# Surge Energy Inc. Announces Increase To 2026 Production Guidance; Expands Second Half 2026 Drilling And Waterflood Capital Program

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Surge Energy Inc. ("Surge" or the "Company") (TSX: SGY) is pleased to announce that its Board of Directors has appro expanded second half 2026 capital program, including increased waterflood spending and incremental production grow Additionally, the Company has increased its 2026 exit production rate guidance from 23,000 boepd to 24,000 boepd.

## 2026 PRODUCTION GUIDANCE INCREASE AND CAPITAL PROGRAM EXPANSION

The conflict between the United States and Iran continues in the Middle East, restricting oil flows through the Strait of H contributing to significant drawdowns in global crude inventories. These macro events, combined with the ongoing Rus conflict, are driving a "higher for longer" crude oil price scenario than many market participants were projecting.

As a result of Surge's significant financial exposure to rising crude oil prices, together with the Company's strong balan Company is generating much higher free cash flow ("FCF") in 2026 as compared to Management's budgeted crude oil assumption of US$65 WTI per barrel. Further, based on Surge's independent reserve report for the year ended Decem prepared by GLJ Ltd. ("GLJ"), the Company's net asset value ("NAV")[1], when run at US$75 WTI flat pricing, is $11.04 p total proved reserves, and $17.10 per share for proven and probable reserves. On this basis, Management is currently to $5 million per month towards share buybacks under the Company's existing Normal Course Issuer Bid ("NCIB").

In addition, given the significant increase in forward crude oil prices, together with Surge's deep (>12 year) inventory of internally identified drilling locations[2], Surge's Board of Directors and Management have now approved an expansion o Company's 2026 capital program to add incremental production per share growth in the second half of the year. This ex Surge's 2H/26 capital program is comprised of additional drilling in the Sparky and SE Saskatchewan core areas, toget additional waterflood capital, as compared to the current 2026 budget.

Accordingly, Management forecasts that the Company's 2026 exit production guidance will increase by over four perce boepd (89 percent liquids), an increase of 1,000 boepd as compared to the Company's previous 2026 production guida boepd (88 percent liquids).

In this regard, Surge's Board of Directors has approved an increase to the Company's 2026 capital program, from $150 $175 million. This $25 million increase in the 2026 capital budget will be allocated as follows:

- Additional drilling capital of $16 million:
    - The Company plans to drill an additional 8 gross (8.0 net) wells, comprised of four single leg frac'ed and two multi-lateral ("OHML") wells in the Sparky core area, and two OHML wells in the SE Saskatchewan core are
- Acceleration of $9 million in additional waterflood projects.

The 1,000 boepd increase to Surge's 2026 production guidance, from the previously budgeted 23,000 boepd, provides production efficiencies on the expanded second half 2026 capital program of approximately $16,000 per flowing boe, b $16 million of incremental drilling capital. With internally estimated six month well payouts associated with the 8.0 gross incremental drills in the second half of 2026, the Company expects that this drilling program will pay out by year-end 20 current strip WTI crude oil prices, while providing incremental FCF to Surge in 2027 and beyond.

The $9 million expansion in waterflood capital represents a 75 percent increase in the Company's 2026 waterflood capi initial budget of $12 million) to $21 million. Incremental waterflood capital will be allocated to the further expansion of S horizontal frac'ed waterflood program in the Provost region of the Sparky core area. Additionally, the Company is increa number of dedicated injectors drilled in Surge's OHML waterflood pilot at its Hope Valley Sparky discovery from five to

## REVISED 2026 BUDGET CAPITAL AND OPERATING ESTIMATES

Using realized 2026 WTI pricing through May, combined with forward strip pricing for the remainder of the year, WTI pr are currently forecasted to average approximately US$85. On this basis, Surge has provided revised 2026 guidance, in 1,000 boepd growth wedge, using an average crude oil price of US$80 WTI price for 2026. The following chart shows t revised 2026 capital and operating estimates, as compared to the initial 2026 budget:

