SURGE ENERGY INC. ANNOUNCES $37.2 MILLION SPARKY CORE AREA ACQUISITION; $40 MILLION CONVERTIBLE DEBENTURE FINANCING; UPWARD REVISION TO 2017 EXIT GUIDANCE; 2018 PRELIMINARY GUIDANCE

CALGARY, ALBERTA (October 26, 2017)

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Surge Energy Inc. (“Surge” or the “Company”) (TSX: SGY) is pleased to announce the acquisition (the “Acquisition”) of a low decline, high netback, waterflooded, crude oil producing asset (the “Assets”) in its core Sparky area of Central Alberta for a purchase price of $37.2 million , which closed on September 8, 2017. Surge has identified up to 38 net Sparky development drilling locations on the Assets.

The Assets have current core production of more than 780 boepd (95 percent oil), an annual decline of less than 15 percent, and a netback of more than $25 per boe at US$55 WTI pricing. The Acquisition is accretive to Surge on all key per share metrics. The Assets have internally estimated original oil in place (“OOIP”[1]) of over 100 million barrels, and are laterally adjacent to Surge’s high netback, large OOIP, crude oil Sparky property at Eyehill.

Surge is also pleased to announce that it has entered into a $40 million bought-deal financing (the “Convertible Debenture Financing”) of five-year convertible unsecured subordinated debentures (the “Debentures”) with a syndicate of underwriters (the “Underwriters”) led by National Bank Financial Inc. (“NBF”). The Debentures will have a coupon of 5.75 percent per annum, and a conversion price of $2.75 per Surge common share (“Common Share”).

In conjunction with the Acquisition, Surge is also revising upward the Company’s 2017 exit production guidance from 15,150 boepd to 15,850 boepd (82 percent oil).

[1] Original Oil in Place (OOIP) is the equivalent to Discovered Petroleum Initially In Place (DPIIP) for the purposes of this press release.

Further, Surge is now projecting that production in 2018 will average more than 16,150 boepd, with a 2018 production exit rate of 16,650 boepd (see “UPWARD REVISION TO 2017 GUIDANCE; PRELIMINARY 2018 GUIDANCE” below).

THE SPARKY ACQUISITION

The Acquisition is entirely consistent with Surge’s stated goal of acquiring high quality, operated, large OOIP, conventional crude oil reservoirs with low recovery factors. The Assets are located in the Company’s estimated half a billion barrel net OOIP, Sparky/Lloyd fairway in Central Alberta; they are immediately offsetting Surge’s core Sparky Eyehill property; and they have the following attributes:

- More than 100 million barrels of internally estimated OOIP; with an estimated recovery factor of 16 percent;
- 780 boepd (95% oil) of operated low decline, oil-weighted production (i.e. less than a 15 percent annual decline);
- Long life reserves – over 4.1 mmboe of internally estimated proved and probable reserves as of September 8, 2017 (i.e. >13 year RLI);
- A portion of the production is under successful, active waterflood (with additional waterflood upside in the primary Sparky MM pool - which is currently producing with a 40 percent oil cut);
- Up to 38 net developmental drilling locations, of which 20 are included in Surge’s internal estimates above;
- Operating netbacks > $25 per boe at US$55 WTI;
- Sustaining capital of $2.5 million, with anticipated annual cash flow from operating activities of more than $7.25 million;
- Implied free cash flow yield of more than 65 percent.

Macquarie Capital Markets Canada Ltd. and NBF are acting as financial advisors to Surge with respect to the Transaction. McCarthy Tétrault LLP is acting as legal advisor to Surge with respect to the transaction.

ATTRACTIVE DEAL METRICS

The $37.2 million Acquisition has the following transaction metrics:

