SURGE ENERGY INC. ANNOUNCES 2024 CAPITAL AND OPERATING BUDGET; RELEASE OF ANNUAL SUSTAINABILITY REPORT; APPOINTMENT OF VICE PRESIDENTS

CALGARY, ALBERTA (December 7, 2023) Surge Energy Inc. ("Surge" or the "Company") (TSX: SGY) is pleased to announce its 2024 capital and operating budget as approved by the Company's Board of Directors, the release of the Company's third annual sustainability report, as well as the appointment of two Vice Presidents.

2024 BUDGET GUIDANCE: CONTINUED FOCUS ON FREE CASH FLOW GENERATION AND SHAREHOLDER RETURNS

Surge's focus in 2024 will continue to be on disciplined capital allocation, with cash flow strategically allocated between high rate of return capital projects, net debt[1] repayment, and further increases to shareholder returns. Surge is currently returning over $48 million annually to shareholders through the Company's existing base dividend of $0.48 per share, per annum (paid monthly).

Surge's 2024 capital budget will see approximately 95 percent of its development expenditures directed towards two of the top four crude oil plays in Canada in its Sparky (>11,000 boepd; 85% liquids) and SE Saskatchewan (~8,000 boepd; 90% liquids) core areas, as independently evaluated by a leading brokerage firm[2], which now comprise over 80 percent of the Company's current production.

Based on Surge's 2024 capital budget, the Company can deliver production of 25,000 boepd (87 percent liquids), while concurrently generating an anticipated $105 million of free cash flow[1] (before dividends) at US$75 WTI crude oil pricing[3] – providing investors with an estimated free cash flow yield[1,4] of 15 percent.

Surge Management closely monitors market conditions for commodity prices, Canadian oil price differentials, as well as interest and foreign exchange rates. The pace of the Company's capital expenditures budget is strategically adjusted, based on market conditions.

2024 BUDGET HIGHLIGHTS

Surge's disciplined 2024 capital and operating budget:

- Maximizes free cash flow, through a focused, $190 million exploration and development capital program;
- Generates forecast annual cash flow from operating activities of more than $295 million ($2.95 per share) at US$75 WTI crude oil pricing;
- Results in forecast free cash flow (before dividends) of $105 million ($1.05 per share[1]) at US$75 WTI crude oil pricing;
- Substantially increases the Company's waterflood budget, with approximately $10 million of capital expenditures directed towards expanding the Company's waterflood program;
- Targets the drilling of 70 (net) of the Company's most capital efficient drilling locations; focused predominately in the Sparky and SE Saskatchewan core areas; and

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[1] This is a non-GAAP and other financial measure which is defined under Non-GAAP and Other Financial Measures section of this document.

[2] Source: Peters & Co. Limited (January 9, 2023 North American Oil and Natural Gas Plays).

[3] Additional pricing assumptions: (WCS: US$16.00, EDM US$3.50 differentials), CAD/USD FX of $0.725 and AECO of $2.95 per mcf.

[4] Free cash flow yield of 15 percent is calculated as $105 million of free cash flow (before dividends), divided by 100.3 million basic shares outstanding, divided by a SGY share price of $7.00/sh.

- Uses less than seven percent of the Company's internally estimated drilling locations (i.e. over 1,050 net total estimated locations currently in inventory)[5].

Further details relating to the 2024 budget are set forth below:

Guidance	**@ US $75 WTI[6]**
Average 2024 production	25,000 boepd (87% liquids)
2024(e) Exploration and development expenditures	$190 million
2024(e) Cash flow from operating activities*	$295 million
Per share	*$2.95 per share*
2024(e) Free cash flow (before dividends)	$105 million
Per share	*$1.05 per share*
2024(e) All-in payout ratio[7]	81%
2024(e) Exit net debt to 2024(e) cash flow from operating activities ratio[7]	0.7x
2024(e) Royalties as a % of petroleum and natural gas revenue	18.00%
2024(e) Net operating expenses[7]	$19.95 - $20.95 per boe
2024(e) Transportation expenses	$1.50 - $1.75 per boe
2024(e) General & administrative expenses	$2.15 - $2.35 per boe

* Cash flow from operating activities assumes a nil change in non-cash working capital.

2024 DRILLING PROGRAM: FOCUSED ON THE SPARKY (MANNVILLE) AND SE SASKATCHEWAN (FROBISHER)

Surge's 2024 capital program is focused in the Company's Sparky and SE Saskatchewan core areas, with approximately 95 percent of 2024 development budget in these two areas. A total of 70 net wells are planned across all core areas, with 37 net wells planned in the Sparky, 32 net wells planned in SE Saskatchewan, and one well targeting the prolific Doig formation in Surge's Valhalla core area.

