CALGARY, Aug. 5, 2015 /CNW/ - Surge Energy Inc. ("Surge" or the "Company") (TSX: SGY) announces its operating and financial results for the quarter ended June 30, 2015, continued drilling success on its Upper Shaunavon crude oil discovery in SW Saskatchewan, and at Valhalla in NW Alberta; two new long term infrastructure solutions at Valhalla; and a share buy back.

FINANCIAL AND OPERATING SUMMARY

($000s except per share amounts)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2015	2014	% change	2015	2014	% change
Financial highlights						
Oil and NGL sales	77,493	122,217	(37)%	142,430	221,999	(36)%
Natural gas sales	3,375	5,931	(43)%	8,791	13,716	(36)%
Total oil, natural gas, and NGL revenue	80,868	128,148	(37)%	151,221	235,715	(36)%
Funds from Operations[1]	35,490	65,525	(46)%	86,562	119,295	(27)%
Per share basic ($)	0.16	0.34	(53)%	0.39	0.66	(41)%
Per share diluted ($)	0.16	0.34	(53)%	0.39	0.65	(40)%
Net income (loss)	(9,769)	37,927	nm[4]	(114,474)	41,349	nm
Per share basic ($)	(0.04)	0.20	nm	(0.52)	0.23	nm
Per share diluted ($)	(0.04)	0.20	nm	(0.52)	0.23	nm
Capital expenditures - petroleum & gas properties[2]	14,957	18,975	(21)%	40,769	77,326	(47)%
Capital expenditures - acquisitions & dispositions[2]	(429,795)	473,111	nm	(460,950)	581,823	nm
Total capital expenditures[2]	(414,838)	492,086	nm	(420,181)	659,149	nm
Net debt at end of period[3]	125,478	557,969	(78)%	125,478	557,969	(78)%
Operating highlights						
Production:						
Oil and NGL (bbls per day)	14,865	14,246	4 %	16,011	13,475	19 %
Natural gas (mcf per day)	16,724	12,893	30 %	18,594	13,434	38 %
Total (boe per day) (6:1)	17,652	16,395	8 %	19,110	15,714	22 %
Average realized price (excluding hedges):						
Oil and NGL ($per bbl)	57.29	94.25	(39)%	49.15	91.01	(46)%
Natural gas ($ per mcf)	2.22	5.06	(56)%	2.61	5.64	(54)%
Netback ($ per boe)						
Oil, natural gas and NGL sales	50.34	85.89	(41)%	43.72	82.88	(47)%
Realized gain (loss) on commodity contracts	0.07	(5.52)	nm	10.54	(5.30)	nm
Royalties	(7.30)	(14.40)	(49)%	(6.46)	(14.25)	(55)%
Operating expenses						

(15.13)

(15.71)

(16.55)

10 %

Transportation expenses	(1.45)	(1.71)	(15)%	(1.43)	(1.81)	(21)%
Operating netback	26.53	48.55	(45)%	29.82	46.45	(36)%
G&A Expense	(1.64)	(2.06)	(20)%	(1.91)	(2.10)	(9)%
Interest Expense	(2.80)	(2.30)	22 %	(2.88)	(2.27)	27 %
Corporate netback	22.09	44.19	(50)%	25.03	42.08	(41)%
Common shares (000s)						
Common shares outstanding, end of period	221,147	217,619	2 %	221,147	217,619	2 %
Weighted average basic shares outstanding	220,287	189,969	16 %	220,174	181,566	21 %
Stock option dilution (treasury method)	—	1,383	nm	—	1,122	nm
Weighted average diluted shares outstanding	220,287	191,352	15 %	220,174	182,688	21 %

[1] Management uses funds 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. Funds from operations as presented does not have any standardized meaning prescribed by IFRS and, therefore, may not be comparable with the calculation of similar measures for other entities.

[2] Please see capital expenditures discussion within the accompanying MD&A.