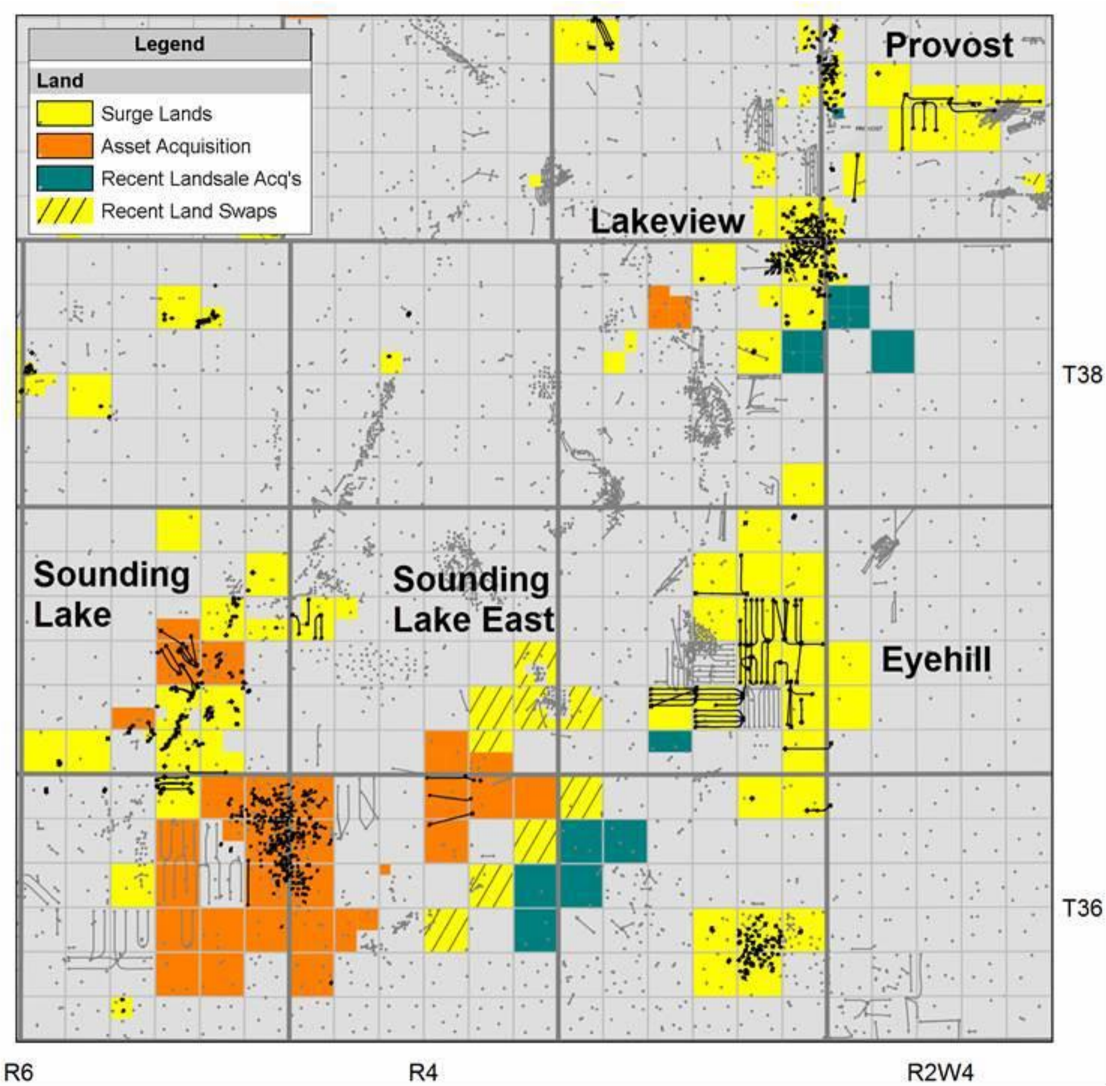
Current Production Multiple	780 boepd (95 percent oil); $47,700 per flowing boepd
2017 Annualized Adjusted Funds Flow from Operations Multiple[2]	5.1x
Total Proved Plus Probable Reserves Multiple (Internally Estimated)	$9.07/boe
Recycle Ratio	2.76x
Reserve Life Index (RLI)	>13 years

This Acquisition is accretive on all key per share metrics, including four percent on internally estimated proved plus probable reserves, and five percent on 2017 adjusted funds flow from operations and production per share, respectively.

STRATEGIC FIT WITH SURGE'S CORE SPARKY ASSETS

Production in Surge's Sparky core area has increased 120 percent over the last 18 months, from 2,850 boepd to over 6,350 boepd (85 percent oil) today. Each of Surge's core assets depicted below can be characterized as a high quality, low risk, operated, large OOIP, conventional sandstone reservoir.

[2] 2017 guidance and Acquisition metrics are based off of US $55 WTI/bbl; CAD $72.80 WTI/bbl; EDM CAD $68.12/bbl; WCS CAD $52.70/bbl; AECO CAD$2.95/mcf.