| 2026 CAPITAL AND OPERATING ESTIMATES | ORIGINAL GUIDANCE @ US $65 WTI[a] | REVISED GU |
|---|---|---|
| Exit 2026 production | 23,000 boepd (88% liquids) | 24,000 boepd |
| Average 2026 production | 23,000 boepd (88% liquids) | 23,375 boepd |
| 2026(e) Exploration and development expenditures | $150 million | $175 million |
| 2026(e) Adjusted Funds Flow[c] | $265 million | $335 million |
| Per share | $2.68 per share | $3.39 per sha |
| 2026(e) Cash flow from operating activities[d] | $245 million | $320 million |
| Per share | $2.47 per share | $3.24 per sha |
| 2026(e) Free cash flow[c] | $95 million | $145 million |
| Per share | $0.96 per share | $1.47 per sha |
| 2026(e) Base dividend | $51.5 million | $51.5 million |
| Per share | $0.52 per share | $0.52 per sha |
| 2026(e) Royalties as a % of petroleum and natural gas revenue | 17.5 - 18.0% | 19.0 % |
| 2026(e) Net operating expenses[c] | $18.00 - $18.50 per boe | $18.00 - $18.5 |
| 2026(e) Transportation expenses | $1.15 - $1.35 per boe | $1.15 - $1.35 |
| 2026(e) General & administrative expenses | $2.50 - $2.70 per boe | $2.50 - $2.70 |
| 2026(e) Interest expenses | $2.50 - $2.75 per boe | $2.50 - $2.75 |

$1.2 billion in tax pools (providing an estimated 4-year tax horizon at US $80 WTI)

a - Pricing Assumptions: US$65 WTI, US$12.00 WCS differential, US$4.00 EDM differential, $0.715 CAD/USD FX and $2.95 AECO. Per share amounts calculated using 99.0 million common shares outstanding as at September 30, 2025.

b - Pricing Assumptions: US$80 WTI, US$14.00 WCS differential, US$1.50 EDM differential, $0.73 CAD/USD FX and $2.25 AECO. Per share amounts calculated using 98.8 million common shares outstanding as at March 31, 2026.

c - This is a non-GAAP and other financial measure. See the Non-GAAP and Other Financial Measures advisory herein. "GAAP" is defined as generally accepted accounting principles.

d - Includes current hedge positions and assumes a nil change in non-cash working capital.

FREE CASH FLOW ALLOCATION

Based on budgeted average US$80 WTI crude oil prices for 2026, Surge anticipates generating adjusted funds flow ("AFF") of $335 million, and cash flow from operating activities of $320 million[3]. In addition to the revised four percent exit production growth wedge forecast for 2026, Surge also anticipates generating FCF of $145 million in 2026, which represents a 15 percent FCF yield[4,5] for shareholders of the Company. Management anticipates delivering this FCF to shareholders over the course of 2026 through the following:

- $51 million in annual base dividend payments ($0.52 per share, per annum);
- Share repurchases of approximately $30 to $40 million; and
- Additional Net Debt[5] reduction.

ABOUT SURGE ENERGY

Surge is an intermediate, publicly traded oil company focused on enhancing shareholder returns through free cash flow generation. The Company's defined operating strategy is based on acquiring and developing high-quality, conventional oil reservoirs using proven technology to enhance ultimate oil recoveries.

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: Surge's declared focus and primary goals; Surge's expectation that strong drilling and waterflood results in the Company's Sparky and SE Saskatchewan core areas will continue to drive production; Surge's expectation that it has more than 12 years of development drilling; Management's 2026 updated guidance estimates; crude oil fixed price hedges protecting the Company's 2026 FCF profile; share repurchases under the Company's NCIB, including amounts and timing thereof; the allocation of FCF to a combination of increased share buybacks under the Company's NCIB and continued net debt reduction; the expectation that Surge will continue to deliver attractive shareholder returns in 2026 and beyond based on its key corporate fundamentals; Management's updated 2026 exit production guidance estimates; Surge's 2026 capital program and focus; the Company's evaluation of an expansion of the Company's 2026 capital program and allocation thereof; Surge's planned 2026 drilling program and focus, including expectations regarding the number of wells to be drilled and the types thereof, including the Company's expectation that it will drill an additional 8 gross (8.0 net) wells; Surge's expanded waterflood pilot in the greater Hope Valley area and anticipated update on its OHML waterflood pilot; Surge's intention to have a dedicated rig drilling multi-lateral wells in Hope Valley for the entire year; Surge's estimates and forecasts related to the 2026 budget capital and operating estimates; Surge's expectations with respect to its FCF allocation, including expectations regarding AFF, cash flow from operating activities, FCF and FCF yield; Surge's reserves, future net revenue, future development capital and reserve life index; Surge continuing to execute an active drilling program at both the Sparky and SE Saskatchewan core areas during the first half of 2026 and the number of wells to be drilled thereat; expectations regarding Surge's proved and probable reserves estimates and locations; Surge's hedging program and its ability to protect the Company's 2026 capital program and dividend; Surge's continued outlook; Management's belief that Surge is well positioned to continue to deliver attractive shareholder returns; and Management's expectations regarding Surge's 2026 average production, AFF, cash flow from operating activities, dividends, drilling inventory and locations, annual corporate decline rates, tax pools and tax horizon.