[3] The Company defines net debt as outstanding bank debt plus or minus working capital, however, excluding the fair value of financial contracts and other current obligations.

[4] The Company views this change calculation as not meaningful, or "nm".

HIGHLIGHTS

- Surge achieved a debt to funds flow ratio of 0.9 times for the second quarter of 2015.
- The Company's second quarter capital program of $15 million (which does not include acquisitions and divestitures) represented only 42 percent of funds from operations for the quarter.
- Reduced G&A per boe by 23 percent in the second quarter of 2015 as compared to the first quarter of 2015, and reduced G&A per boe by 20 percent compared to the second quarter in 2014. The Company's G&A costs have now dropped from $4.88 per boe in the second quarter of 2013 to $1.64 per boe in the second quarter of 2015.
- Reduced operating expenses per boe by 15 percent in the second quarter of 2015 to $15.13, as compared to the first quarter of 2015.
- The Company successfully closed its previously announced $430 million sale of assets in SE Saskatchewan and Manitoba on June 15th, 2015. Surge received more than $90,000 per flowing boepd of production from this disposition.
- Surge's bank line was confirmed at $425 million, post the SE Saskatchewan and Manitoba asset sale, providing approximately $295 million of unused capacity on the Company's bank lines at the end of the second quarter of 2015.
- The Company drilled one well in the quarter with a 100 percent success rate, and spud two wells (one well each at Valhalla and Shaunavon).

EXCELLENT DRILLING RESULTS CONTINUE

Upper Shaunavon

The Company continues to have excellent drilling results in relation to its Upper Shaunavon crude oil discovery in SW Saskatchewan.

During the second quarter of 2015, the Company spud one gross (one net) Upper Shaunavon well. The 14-18-005-19W3 well was rig released and completed in early July and is currently producing to internal type curve expectations. The total well cost for the 14-18-005-19W3 well is estimated at $1.7 million, providing approximately 15 percent cost reductions.

Subsequent to the second quarter, the Company spud another three wells, two of which are located on the southern portion of the Upper Shaunavon field. The horizontal sections of the wells were drilled to 1,397 and 1,100 meters in length. Both well bores encountered approximately ten meters of pay based on offset strip log analysis, with similar reservoir qualities as the recent 14-18-005-19W3 well. A third well was also drilled in the area of Surge's Upper Shaunavon field with offsetting wells to be converted to injection for waterflooding in the current quarter. The three wells are currently being fracked and will be on production during August.

After 18 months of excellent delineation drilling results from 15 consecutive successful wells, Surge's Upper Shaunavon discovery is now more than 19 kilometers long, and more than 11 kilometers wide, with average net pay estimated at more than six meters. Surge now estimates that the play has over 250 million barrels of net original oil in place ("OOIP") and over 200 (net) development drilling locations. This exciting discovery is a shallow, low risk, conventional sandstone reservoir located in a proven two billion barrel OOIP corridor, comprising the largest Upper Shaunavon fields in Saskatchewan history.

The Upper Shaunavon play has risked, "all-in", drilling and on-stream IP180 production efficiencies of less than $13,000 per flowing boepd. Using July strip oil pricing, Surge's Upper Shaunavon wells pay out in approximately 12 months, and generate a risked rate of return of approximately 85 percent. These results provide some of the best all-in production efficiencies and rates of return of any crude oil play in Canada.

Netbacks are very high at Shaunavon, even at current low oil prices. Netbacks in the second quarter were $40.41 per boe at Shaunavon, versus $22.09 on a corporate basis. This is due to low operating costs of less than $12 per barrel and low royalties, with the first 37,740 bbls of production attracting a 2.5 percent royalty rate. Surge controls a 10,000 barrel per day oil battery (and associated gathering and waterflood systems from Upper Shaunavon horizontal wells), owns 54 sections of contiguous land, and possesses a large 3-D seismic dataset over the Company's lands. Operating costs for new incremental production at Shaunavon are less than $5 per barrel.