SPARKY AREA - A CONVENTIONAL RESOURCE GROWTH ENGINE

Over the last 18 months, Surge has had better than anticipated success in growing the Company's Sparky core area – turning its key producing Sparky asset base into a low cost, high netback, conventional resource growth engine. Over the past six months, Surge has completed two separate Sparky core area acquisitions, purchasing over 1,600 boepd (90% oil) combined, for approximately 5.0x forward adjusted funds flow from operations. The combination of these transactions, together with Surge's highly successful development drilling program, have allowed the Company to amass an exciting core growth area with the following characteristics:

- Since mid - 2016, Surge has increased the Company's internally estimated net OOIP in the Sparky core area to over 600 million barrels, and added more than 90 Surge internally estimated drilling locations (i.e. four additional years of Sparky drilling inventory at the Company's current pace);
- Surge's internally estimated proved plus probable oil reserves in the Sparky core area have grown 58 percent from 18 million boe (independently engineered 2015 Sparky area reserves), to an internal estimate of more than 28.6 million boe today;
- Production from Surge's Sparky core area has increased by over 120 percent in the last 18 months from approximately 2,850 boepd to over 6,350 boepd today (85 percent oil);
- Today Surge has more than 250 internally estimated, low risk, Sparky area, development drilling locations – providing shareholders with a 10-year inventory of high rate of return (and excellent profit to investment ratio) locations at strip oil prices; and
- In addition, Surge is now experiencing significant economies of scale based upon regional dominance in this key growth area in terms of services, land, infrastructure, and existing production.

Management see's further opportunity to both expand and consolidate Surge's position in the Sparky core area, utilizing the following strategies: 1) organically grow through land acquisitions and follow-up development drilling; and 2) actively pursue, evaluate, and transact on accretive acquisitions of large OOIP, long life, low decline, conventional sandstone reservoirs.

At a land sale on July 19, 2017, Surge acquired five sections of prospective Sparky acreage. This newly acquired Crown land has existing vertical well control, and is directly adjacent to the Assets, as well as Surge's existing Eyehill property. Surge has identified a minimum of 10 drilling locations on these lands, with full waterflood upside.

Additionally, at a recent land sale on September 27, 2017, Surge acquired 2.5 additional key sections of highly prospective Crown land at the Company's core Lakeview and Eyehill assets. Surge estimates these lands have 11, low risk, development drilling locations, and full waterflood upside.

Further, in the last few weeks Surge has executed two strategic swap transactions to 'top-up' in the Company's core Sparky lands.

Surge has now identified several distinct assets in its Sparky core area that will underpin growth for the foreseeable future. The Company’s key operated assets at Eyehill, Lakeview, Sounding Lake, Sounding Lake East, Betty Lake, Provost, and Macklin all possess multi-year development drilling inventories, exciting growth prospects, and waterflood upside.

The additional available room under the Company’s credit facility following the partial repayment of the outstanding indebtedness thereunder using the net proceeds of the Convertible Debt Financing will help facilitate Surge’s aggressive Sparky growth plan. Projects that have been identified include a seismic shoot and new battery at Betty Lake, a new battery at Sounding Lake East, and a battery expansion at Eyehill.

Early in Q4 2017 Surge conducted 3D seismic operations, and successfully drilled the Company’s first well, at it’s operated, 100 percent working interest, 80 million net barrels of internally estimated OOIP Sparky asset at Betty Lake.

Overall, the Company anticipates its Sparky core area to grow from 6,350 boepd currently, to over 10,000 boepd over the next three to four years.

CONVERTIBLE DEBENTURE FINANCING

Surge is pleased to announce that it has entered into an agreement with a syndicate of Underwriters, led by NBF pursuant to which the Underwriters will purchase $40.0 million principal amount of Debentures at a price of $1,000 per Debenture, on a "bought deal" basis.

The net proceeds from the Convertible Debenture Financing will be used to pay down a portion of the outstanding indebtedness under the Company's revolving term credit facility.

