Surge Energy Inc. Announces Material Operations Update at Valhalla South and Increase in Bank Line

CALGARY, Sept. 12, 2011 /CNW/ - Surge Energy Inc. (" **Surge**" or the "**Company**") (TSXV: SGY) is pleased to provide the results of its fifth horizontal multi-frac well at Valhalla South, and to announce that it has confirmed its bank line at $150 million.

Operations Update:

Surge is pleased to provide the following operations update with respect to its Valhalla property due to drilling results which are believed to be material.

Surge's fifth horizontal well (16-7-74-8W6M; 100 percent working interest "WI") in the Valhalla South Doig light oil pool (40 degree API) has been successfully drilled and completed. The well encountered approximately 820 meters of Doig Formation and was completed with nine frac stages averaging approximately 30 Tonnes of proppant per frac. A five day flow test on the well has been recently completed, resulting in flow rates averaging 1,992 boe per day (78 percent light oil and NGLs) with the last day of the test flowing at a rate of 1,866 boe per day (72 percent light oil and NGLs). The well produced through the 114.3mm (4.5") tie back liner.

This five day rate for 16-7, is comparable to that of Surge's previously announced horizontal multi-frac well at 11-18-074-08W6 (71 percent WI), which had a five day flow test rate of 1,979 boe per day (82 percent light oil and NGLs) with the last day of testing flowing at a rate of 1,903 boe per day (77 percent light oil and NGLs). The 11-18 well averaged approximately 1,180 boe per day (72 percent light oil and NGLs) for the first 30 producing days which is well above the Company's type curve for the area (675 boe per day), and it was producing approximately 870 boe per day (73 percent light oil and NGLs) on September 1, 2011 when it was last tested. The first month average production rate for Surge's 16-7 well is expected to be in line with results from 11-18.

Surge began drilling its sixth horizontal multi-frac well into the pool (8-31-073-08W6; 100 percent WI) during August 2011 with plans of having production on stream in the fourth quarter of 2011. The Company has one more horizontal multi-frac well (11-5-074-08W6; 100 percent WI) budgeted for the remainder of 2011 for a total of seven gross horizontal multi-frac wells budgeted for 2011.

In addition to operations at Valhalla South, Surge is actively drilling in each of its other core areas at Windfall, Waskada and South East Alberta. At Windfall, the Company has recently drilled and completed its sixth horizontal multi-frac well and is currently drilling its seventh well into the Bluesky light oil pool (36 degree API). At Waskada, Surge has commenced its nine horizontal multi-frac well drilling program targeting the Spearfish light oil Formation (36 degree API) and now has three wells drilled and cased. In South East Alberta, the Company continues to exploit its low cost, low decline, high rate of return crude oil assets via infill drilling and waterflood. Surge will drill a combination of vertical and horizontal wells in the area during the third and fourth quarters of 2011.

Increase in Bank Line:

Surge has recently confirmed the Company's bank line at $150 million, up from $120 million. The increase is subject to standard legal documentation which is in the process of being finalized.

Surge is an oil focused oil and gas company with operations throughout Alberta, Manitoba and North Dakota. Surge's common shares trade on the TSX Venture Exchange under the symbol SGY and currently has 56.1 million basic and 63.2 million fully diluted common shares outstanding.

Forward Looking Statements:

This press release contains forward-looking statements. More particularly, this press release contains statements concerning anticipated: (i) capital expenditures for the remainder 2011, (ii) exploration, development, and acquisition activities and (iii) debt and bank facilities. 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.

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.

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

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

---

https://surgeenergy.mediaroom.com/index.php?s=10448&item=60410