Sparky (Mannville)

Surge's 2024 capital program in the Sparky core area (>85% liquids; 23° API average crude oil gravity) is focused on development drilling, with 37 net wells budgeted to be drilled in the Company's large original oil in place ("OOIP")[8] pools at Cadogan, Sounding Lake, Betty Lake – as well as the Company's emerging multi-lateral Sparky/Mannville play in the Hope Valley/Giltedge area.

[5] See the Drilling Inventory section of this document for further information.

[6] Additional pricing assumptions (WCS: US$16.00, EDM US$3.50 differentials), CAD/USD FX of $0.725 and AECO of $2.95 per mcf.

[7] This is a non-GAAP and other financial measure which is defined in the Non-GAAP and Other Financial Measures section of this document.

[8] See the Oil & Gas Advisory section of this document for further information.

This capital program will consist of 25 net single-leg frac'ed Sparky horizontal wells, 8 net multi-leg Sparky wells, and 4 net horizontal wells in the Lloydminster formation. In 2024, Management is focused on the continued growth of Surge's multi-lateral well footprint in the Mannville, with approximately 30 percent of drilling capital directed to multi-lateral development.

SE Saskatchewan

In the Company's SE Saskatchewan core area, Surge is currently budgeting the drilling of 32 (net) conventional Mississippian horizontal wells, with 25 of these wells targeting the Frobisher formation, and 7 wells targeting the Midale and Lodgepole formations.

Over the past number of years, the Company has endeavored to optimize reservoir contact by drilling two and three leg stacked multi-lateral wells within the Frobisher. In 2024, 19 (75 percent) of Surge's planned Frobisher wells will be drilled as multi-lateral horizontal wells.

ANNUAL SUSTAINABILITY REPORT RELEASED

Surge has released its third annual Sustainability Report, outlining the Company's advancement of its environmental, social and governance practices, and their impact on Surge's business and operating strategy.

The Company's third annual Sustainability Report reaffirms Surge's commitment to be a leader in reducing the impact of oil and gas operations on the environment. The report covers performance metrics for the 2020, 2021, and 2022 calendar years and aligns with guidance set forth by the Task Force on Climate-Related Financial Disclosure.

The Sustainability Report was approved by Surge's Management team, as well as the Company's Board of Directors, and is intended to allow all Surge stakeholders to better understand the Company's commitment to sustainable, responsible oil and gas operations.

Surge's latest annual Sustainability Report can be accessed through the Company's website.

APPOINTMENT OF VICE PRESIDENTS

Surge's Board and Management is pleased to announce the addition of two new Vice Presidents to the leadership team of the Company.

Mr. Dan Kelly, CA, CPA has been promoted to Vice President, Finance and Controller. Mr. Kelly is an experienced energy finance professional with over 15 years of industry experience, and has been with Surge for over 9 years.

Mr. Grant Cutforth, P. Geol. has been promoted to Vice President, Business Development. Mr. Cutforth is a seasoned professional Geologist and business development professional with over 24 years of industry experience, and has been with the Company for over 9 years.

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 continued focus on free cash flow generation and shareholder returns; Surge’s plans for the allocation of cash flow; Surge’s expectations regarding commodity prices; the anticipated usage of funds allocated in its 2024 capital and operating budget; anticipated 2024 free cash flow yield free cash flow yield; Surge’s planned drilling program; Surge’s drilling locations; and Surge’s 2024 guidance, including average 2024(e) production; 2024(e) exploration and development expenditures; 2024(e) cash flow from operating activities; 2024(e) free cash flow; 2024(e) all-in payout ratio; 2024(e) exit net debt to 2024(e) cash flow from operating activities ratio; 2024(e) royalties as a % of petroleum and natural gas revenue; 2024(e) net operating expenses; 2024(e) transportation expenses; and 2024(e) general & administrative expenses.

The forward-looking statements are based on certain key expectations and assumptions made by Surge, including expectations and assumptions around 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; the availability and costs of capital, labour and services; 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 (including the impact of COVID-19) and other geopolitical risks; 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; 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 8, 2023 and in Surge’s MD&A for the period ended December 31, 2022, both of which have been filed on SEDAR+ and can be accessed at www.sedarplus.ca.

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.

SURGE ENERGY INC

Oil and Gas Advisories

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.

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.

Original Oil in Place (“OOIP”) means Discovered Petroleum Initially In Place (“DPIIP”). DPIIP is derived by Surge’s internal Qualified Reserve Evaluators (“QRE”) and prepared in accordance with National Instrument 51-101 and the Canadian Oil and Gas Evaluations Handbook (“COGEH”). DPIIP, as defined in COGEH, is that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production. The recoverable portion of DPIIP includes production, reserves and Resources Other Than Reserves (ROTR). OOIP/DPIIP and potential recovery rate estimates are based on current recovery technologies. There is significant uncertainty as to the ultimate recoverability and commercial viability of any of the resource associated with OOIP/DPIIP, and as such a recovery project cannot be defined for a volume of OOIP/DPIIP at this time.