The forward-looking statements are based on certain key expectations and assumptions made by Surge, including expectations and assumptions regarding the performance of existing wells and success obtained in drilling new wells; anticipated expenses, cash flow and capital expenditures; that success of Surge's hedging program and ability to continue to maintain its hedging program; the ability of the Company to return capital to its shareholders through a combination of the payment of its dividend and share buybacks under its NCIB; the Company's critical accounting estimates and 2026 guidance; 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; the availability and costs of capital, labour and services; the ability to continue borrowing under the Company's credit facilities and the syndicate's interpretation of the Company's obligations thereunder; ability of the Company to continue to make repurchases under its NCIB and the timing thereof; ability of the Company to obtain alternative forms of debt and equity financing on terms acceptable to the Company to meet its capital requirements; and the creditworthiness of industry partners.

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 condition of the global economy, including trade, public health, international conflict and other geopolitical tensions and events (including war, military action, terrorism, trade disputes, and international responses thereto); 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; the imposition or expansion of tariffs imposed by domestic and foreign governments or the imposition of other restrictive trade measures, retaliatory or countermeasures implemented by such governments, including the introduction of regulatory barriers to trade and the potential effect on the demand and/or market price for Surge's products and/or otherwise adversely affects Surge; hedging risk; uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures; and 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 AIF dated March 4, 2026 and in Surge's MD&A for the year ended December 31, 2025, both of which have been filed on SEDAR+ and can be accessed at www.sedarplus.ca.

The guidance in respect of the Company's expectations of AFF, FCF and Net Operating Expense in 2026 herein, and other financial metrics of a forward-looking nature (as may be identified herein by "2026e" or otherwise), may be considered to be a financial outlook for the purposes of applicable Canadian securities laws. Such information is based on assumptions about future events, including economic conditions and proposed courses of action, based on Management's assessment of the relevant information currently available, and which may become available in the future. These projections constitute forward-looking statements and are based on several material factors and assumptions set out above. Actual results may differ significantly from such projections. See above for a discussion of certain risks that could cause actual results to vary. The financial outlook contained herein has been approved by Management as of the date of this investor presentation. Readers are cautioned that any such financial outlook contained herein should not be used for purposes other than those for which it is disclosed herein. Surge and its Management believe that the financial outlook contained herein has been prepared based on assumptions that are reasonable in the circumstances, reflecting Management's best estimates and judgments, and represents, to the best of Management's knowledge and opinion, expected and targeted financial results. However, because this information is highly subjective, it should not be relied on as necessarily indicative of future results.

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.

Oil and Gas Advisories

Barrel of Oil Equivalency

The term "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" mean barrel of oil equivalent per day. Bbl means barrel of oil and "bopd" means barrels of oil per day."NGLs" means natural gas liquids.

Oil and Gas Metrics

This press release contains certain oil and gas metrics and defined terms which do not have standardized meanings or standard methods of calculation and therefore such measures may not be comparable to similar metrics/terms presented by other issuers and may differ by definition and application. All oil and gas metrics/terms used in this document are defined below:

"Original oil in place (OOIP)" refers to the initial volume of oil present in the reservoir at the time of its formation.

"Capital payout" or "payout per well", is the time period for the operating netback of a well to equate to the individual cost of drilling, completing and equipping the well. Management uses capital payout and payout per well as a measure of capital efficiency of a well to make capital allocation decisions.