The Debentures will mature and be repayable on December 31, 2022 (the "Maturity Date") and will accrue interest at the rate of 5.75 percent per annum payable semi-annually in arrears on December 31 and June 30 of each year (each an "Interest Payment Date"), with the first such payment to be made June 30, 2018. The Company has the option to satisfy its obligation to repay the principal amount of the Debentures, in whole or in part, due on the Maturity Date upon at least 40 days' and not more than 60 days' prior notice, by delivering that number of freely tradable Common Shares obtained by dividing the principal amount of the Debentures by 95% of the volume weighted average trading price of the Common

Shares on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the Maturity Date.

At the holder's option, the Debentures may be converted into Common Shares at any time prior to the close of business on the earlier of the business day immediately preceding (i) the Maturity Date, (ii) if called for redemption, the date fixed for redemption by the Company, at a conversion price of $2.75 per Common Share, subject to adjustment in certain events (the "Conversion Price"). This represents a conversion rate of approximately 363.6364 Common Shares for each $1,000 principal amount of Debentures, subject to certain anti-dilution provisions. Holders who convert their Debentures will receive accrued and unpaid interest for the period from the date of the last Interest Payment Date prior to the date of conversion to the date of conversion. In addition to the foregoing, in the event of a change of control of the Company, subject to certain terms and conditions, holders of Debentures will be entitled to convert their Debentures and, subject to certain limitations, receive, in addition to the number of Common Shares they would otherwise be entitled to receive, an additional number of Common Shares per $1,000 principal amount of Debentures.

The Debentures will be direct, subordinated unsecured obligations of the Company, subordinated to any senior indebtedness of the Company, including the Company's revolving credit facility, and ranking equally with one another and with all other existing and future subordinated unsecured indebtedness of the Company to the extent subordinated on the same terms.

The Debentures may not be redeemed by the Corporation prior to December 31, 2020. On or after December 31, 2020 and prior to December 31, 2021, the Debentures may be redeemed by the Corporation, in whole or in part, from time to time, on not more than 60 days and not less than 30 days prior notice at a redemption price equal to their principal amount plus accrued and unpaid interest, if any, provided that the volume weighted average trading price of the Common Shares on the TSX for the 20 consecutive trading days prior to the date on which notice of redemption is provided is not less than 125 percent of the Conversion Price. On or after December 31, 2021 and prior to the Maturity Date, the Debentures may be redeemed by the Corporation, in whole or in part, from time to time, on not more than 60 days and not less than 30 days prior notice at a redemption price equal to their principal amount plus accrued and unpaid interest, if any. Provided that, subject to certain conditions, the Company has the option to satisfy its obligation to repay the principal amount of the Debentures, in whole or in part, due upon redemption, by delivering that number of freely tradable Common Shares obtained by dividing the principal amount of the Debentures by 95% of the volume weighted average trading price of the Common

Shares on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the date of redemption.

The Debentures will be offered in all provinces of Canada, by way of short form prospectus and in certain other jurisdictions as may be agreed by the Underwriters and the Company pursuant to prospectus exemptions. The Convertible Debenture Financing is expected to close on or about November 15, 2017 and is subject to certain conditions including, but not limited to, the receipt of all necessary approvals, including the approval of the Toronto Stock Exchange.

The Debentures offered, and the Common Shares issuable on conversion thereof, have not and will not be registered under the U.S. Securities Act of 1933, as amended (the "Act"), and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements under the Act. This press release does not constitute an offer to sell or a solicitation of any offer to buy the common shares in the United States.

As a result of the Financing, Surge expects to have approximately $75 million of availability under its current credit facility (prior to receiving any lending value attributed to the Acquisition).

UPWARD REVISION TO 2017 EXIT GUIDANCE; PRELIMINARY 2018 GUIDANCE

Surge’s Q3 2017 production of 15,007 boepd again exceeded budgeted expectations, with only a small contribution from the Acquisition, which closed on September 8, 2017.

In the past six months, Surge has now completed two accretive, core-area acquisitions in the Company’s large OOIP core Sparky play; adding approximately 1,600 boepd of oil-weighted production. These two acquisitions have added more than 65 (net), internally estimated, highly-economic, low risk, development drilling locations to Surge’s large Sparky/Lloyd drilling inventory. Management forecasts that the development drilling on Surge’s acquired Sparky assets pursuant to the Company’s 2018 capital expenditure program, will reduce Surge’s corporate operating expenses from $13.73 per boe in Q3 2017, to $13.45 per boe in 2018.