As of January 1, 2023, Surge’s internally estimated OOIP of the Sparky Core area is 1.1 billion barrels of oil, with a total estimate of 127 million barrels of oil produced.

Reserves data set forth in this press release is based upon an evaluation of the Company’s reserves prepared by Sproule as set forth in the Sproule Report. The reserves referenced in this press release are gross reserves. The estimates of reserves contained in the Sproule Report and referenced in this press release are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual reserves may be greater than or less than the estimates contained in the Sproule Report and referenced in this press release. The estimates of reserves for individual properties may not reflect the same confidence level as estimates of reserves for all properties, due to the effects of aggregation. Readers should refer to the Surge’s AIF for the year ended December 31, 2022, which is available on SEDAR+ at www.sedarplus.ca or on Surge’s website at www.surgeenergy.ca, for a complete description of the Sproule Report (including reserves by the specific product types) and the material assumptions, limitations and risk factors pertaining thereto.

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 internal evaluation using standard practices as prescribed in COGEH 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 certified Engineers and Geologists (who are also 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 any or 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, 2023 reference date, the Company will have over >1,150 gross (>1,050 net) drilling locations identified herein; of these >625 gross (>575 net) are unbooked locations. Of the 488.5 net booked locations identified herein, 366.1 net are Proved locations and 122.4 net are Probable locations based on Sproule's 2022 year-end reserves. Assuming an average number of wells drilled per year of 80, Surge's >1,050 net locations provide 13 years of drilling.

Assuming a January 1, 2023 reference date, the Company will have over >480 gross (>480 net) Sparky Core area drilling locations identified herein; of these >300 gross (>300 net) are unbooked locations. Of the 182 net booked locations identified herein, 126 net are Proved locations and 56 net are Probable locations based on Sproule's 2022 year-end reserves. Assuming an average number of wells drilled per year of 40, Surge's >480 net locations provide >12 years of drilling.

Assuming a January 1, 2023 reference date, the Company will have over >325 gross (>275 net) SE Saskatchewan drilling locations identified herein; of these >140 gross (>120 net) are unbooked locations. Of the 154 net booked locations identified herein, 105 net are Proved locations and 49 net are Probable locations based on Sproule's 2022 year-end reserves. Assuming an average number of wells drilled per year of 40, Surge's >275 net locations provide ~7 years of drilling.

Assuming a subset of SE Saskatchewan inventory, and a January 1, 2023 reference date, the Company will have over >190 gross (>160 net) SE Saskatchewan Frobisher drilling locations identified herein; of these >80 gross (>75 net) are unbooked locations. Of the 89 net booked locations identified herein, 56 net are Proved locations and 33 net are Probable locations based on Sproule's 2022 year-end reserves.

Surge's internally used type curves were constructed using a representative, factual and balanced analog data set, as of January 1, 2022. All locations were risked appropriately, and estimated ultimate recoverable ("EUR") reserves 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 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 non-GAAP financial measures and non-GAAP ratios, are not defined by IFRS and therefore are referred to as non-GAAP and other financial measures. Certain secondary financial measures in this press release – namely "free cash flow", "free cash flow per share", "free cash flow yield", "net debt", "net debt to cash flow from operating activities", "all-in payout ratio", "net operating expenses", and "net operating expenses per boe" 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.

Free Cash Flow, Free Cash Flow per Share and Free Cash Flow Yield

Free cash flow is a non-GAAP financial measure, calculated as cash flow from operating activities, before changes in non-cash working capital, less expenditures on property, plant, equipment, and dividends paid. Management uses free cash flow to determine the amount of funds available to the Company for future capital allocation decisions.

Free cash flow per share is a non-GAAP ratio, calculated using the same weighted average basic and diluted shares used in calculating income per share. Free cash flow yield is a non-GAAP ratio, calculated as free cash flow per share divided by the current share price.

Net Debt and Net Debt to Cash Flow from Operating Activities

Net debt is a non-GAAP financial measure, calculated as bank debt, 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. There is no comparable measure in accordance with IFRS for net debt. This metric is used by management to analyze the level of debt in the Company including the impact of working capital, which varies with timing of settlement of these balances.

Net debt to cash flow from operating activities is a non-GAAP ratio, calculated as exit net debt divided by cash flow from operating activities. Management uses this ratio to measure the Company's overall debt position and to measure the strength of the Company's balance sheet. Surge monitors this ratio and uses this as a key measure in making decisions regarding financing, capital expenditures and dividend levels.

All-in payout ratio

All-in payout ratio is a non-GAAP ratio, calculated as exploration and development expenditures, plus dividends paid, divided by cash flow from operations. This capital management measure is used by management to analyze allocated capital in comparison to the cash being generated by the principal business activities.

Net Operating Expenses and 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 in the MD&A.

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.

For further information, please visit our website at www.surgeenergy.ca or contact:

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