In addition to the primary development drilling upside discussed above, this conventional sandstone reservoir also provides significant, low risk, waterflood upside to Surge shareholders. Surge is implementing a pilot waterflood for the Upper Shaunavon in the third quarter of 2015 with the conversion of two wells to injection.

Surge has booked only 37 Upper Shaunavon drilling locations in its year end 2014 external engineering report. Further, no waterflood upside is booked for the Upper Shaunavon. With full field development and waterflood implementation, Surge management now estimate an ultimate pool recovery factor of more than 20 percent of the OOIP for the Upper Shaunavon alone.

Valhalla (NW Alberta)

Surge's 100 percent working interest Doig well at 4-06-075-08W6 was brought on production in late April. The well has produced significantly above type curve expectations, and qualified as the top producing oil well in the Province of Alberta for the month of May. The well has produced approximately 66 mbbl of oil in its first 30 days.

The 5-07-075-08W6 well, completed early in the first quarter of 2015, continues to be the best oil well drilled in the last 12 months in Alberta, with a first three calendar month production rate of 1,086 bbl/d, and cumulative oil production to the end of May of 125.3 mbbl. This well paid out in less than 75 days.

The total cost for the 5-07-075-08W6 well is estimated at $3.9 million and the total cost for the 4-06-075-08W6 well was approximately $4.1 million, both providing approximately 20 percent cost reductions.

Late in the second quarter the Company spud another 100 percent working interest well at 10-07-075-08W6. The well was rig released in mid-July. The horizontal section was the longest ever drilled by the Company at Valhalla at 1,452 meters in length. The entire horizontal section encountered excellent pay, with over 1,117 meters representing very similar rock qualities as the 4-06-075-08W6 well, whose horizontal section was approximately 1,008 meters in length. This well has now been onstream for more than seven days, and is producing oil and associated natural gas at rates of more than 3,300 boepd (88 percent oil and NGL's).

Given the continued drilling success to the north at Valhalla, Surge now has more than 30 net additional locations to drill into this 130 million barrel OOIP, light oil reservoir. This pool is now approximately 18 kilometers long, 2.5 kilometers wide and over 30 meters thick.

All-in production efficiencies at Valhalla are less than $15,000 per flowing boepd - based on type curve wells. Type curve wells generate a risked rate of return of 47 percent at July strip pricing.

LONG TERM INFRASTRUCTURE SOLUTIONS AT VALHALLA

Over the past few years Surge has had excellent results growing the Company's production and reserves at its core light oil property at Valhalla, located 40 kilometers north of Grande Prairie in NW Alberta. In the last four years Surge has grown the net OOIP at Valhalla from 60-70 million barrels to over 130 million barrels today, and increased production from 700 boepd to over 4,500 boepd currently.

In addition, Surge recently discovered and developed an exciting, large, northern extension of this operated light oil pool. Two recent 100 percent wells drilled into the northern extension of the 30 – 40 meter thick Doig sandstone reservoir have now qualified as the top producing oil wells in Alberta in 2015. The rapid rate of growth in oil and associated natural gas production at Valhalla has presented Surge management with certain challenges regarding the processing of the associated gas at Valhalla.

Accordingly, over the past several months Surge has secured two additional options with regard to the processing and transporting of the Company's associated natural gas production at Valhalla. These will ensure the reliability of the Company's growing crude oil production. Work is currently underway on these two, new long term options, which are:

1. Take most or all of Surge's sweet natural gas production, north to the Company's nearby, owned gas plant at Doe – where approximately 10 mmcfd of processing capacity is available. In this regard, Surge is investing approximately $5.1 million to build a strategic pipeline as part of an additional long term infrastructure solution at Valhalla. This strategic investment will significantly reduce the Company's gas processing fees going forward, and reduce Surge's exposure to third party curtailments and outages at Valhalla. Surge anticipates that this strategic pipeline project will be completed on or before November 15, 2015; and

2. Connect to and take some or all of the Company's sour, Valhalla gas production to the nearby Wembley plant – where significant processing capacity is present (infrastructure is now in place to move Surge gas to Wembley).