The high quality, low decline, large OOIP Lakeview property that Surge acquired in April of 2017 had operating expenses of approximately $16.00 per boe at the time of acquisition. Today, following field optimization and the drilling of one excellent development well, management estimates that the operating expenses at Lakeview are under $12.00 per boe. Surge has 25 low risk additional development drilling locations at Lakeview, and waterflood upside.

Pursuant to the Acquisition, Surge is now revising upward the Company's 2017 production exit rate from 15,150 boepd to more than 15,850 boepd. Surge has now revised upward the Company's production estimates four times in the last 14 months.

In order to ensure the availability of fraccing services in the fall of 2017, Surge now plans to drill one additional (100 percent working interest) well this fall at its core, light oil asset at Valhalla – this well had originally been budgeted for drilling in Q1 2018. Further, the Company also plans to drill a Sparky well on the newly acquired Assets, prior to the end of 2017 for lease retention purposes. Consequently, budgeted capital expenditures for 2017 have now been increased from $89 million to $95 million.

Surge anticipates these two additional wells will come on production in early January of 2018. Consequently, production from these two wells is not reflected or included in the Company's upwardly revised 2017 production exit rate guidance of 15,850 boepd.

Surge's preliminary guidance for 2018 is set forth below:

OPERATIONAL	**US $55 WTI 2018 GUIDANCE**[3]	**US $65 WTI 2018 GUIDANCE**[4]
2018 Average Production (boe/d)	16,150	16,150
2018 Exit Production (boe/d) (82 percent oil)	16,650	16,650
Total Capital Spending	$95 million	$95 million
Operating Expenses - 1H 2018 ($/boe)	$13.45/boe	$13.45/boe
Transportation Expenses ($/boe)	$1.50/boe	$1.50/boe
Royalties as a % of Revenue	13-14%	15-16%
FINANCIAL		
Estimated 2018 Adjusted Funds Flow from Operations[2]	$121 million	$155 million
Estimated 2018 Adjusted Funds Flow from Operations per Share	$0.52	$0.67
Estimated Q4/18 Net Debt to Adjusted Funds Flow from Operations	1.8x	1.29x
Annualized Dividend	$22.1 million	$22.1 million
Sustainability Ratio	99%	77%
Simple Payout Ratio	18%	14%

[3] 2018 US$55 WTI guidance metrics are based off of US$55 WTI/bbl; CAD$70 WTI/bbl; EDM CAD$66/bbl; WCS CAD$53.46/bbl; AECO CAD$2.50/mcf.
[4] 2018 US$65 WTI guidance metrics are based off of US$65 WTI/bbl; CAD$81 WTI/bbl; EDM CAD$77/bbl; WCS CAD$64.80/bbl; AECO CAD$2.50/mcf.

Key operational assumptions for Surge's 2018 preliminary guidance are set forth below:

Capital Spending *($ mm)*

	Total	Shaunavon	Sparky	Valhalla	Other
Drill	$64,643	$20,620	$25,023	$19,000	$ -
Waterflood	$4,410	$1,490	$2,650	$ -	$ -
Facilities	$9,000	$1,150	$5,700	$2,150	$ -
Seismic	$1,600	$ -	$1,400	$200	$ -
Workovers	$5,545	$1,200	$2,370	$1,000	$975
Total	$84,928	$24,460	$37,143	$22,350	$975

Net New Well Count

Q1	12.77	5	6.77	1
Q2	11.77	3	6.77	2
Q3	10.77	4	5.77	1
Q4	7	3	3	1
Total Wells	42.31	15	22.31	5

***Notes:**

1. Corporate base decline is currently forecast internally at 23 percent.
2. Corporate production efficiency (at $95 million capex/4,450boed) is $21,350/boed.
3. 2018 estimates assume a cost escalator of approximately 6.5 percent over 2017.

OUTLOOK – SUSTAINABLE GROWTH, LONG TERM VALUE, AND INCOME

Management's stated goal is to be the best positioned light/medium gravity crude oil growth and dividend paying public company in our peer group in Canada.

Over the last 16 months, Surge has now increased production per share by more than 24 percent, increased its dividend by nearly 27 percent, and upwardly revised production estimates four times – two times organically, and two times pursuant to accretive Sparky core area acquisitions.

The Company's consistent production per share growth over the past five quarters has also led to significant increases in Surge's unhedged adjusted funds from operations per share, which grew by 51 percent from Q2 2016 to Q2 2017.

