

CALGARY, April 7, 2016 /CNW/ - [Surge Energy Inc.](#) ("Surge" or the "Company") (TSX: SGY) announces the sale of its non-core Sunset property, and the facilities sale at Valhalla, for total proceeds of \$43 million; reduction of the Company's dividend; and updated 2016 guidance.

CLOSING OF ASSET SALES

On March 24, 2016 Surge closed the previously announced sale of certain facilities at its Valhalla light oil and natural gas asset in NW Alberta for \$15 million. The Company will maintain control of the Valhalla facilities as operator, and will pay the purchaser an annual tariff for the life of the agreement. Surge will also retain all third-party processing revenues generated from the facilities.

On March 31, 2016 Surge also closed the previously announced sale of the Company's non-core Sunset property in Northern Alberta for proceeds of \$28 million.

The \$43 million in combined sale proceeds have been used to pay down the Company's existing credit facility. Pro-forma the proceeds from these two asset divestitures, Surge's net debt as at December 31, 2015 was \$117.4 million.

REDUCTION TO DIVIDEND

As crude oil prices precipitously dropped from US\$108 WTI per barrel in June of 2014, to a low of US\$26.75 per barrel in early February of 2016, Surge's management team have proactively created more than \$742 million of liquidity for the Company (and its shareholders) comprised as follows:

\$ 469 mm Asset Sales (2015)

\$ 100 mm Dividend Reductions (Annualized)

\$ 90 mm Capex Reductions

\$ 40 mm Hedge Crystallizations

\$ 28 mm Asset Sales (2016)

\$ 15 mm Valhalla Midstream (2016)

\$ 742 mm Total

Surge management created this liquidity without issuing a single common share from the Company's treasury. Indeed, over the last several months the Company has actually acquired over 1,100,000 Surge common shares in the market, at prices well below the Company's new independently engineered net asset value of \$4.88 per share (i.e. pursuant to Surge's outstanding normal course issuer bid).

As a result of these aggressive and strategic capital allocation decisions, over the last 21 months Surge management have reduced the Company's net debt from approximately \$590 million as at December 31, 2014 to \$117.4 million at December 31, 2015 (pro forma the \$43 million of asset sales referred to above).

Surge's current bank line is \$400 million, providing the Company with a significant amount of credit availability on its bank lines. The Company's interest expense is a very low \$1.19 per boe.

Surge's management and Board assess market conditions on a weekly and monthly basis with respect to protecting the Company's balance sheet, weighing the efficiency of capital expenditures, and assessing the appropriate level of the Company's dividend. In this regard, until such time as Surge's management and Board see a sustainable recovery in world crude oil prices, Surge is immediately reducing the Company's dividend from \$0.15 per share per year (\$0.0125 per share per month) to \$0.075 per share, per year (\$0.00625 per share per month).

Despite reducing the current dividend level, Surge management intend to retain the Company's dividend as an integral method for maximizing shareholder returns. Management believe that current industry fundamentals support lower overall growth expectations for crude oil companies in the future. Surge's high quality, low decline asset base, and its low cost structure, provide an excellent foundation for Surge's moderate growth, dividend paying business model. As such, the Company does not anticipate any further dividend reductions at this time.

2016 GUIDANCE UPDATED

Having created an additional \$60 million of liquidity for the Company (i.e. the two asset sales and dividend reduction referred to above), Surge management reaffirm the Company's 2016 capital spending plan. This program reflects a prudent amount of capital and activity in order to maintain stability in Surge's corporate base production and balance sheet.

The following table provides updated 2016 guidance ranges for key financial operating items. Assumptions behind these values are based on strip pricing as of April 1, 2016.

Operating Category	2016 Guidance
Exit production (boe/d)	13,000 (76% liquids mix)
Total capital net of acq/disp (mm\$)	\$55 mm
Corporate oil price discount to Edmonton light	CAD \$12-13/bbl
Royalties as % of revenue	13-14%
Operating expenses, \$/boe	13.45 – 13.95
Transportation expense, \$/boe	1.75-1.85
G&A, \$/boe	1.75

In accordance with this low risk development drilling program, Surge anticipates exiting 2016 with production of more than 13,000 boepd. The Company's adjusted 2016 production guidance reflects the Sunset disposition (720 boepd), as well as 350-400 boepd of production that is currently shut in due to low oil prices.

Surge management will continue to closely monitor and assess the Company's 2016 capex program based on market conditions. The Company will initiate the majority of its 2016 capital spending program (post spring break-up) on or about July 1, 2016.

Surge anticipates spudding the Company's regularly scheduled 100 percent working interest Valhalla Doig light oil well during the week of April 15, 2016. Recently available public data establishes Surge's latest Valhalla light oil well as a type curve well that ranks as the second best oil well in Alberta for the month of February, 2016.

In addition to the above, with over a \$0.25 Billion of credit availability on Surge's bank line, the Company will continue to identify and pursue strategic, accretive acquisitions in the present distressed marketplace – focusing particularly in Surge's three core areas.

FINANCIAL STATEMENTS AND ACCOMPANYING MDA AND ANNUAL INFORMATION FORM:

Surge has filed with Canadian securities regulatory authorities its annual audited consolidated financial statements and accompanying MD&A for the year and three months ended December 31st, 2015, as well as its Annual Information Form. These filings are available for review at www.sedar.com or www.surgeenergy.ca.

READER ADVISORIES

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) the Company's continued control and operatorship over the Valhalla facilities and the payments to be made thereunder; (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) 'Surge's plans with respect to its dividend; (vii) management's estimates and expectations regarding production efficiencies, drilling upside, drilling inventory, well costs, growth opportunities, reserves and reserve life index and decline rates; (viii) guidance with respect to 2016 exit production, interest expense, total capital, royalties, operating expenses, transportation expenses, G&A expenses, as well as the applicable discount price to be received on future production; (ix) Surge's plans to monitor capital programs and market conditions; and * the timing of Surge's 2016 capital program, including the spudding of wells.

The guidance for 2016 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 2016, including exit production, interest expense, total capital, royalties, operating expenses, transportation expenses, G&A expenses, as well as the applicable discount price to be received on future production. 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 timing and completion of the proposed dispositions, 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 transactions 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 16, 2016 and in Surge's MD&A for the period ended December 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.

Non-IFRS Measures

This press release contains the terms "net debt" 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 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. 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.

~~Source~~ [Surge Energy Inc.](#)

Paul Colborne, President & CEO, [Surge Energy Inc.](#), Phone: (403) 930-1507, Fax: (403) 930-1011, Email: pcolborne@surgeenergy.com; Paul Ferguson, CFO, [Surge Energy Inc.](#), Phone: (403) 930-1021, Fax: (403) 930-1011, Email: pferguson@surgeenergy.ca