Surge also maintains a third processing option at Valhalla, to continue taking some or all of Surge's gas to Sexsmith - where limited plant availability is present (infrastructure is in place).

Surge confirms that the Company holds strategic firm transportation (with both area service providers), well above Surge's anticipated natural gas volume requirements, going forward.

Management also confirms that Company volumes lost in late June and July at Valhalla due to TCPL curtailments, and back outs at Sexsmith, have been restored, and that the Company's Valhalla property is back on production at full capacity. While this outage affected Company production volumes for the last two weeks of June and for the month of July, Surge's 2015 production exit rate guidance of 14,500 boepd remains unchanged.

SURGE ANNOUCES INTENTION TO ACQUIRE ITS OWN SHARES

As world crude oil prices have again recently declined to less than US $50 WTI per barrel, there has been an extreme corresponding sell off of virtually all Canadian oil and gas company shares on the Toronto Stock Exchange (the "TSX"), including Surge's common shares.

Accordingly, given Surge's peer group leading balance sheet, and the Company's continued excellent drilling results, Surge management and Board have determined to start acquiring Surge common shares pursuant to a normal course issuer bid providing for the repurchase of Surge common shares through the facilities, rules and regulations of the TSX (the "Issuer Bid"). The Issuer Bid is subject to approval of the TSX.

Under the proposed Issuer Bid, Surge proposes to purchase up to 21,512,323 Shares, representing approximately 9.7 per cent of the Company's currently issued and outstanding common shares. As of July 31, 2015 there are 221,217,068 Surge common shares issued and outstanding.

Surge's net asset value ("NAV") is $4.64 per share, utilizing Sproule's recent June, 2015 engineering price deck. In addition, the Company only books approximately two years of trailing cash flow as future development capital in its external engineering report. Further, 69 percent of Surge's reserve value is in the proved developed producing and probable producing categories.

Surge's NAV per share includes a booking of only 37 development drilling locations for its Upper Shaunavon play – where Surge now estimates the Company has over 200 low risk development locations on 300m spacing. No waterflood upside is included in Surge's NAV per share for the Company's Upper Shaunavon play.

Surge's common shares are presently trading at $2.19 per share on the TSX.

Surge has approximately $295 million of credit availability on its bank lines, and a very low debt to cash flow of 0.9 times at the end of Q2 2015. Surge pays an interest rate of approximately 2.5% (after tax) on indebtedness owing under its bank lines.

The acquisition of Surge common shares pursuant to the Issuer Bid is highly accretive to Surge shareholders on all per share metrics.

Surge does not have to pay a dividend on common shares that it acquires pursuant to the Issuer Bid - thereby increasing the Company's sustainability.

Surge continues to experience excellent drilling results at Shaunavon, Valhalla, and on its Sparky play – all conventional, shallow, low cost assets that generate excellent production efficiencies, AND high rates of return at strip pricing.

Acquiring Surge common shares pursuant to the facilities of the TSX issuer bid rules allows Surge management excellent flexibility in assessing market valuations and fluctuations on a weekly basis i.e. if market conditions recover and the trading price for Surge shares increases, management can choose to suspend the Issuer Bid for a short period, or indefinitely, at their discretion.

The Issuer Bid set forth above provides an excellent return on investment to Surge shareholders of greater than 100 percent, including: NAV accretion (using the June, 2015 Sproule price deck $4.64 per share NAV), dividend savings, less interest on applicable debt. The Issuer Bid provides an additional method for Surge management to return capital to its shareholders, along with the payment of the Company's dividend.