"Decline" is the amount existing production decreases year over year (March 2025 to March 2026), without new drilling. GLJ's 2025YE reserves have a Proved Developed Producing decline of 25 percent and a Proven Plus Probable Developed Producing decline of 23 percent.

"Net Asset Value (NAV)" is calculated as reserve value discounted at 10% on a BTax basis, less the Company's net debt, a non-GAAP financial measure, at December 31, 2025 of $220.6 million and is divided by 98.9 million common shares outstanding as at December 31, 2025.

Management uses these oil and gas metrics for its own performance measurements and to provide shareholders with measures to compare our operations over time. Readers are cautioned that the information provided by these metrics, or that can be derived from the metrics presented in this press release, should not be relied upon for investment or other purposes.

Drilling Inventory

This press release discloses drilling locations in two categories: (i) booked locations; and (ii) unbooked locations. Booked locations are proved locations and probable locations derived from an external evaluation using standard practices as prescribed in the Canadian Oil and Gas Evaluations Handbook and account for drilling locations that have associated proved and/or probable reserves, as applicable.

Unbooked locations are internal estimates based on prospective acreage and assumptions 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. Unbooked locations have been identified by Surge's internal Engineers and Geologists (and have been reviewed by Surge's Qualified Reserve Evaluators) as an estimation of our multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that the Company will drill all unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas reserves, resources or production. The drilling locations on which the Company actually drills wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the unbooked drilling locations have been de-risked by drilling existing wells in relative close proximity to such unbooked drilling locations, the majority of other unbooked drilling locations are farther away from existing wells where Management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves, resources or production.

Assuming a January 1, 2026 reference date, the Company will have over >1,000 gross (>900 net) drilling locations identified herein; of these >600 gross (>525 net) are unbooked locations. Of the 361 net booked locations identified herein, 282 net are Proved locations and 78 net are Probable locations based on GLJ's 2025YE reserves. Assuming an average number of net wells drilled per year of 65, Surge's >900 net locations provide 13 years of drilling.

Assuming a January 1, 2026 reference date, the Company will have over >500 gross (>500 net) Sparky Core area drilling locations identified herein; of these >300 gross (>300 net) are unbooked locations. Of the 191 net booked locations identified herein, 142 net are Proved locations and 50 net are Probable locations based on GLJ's 2025YE reserves. Assuming an average number of wells drilled per year of 35, Surge's >500 net locations provide >14 years of drilling.

Assuming a January 1, 2026 reference date, the Company will have over >325 gross (>300 net) SE Saskatchewan drilling locations identified herein; of these >170 gross (>145 net) are unbooked locations. Of the 143 net booked locations identified herein, 115 net are Proved locations and 29 net are Probable locations based on GLJ's 2025YE reserves. Assuming an average number of wells drilled per year of 30, Surge's >300 net locations provide >10 years of drilling.

Assuming a January 1, 2026 reference date, the Company will have over 23 gross (17.2 net) State A Frobisher SE Saskatchewan drilling locations identified herein; of these 14 gross (8.7 net) are unbooked locations. Of the 9 net booked locations identified herein, 7 net are Proved locations and 2 net are Probable locations based on GLJ's 2025YE reserves.

Surge's internally used type curves were constructed using a representative, factual and balanced analog data set, as of January 1, 2025. All locations were risked appropriately, and EUR's were measured against OOIP estimates to ensure a reasonable recovery factor was being achieved based on the respective spacing assumption. Other assumptions, such as capital, operating expenses, wellhead offsets, land encumbrances, working interests and NGL yields were all reviewed, updated and accounted for on a well-by-well basis (and reviewed by Surge's Qualified Reserve Evaluators). All type curves fully comply with Part 5.8 of the Companion Policy 51 - 101CP.

