 net acres at Windfall prospective for light oil in the Bluesky pool. As a result of this land acquisition and recent drilling activity, the Company has increased its net risked Bluesky locations from 28 to 36. Surge will have 31 horizontal multi-frac drilling locations left in inventory after the completion of the current five drills.

The Company expects to have the construction of its battery facility completed and operating by the third week of February 2011. The facility is expected to cost approximately $3 million (ten percent under budget) and is forecast to payout in less than two years.

Waskada Spearfish

Surge successfully drilled, completed, and tied-in five Spearfish horizontal multi-frac oil wells at Waskada in the fourth quarter 2010. Each well was completed with 15 frac stages and artificial lift and began producing in late December 2010. All five wells have been on production for one month and have recently been producing at a combined oil rate of approximately 540 bbls/d (34 degree API). Surge is encouraged by the individual well rates and oil cuts after recovering frac fluid during the first month of production. Individual well production performance is still being optimized, which should result in additional production capability for each well.

The wells produced intermittently due to difficult weather conditions during the first few weeks of frac fluid recovery and have now been consistently on production for several weeks. The program well costs were as expected, averaging $1.2 million per

well.

Valhalla South Doig

Surge has successfully drilled and completed its first horizontal well (16-6-74-8-W6) into the Doig light oil pool (40 degree API) which encountered over 1,300 meters of Doig Formation in the horizontal section. Thirteen, 30 tonne frac stages have been successfully placed and it is currently being configured to produce back the frac fluid and hydrocarbon. Surge is currently drilling its second horizontal well (2-7-74-8-W6) into the Doig pool.

In January 2011, Surge performed its first vertical well re-frac on 9-7-75-8-W6, one of 23 existing vertical wells in the Doig pool, for an all-in cost of approximately $250,000. The intention of the re-frac was twofold. First, to confirm that the reservoir is compartmentalized and that the original vertical wells are only communicating with a small part of the reservoir; and second, to apply and learn from Surge's frac design/assumptions on a vertical well prior to pumping 13 stages on the 16-6 horizontal well. The 9-7 vertical well was originally completed in 2007 with one 10.5 tonne frac. Prior to the re-frac, the well was producing approximately 20 boe/d (25 percent oil and NGLs). Surge's 30 tonne re-frac resulted in the well producing at an average rate of approximately 290 boe/d (51 percent oil and NGLs) during a two week period and has increased Surge's net production at Valhalla South from approximately 700 boe/d to 990 boe/d. Surge believes that the majority of the 23 gross (17.1 net) vertical wells that were originally completed in the Doig are re-frac candidates.

The Company has increased its net horizontal drilling inventory at Valhalla South by three wells as a result of acquiring an additional 640 net acres of land and entering into an agreement to acquire a 50 percent working interest in a key section of land in the Doig pool. Surge has identified 25 gross (18.3 net) infill drilling locations at Valhalla South and has increased its capture of the internally estimated (discovered) petroleum initially in place [(1)] of 115 mmbbls from 80 percent to 86 percent. The Company will have 23 gross (16.3 net) horizontal multi-frac drilling locations left in inventory after the completion of the current two drills.

Surge is a light oil focused energy production company with operations throughout Alberta and southwest Manitoba. Surge's common shares trade on the TSX Venture Exchange under the symbol SGY and has 56.1 million basic and 61.2 million fully diluted common shares outstanding at the date of this press release.

Forward Looking Statements:

This press release contains forward-looking statements. More particularly, this press release contains statements concerning anticipated capital expenditures for the remainder of 2011, potential geological characteristics of the Company's properties, the potential for enhanced recovery and production from the application of completion and reservoir management techniques, and exploration, development, and acquisition activities.

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.

(1) There is no certainty that it will be commercially viable to produce any portion of the resources.

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

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