OUTLOOK; POSITIONING SURGE FOR SUCCESS

Surge delivered one of the best total rates of return of any oil and gas dividend paying company in Canada from May, 2013 to September, 2014. During this period of robust crude oil prices (which had traded in a five year band of approximately US $85 - $110 WTI per barrel), Surge grew the Company's asset and opportunity base aggressively, acquiring over $1.2 billion of high quality, high netback, low decline, large OOIP crude oil reservoirs, strategically focused in just four primary operating areas.

As a result of these accretive acquisitions, excellent development drilling results and successful waterflood implementation and optimization, Surge was also able to grow the Company's dividend - while maintaining a low payout ratio and an excellent balance sheet in this higher crude oil price environment.

When crude oil prices dropped precipitously from US $106 WTI per barrel in June of 2014, to a low of US $43 WTI per barrel in February of 2015, Surge management acted quickly and decisively to position Surge to be a top performer – even at a much lower crude price scenario. Consequently, over the last 11 months Surge management undertook a number of pro-active steps to protect shareholders capital and the net asset value of the Company's shares.

In this regard, as crude oil prices remained low well into 2015 (and the contango came out of the forward strip for crude oil prices going forward), Surge management acted decisively to position the Company's balance sheet for a much lower crude oil price environment. On this basis, with Surge common shares trading well below the Company's net asset value, and with Surge's rapidly expanding drilling inventory at Shaunavon, Valhalla, and its Sparky play in central Alberta, management completed a detailed 10 week business model and evaluation of the Company's four primary assets.

Accordingly, after completing this detailed evaluation, Surge's management determined to sell all of the Company's assets in SE Saskatchewan and Manitoba for $430 million (the "Asset Sale"). The Asset Sale closed on June 15th, 2015, and has now positioned Surge with one of the best balance sheets of any oil and gas company in its peer group in Canada.

Based upon the aggressive and pro-active steps taken by Surge management, the Company is on track to achieve its stated goal of being one of the best positioned light/medium gravity crude oil growth and dividend paying companies in Canada – uniquely positioned for virtually any reasonable crude oil commodity price assumption. On this basis, today Surge has the following corporate fundamentals:

- Three core, high netback, operating areas, which comprise over 1.4 billion barrels of net OOIP, with a recovery factor of just seven percent to date;
- A 15 year reserve life index;
- A low 23 percent decline;
- Approximately $295 million of credit availability on the Company's bank lines;
- A 14 year, low risk development drilling inventory, with more than 700 net drilling locations;
- Excellent production efficiency plays (adding volumes at less than $22,000 per boepd in the second half of 2015), that also generate very high rates of return at strip pricing; and
- A net asset value of $4.64 per share utilizing Sproule's recent June, 2015 engineering price deck.

Surge management also believe that excellent growth opportunities will present themselves in the fall of 2015, particularly from those companies who were not pro-active in preparing for lower world crude oil prices.

FINANCIAL STATEMENTS AND ACCOMPANYING MDA:

Surge has filed with Canadian securities regulatory authorities its financial statements and accompanying MD&A for the three months ended June 30th, 2015. These filings are available for review at www.sedar.com or www.surgeenergy.ca.

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: (i) Surge's drilling and development plans and enhance recovery projects and the timing and results to be expected thereof; (ii) estimated sizes, characteristics, efficiencies, rates of return, netbacks, pool recovery factors and risk levels of plays and the number of associated drilling locations, as applicable; (iii) management's expectations with respect to the Company's waterflood program, results therefrom and quantity of producing assets that will be placed under waterflood; (iv) expectations with respect to the Company's ability to operate and succeed in the current commodity price environment; (v) the Company's declared focus and primary goals; (vi) management's forecast of debt to cash flow ratio and the availability of Surge's bank line to fund Surge's future capital requirements; (vii) management's estimates and expectations regarding production efficiencies, drilling upside,, well costs, growth opportunities, reserves and reserve life index and decline rates; (viii) availability and implementation of strategic alternatives for the processing and transportation of natural gas production; and (ix) the Company's intentions with respect to the normal course issuer bid and purchases thereunder and the effects of repurchases under the bid.