Management attributes the Company's continued quarterly operational outperformance to be a direct result of applying growth capital to Surge's high quality, large OOIP, light and medium gravity crude oil, sandstone reservoirs for low risk development drilling, and successful waterflood implementation.

Management believes that Surge offers its shareholders a unique, multi-faceted, low risk, light and medium gravity crude oil investment opportunity as follows:

1. Sustainable annual production per share growth of six to seven percent per year; plus
2. Very high internal rate of return drilling locations – with very quick payouts (>10 year drilling inventory; >75 percent IRR at US $55 WTI flat pricing); plus
3. Significant incremental long-term value from Surge's large OOIP conventional reservoirs that have very high profit to investment ratio waterfloods (low risk drilling and waterfloods provide low harmonic declines, and deliver "annuity-type" annual reserve bookings); plus
4. Current dividend yield over four percent through a sustainable, increasing, compounding dividend; plus
5. Free cash flow yield (at US $55 WTI flat pricing); plus
6. Significant financial leverage to higher oil prices; plus
7. Significant upside for share price appreciation as Common Shares trade up to (and through) the net asset value of $5.47 per share calculated based on the Company's December 31, 2016 independently estimated (Sproule) reserve report total proved plus probable value.

Surge will continue to grow its production base and location inventory in the Company's three core areas - at Sparky, Shaunavon, and Valhalla – through, organic, low risk, development drilling, combined with strategic, high quality, core area acquisitions.

FORWARD LOOKING STATEMENTS:

This press release contains forward-looking statements. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements.

More particularly, this press release contains statements concerning: the Acquisition and the impact of the Acquisition on the Company and its results and development plans; the Assets; the anticipated benefits of the Acquisition; management's expectations with respect to the development of the Sparky asset; the fits of the Assets with the Company's existing assets; the expected closing date of the Convertible Debenture Financing; the expected terms of the Convertible Debenture Financing; the use of proceeds from the Convertible Debenture Financing; production volumes; drilling activities; Surge's capital expenditure program, including drilling and development plans and enhanced recovery projects and the timing and results to be expected thereof; expectations with respect to the Company's ability to operate and succeed in the current commodity price environment; the Company's declared focus and primary goals; management's forecast of debt to funds flow ratio; guidance with respect to 2017 average and exit production and production per share; free funds flow; Surge's dividend; simple payout ratio; sustainability; recycle ratios; recovery factors; estimated reserves multiples; operating netbacks; management's estimates and expectations regarding capital expenditures, operating costs, transportation expenses, growth opportunities and strategies, estimated reserves and estimated reserve life index and decline rates; the Company's revised 2017 exit guidance and preliminary 2018 guidance; the availability of Surge's bank line to fund provide the Company with sufficient liquidity and financial flexibility; the impact of cost savings initiatives; production and cash flow per share growth; and anticipated commodity prices; drilling inventories and locations; and management's expectations regarding debt levels.

The revised 2017 exit guidance and preliminary 2018 guidance and certain other measures set forth in this press release may be considered to be future-oriented financial information or a financial outlook for the purposes of applicable Canadian securities laws. Financial outlook and future-oriented financial information contained in this press release are based on assumptions about future events based on management's assessment of the relevant information currently available. In particular, this press release contains projected operational information for 2017 and 2018, including sustaining capital, average production, exit production, total capital spending, royalties, operating expenses, transportation expenses, annualized dividend, anticipated annual cash flow from operating activities, implied cash flow yield, forward adjusted funds flow from operations, 2018 corporate operating costs, simple payout ratio, estimated 2018 adjusted funds flow from operations and estimated 2018 adjusted funds flow from operations per share. The future-oriented financial information and financial outlooks contained in this press release have been approved by management as of the date of this press release. Readers are cautioned that any such financial outlook and future-oriented financial information contained herein should not be used for purposes other than those for which it is disclosed herein.

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, prevailing commodity prices and economic conditions, development and completion activities, the performance of new wells, the successful implementation of waterflood programs, the availability of and performance of facilities and pipelines, the geological characteristics of Surge's properties, the successful application of drilling, completion and seismic technology, the determination of decommissioning liabilities, prevailing weather conditions, exchange rates, licensing requirements, the impact of completed facilities on operating costs and the availability, costs of capital, labour and services and the creditworthiness of industry partners and the impact of transactions on Surge's bank line.