Non-GAAP and Other Financial Measures

This press release includes references to non-GAAP and other financial measures used by the Company to evaluate its financial performance, financial position or cash flow. These specified financial measures include capital management measures, non-GAAP financial measures and non-GAAP ratios and are not defined by IFRS Accounting Standards ("IFRS") and therefore are referred to as non-GAAP and other financial measures. Certain secondary financial measures in this press release are not prescribed by GAAP. These non-GAAP and other financial measures are included because Management uses the information to analyze business performance, cash flow generated from the business, leverage and liquidity, resulting from the Company's principal business activities and it may be useful to investors on the same basis. None of these measures are used to enhance the Company's reported financial performance or position. The non-GAAP and other financial measures do not have a standardized meaning prescribed by IFRS and therefore are unlikely to be comparable to similar measures presented by other issuers. They are common in the reports of other companies but may differ by definition and application. All non-GAAP and other financial measures used in this document are defined below:

Adjusted Funds Flow

AFF is a capital management measure. The Company adjusts cash flow from operating activities in calculating AFF for changes in non-cash working capital, decommissioning expenditures, and cash settled transaction and other costs (income). Management believes the timing of collection, payment or incurrence of these items involves a high degree of discretion and as such may not be useful for evaluating Surge's cash flows.

Changes in non-cash working capital are a result of the timing of cash flows related to accounts receivable and accounts payable, which management believes reduces comparability between periods. Management views decommissioning expenditures predominately as a discretionary allocation of capital, with flexibility to determine the size and timing of decommissioning programs to achieve greater capital efficiencies and as such, costs may vary between periods. Transaction and other costs (income) represent expenditures associated with property acquisitions and dispositions, debt restructuring and employee severance costs as well as other income, which management believes do not reflect the ongoing cash flows of the business, and as such reduces comparability. Each of these expenditures, due to their nature, are not considered principal business activities and vary between periods, which management believes reduces comparability.

Free Cash Flow & Free Cash Flow Yield

FCF is a non-GAAP financial measure. FCF is calculated as cash flow from operating activities, adjusted for changes in non-cash working capital, decommissioning expenditures, and cash settled transaction and other costs (income), less expenditures on property, plant and equipment. Management uses free cash flow to determine the amount of funds available to the Company for future capital allocation decisions.

FCF yield is a non-GAAP ratio, calculated as free cash flow divided by the number of basic shares outstanding, divided by the Company's share price at the date indicated herein. Management uses this measure as an indication of the cash flow available for return to shareholders based on current share prices.

Net Debt

Net debt is a capital management measure, calculated as bank debt, senior unsecured notes, term debt, plus the liability component of the convertible debentures plus current assets, less current liabilities, however, excluding the fair value of financial contracts, decommissioning obligations, and lease and other obligations. This metric is used by management to analyze the level of debt in the Company including the impact of working capital, which varies with the timing of settlement of these balances.

Net Operating Expenses & Net Operating Expenses per boe

Net operating expenses is a non-GAAP financial measure, determined by deducting processing income, primarily generated by processing third party volumes at processing facilities where the Company has an ownership interest. It is common in the industry to earn third party processing revenue on facilities where the entity has a working interest in the infrastructure asset. Under IFRS this source of funds is required to be reported as revenue. However, the Company's principal business is not that of a midstream entity whose activities are dedicated to earning processing and other infrastructure payments. Where the Company has excess capacity at one of its facilities, it will look to process third party volumes as a means to reduce the cost of operating/owning the facility. As such, third party processing revenue is netted against operating costs when analyzed by management.

Net operating expenses per boe is a non-GAAP ratio, calculated as net operating expenses divided by total barrels of oil equivalent produced during a specific period of time.

Operating Netback

Operating netback is a non-GAAP financial measure, calculated as petroleum and natural gas revenue and processing income, less royalties, realized gain (loss) on commodity and FX contracts, operating expenses, and transportation expenses. This metric is used by management to evaluate the Company's ability to generate cash margin.

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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1. See Oil and Gas Advisories.
2. See Drilling Inventory.
3. Pricing Assumptions: US$80 WTI, US$14.00 WCS differential, US$1.50 EDM differential, $0.73 CAD/USD FX and $2.25 AECO.
4. Calculated as $145 million of FCF divided by a market cap of $938 million as at May 29, 2026.
5. This is a non-GAAP and other financial measure. See the Non-GAAP and Other Financial Measures advisory herein. "GAAP" is defined as generally accepted accounting principles.

SOURCE Surge Energy Inc.

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