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, the successful implementation of the Corporation's normal course issuer bid, prevailing weather conditions, exchange rates, licensing requirements, the impact of completed facilities on operating costs and the availability, costs of capital, labour and services, the creditworthiness of industry partners and the impact of the pending sale on the Company'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 19, 2015 and in Surge's MD&A for the period ended March 31, 2015, 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

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. > 1.7 billion bbls gross (.1.4 billion bbls net); 7% RF IP180 means rate at which a well produces during its first 180 days of production. Bbl means barrel of oil. Mbbl means thousand barrels. Bbl/d means barrels of oil per day. NGLs means natural gas liquids.

Surge's NAV per share as at December 31, 2014, utilizing Sproule's recent June, 2015 engineering price deck, is calculated by

taking proved plus probable reserve value NPV10 BT (including future capital) of $1,022 million, as evaluated by Sproule and McDaniel, and adjusting for undeveloped land ($130 million) and net debt ($126 million) and dividing by the then number of issued and outstanding shares, being 221.1 million. Surge's NAV per share using Sproule's current price deck is calculated using the same methodology and is effective as at the same date.

The reserves data provided in this news release presents only a portion of the Company's reserve information. Additional reserves information are contained in Surge's annual information form dated March 19, 2015, which was filed on and which may be accessed through the SEDAR website.

Financial Outlooks

The estimates of 2015 year end net debt, 2015 funds from operations and 2015 operating netback and cash flow netback contained in this press release are financial outlooks within the meaning of applicable securities laws. These financial outlooks have been prepared by management of Surge to provide an outlook of Surge's anticipated funds from operations and netbacks for a full year of operations with its current assets and based on management's expectations and assumptions as to a number of factors, including but not limited to commodity pricing, production, operating expenses and royalties. Readers are cautioned that this information may not be appropriate for any other purpose. Management does not have firm commitments for all of the costs, expenditures, prices or other financial assumptions used to prepare the financial outlooks or assurance that such results will be achieved. The actual results of Surge will likely vary from the amounts set forth in the financial outlooks and such variation may be material. Surge and its management believe that the financial outlooks have been prepared on a reasonable basis, reflecting the best estimates and judgments, and represent, to the best of management's knowledge and opinion, Surge's expected expenditures and results of operations. However, because this information is highly subjective and subject to numerous risks, including the risks discussed under the note regarding Forward Looking Statements, it should not be relied on as necessarily indicative of future results. Except as required by applicable securities laws, Surge undertakes no obligation to update this information.

Drilling Locations

This press release discloses drilling locations in three categories: (i) proved locations; (ii) probable locations; and (iii) unbooked locations. Proved locations and probable locations, which are sometimes collectively referred to as "booked locations", are derived from the Company's most recent independent reserves evaluation as of December 31, 2014 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 700 net drilling locations identified herein 548 are unbooked locations. Of the 200 net drilling locations identified herein in the Upper Shaunavon, 37 are booked locations. Of the more than 30 net additional locations identified herein at Valhalla, 22 are booked locations. 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.

Test Results and Initial Production Rates

Any references in this press release to initial, early and/or test production/performance rates are useful in confirming the presence of hydrocarbons, however, such rates are not determinative of the rates at which such wells will continue production and decline thereafter. While encouraging, readers are cautioned not to place reliance on such rates in calculating aggregate production. The initial production rate may be estimated based on other third party estimates or limited data available at this time. Initial production or test rates are not necessarily indicative of long-term performance of the relevant well or fields or of ultimate recovery of hydrocarbons.

Non-IFRS Measures

This press release contains the terms "funds from operations", "net debt", "netback", and "NAV" 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 funds generated by operations to analyze operating performance and leverage. Management believes "net debt" is a useful supplemental measure of the total amount of current and long-term debt of the Company. Mark-to-market risk management contracts are excluded from the net debt calculation. Management believes "netbacks" are a useful supplemental measures 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. NAV is calculated as set forth above. 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).

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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