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 constraint in the availability of services, adverse weather or break-up conditions, uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures or failure to obtain the continued support of the lenders under Surge's bank line. Certain of these risks are set out in more detail in Surge's Annual Information Form dated March 15, 2017 and in Surge's MD&A for the period ended December 31, 2016, both of which have 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.

Reserves Data/Oil and Gas Metric

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 and boepd means barrel of oil equivalent per day. 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. 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. "Internally estimated" means an estimate that is derived by Surge's internal APEGA certified Engineers, and Geologists and prepared in accordance with National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities*. All internal estimates contained in this new release have been prepared effective as of September 8, 2017. The "recycle ratio", equals the profit per barrel divided by the total cost of discovering and extracting that barrel. "Total proved plus probable reserves multiple" is the purchase price of the Assets ($37.2 million) divided by the internally estimated total proved plus probable reserves (4.1 mmboe). "Corporate production efficiency" is equal to the total capital spent divided by the associated production added. "Internal rate of return" means the discount rate at which the net present value equals zero. "RLI" means reserve life index and equals the estimated remaining reserve divided by the current production.

Drilling Inventory

This press release discloses drilling locations that are booked locations as well as unbooked locations. Proved locations and probable locations, which are sometimes collectively referred to as "booked locations", are derived from the independent engineering evaluation of the oil, natural gas liquids and natural gas reserves attributable to the Company prepared by Sproule Associates Limited effective

December 31, 2016 and dated February 17, 2017 (the "**Sproule Report**") and account for drilling locations that have associated proved or probable reserves, as applicable. Unbooked locations are internal estimates based on the Company's prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have attributed reserves or resources. Of the more than 250 drilling locations identified herein 179 are unbooked locations. Of the 71 booked locations identified herein 46 are proved locations and 25 are probable locations as of the Sproule Report. Unbooked locations have specifically been identified by management as an estimation of our multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves data on prospective acreage and geologic formations. The drilling locations on which we actually drill wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results and other factors.

Non-IFRS Measures

This press release contains the terms “adjusted funds flow”, “adjusted funds flow from operations”, “net debt”, “net debt to adjusted funds flow from operations”, “operating netback”, “sustainability”, “sustaining capital”, “payout ratio” “free cash flow yield”, and “annualized funds flow multiple” which do not have a standardized meaning prescribed by International Financial Reporting Standards (“IFRS”) and therefore may not be comparable with the calculation of similar measures by other companies. Management uses “adjusted funds flow from operations" (cash flow from operating activities before changes in non-cash working capital, decommissioning expenditures, transaction costs and cash settled stock-based compensation) to analyze operating performance and leverage. Management believes that adjusted funds flow from operations is a useful supplemental measure as it provides an indication of the results generated by the Company's principal business activities before the consideration of how those activities are financed or how the results are taxed. Management defines net debt as outstanding bank debt plus or minus working capital, excluding the fair value of financial contracts and other current obligations. Management uses “net debt to adjusted funds flow from operations” to analyze leverage and capital structure. Management believes "operating netback" is a useful supplemental measure of the amount of revenues received after royalties and operating and transportation costs and secondly, the amount of revenues received after the royalties, operating, transportation costs, general and administrative costs, financial charges and asset retirement obligations. Sustainability is a comparison of a company's cash outflows (capital investment and dividends) to its cash inflows (adjusted funds flow from operations) and is used by the Company to assess the appropriateness of its dividend levels and the long-term ability to fund its development plans. Sustainability ratio is calculated using the development capital plus dividends paid divided by adjusted funds flow from operations. Sustaining capital is the amount of capital investment required to maintain production at a current rate. Payout ratio is calculated on a percentage basis as dividends declared divided by adjusted funds flow from operations. Payout ratio is used by management to monitor the dividend policy and the amount of adjusted funds flow from operations retained by the Company for capital reinvestment. Free cash flow yield is calculated using annualized adjusted funds from operations less sustaining capital investment divided by adjusted cash flow from operations. . Annualized adjusted funds flow multiple means the purchase price divided by the annualized adjusted funds flow. Additional information relating to these non-IFRS measures can be found in the Company's most recent management's discussion and analysis MD&A, which may be accessed through the SEDAR website (www.sedar.com).

FURTHER INFORMATION:

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