



# **SURGE**

**ENERGY INC**

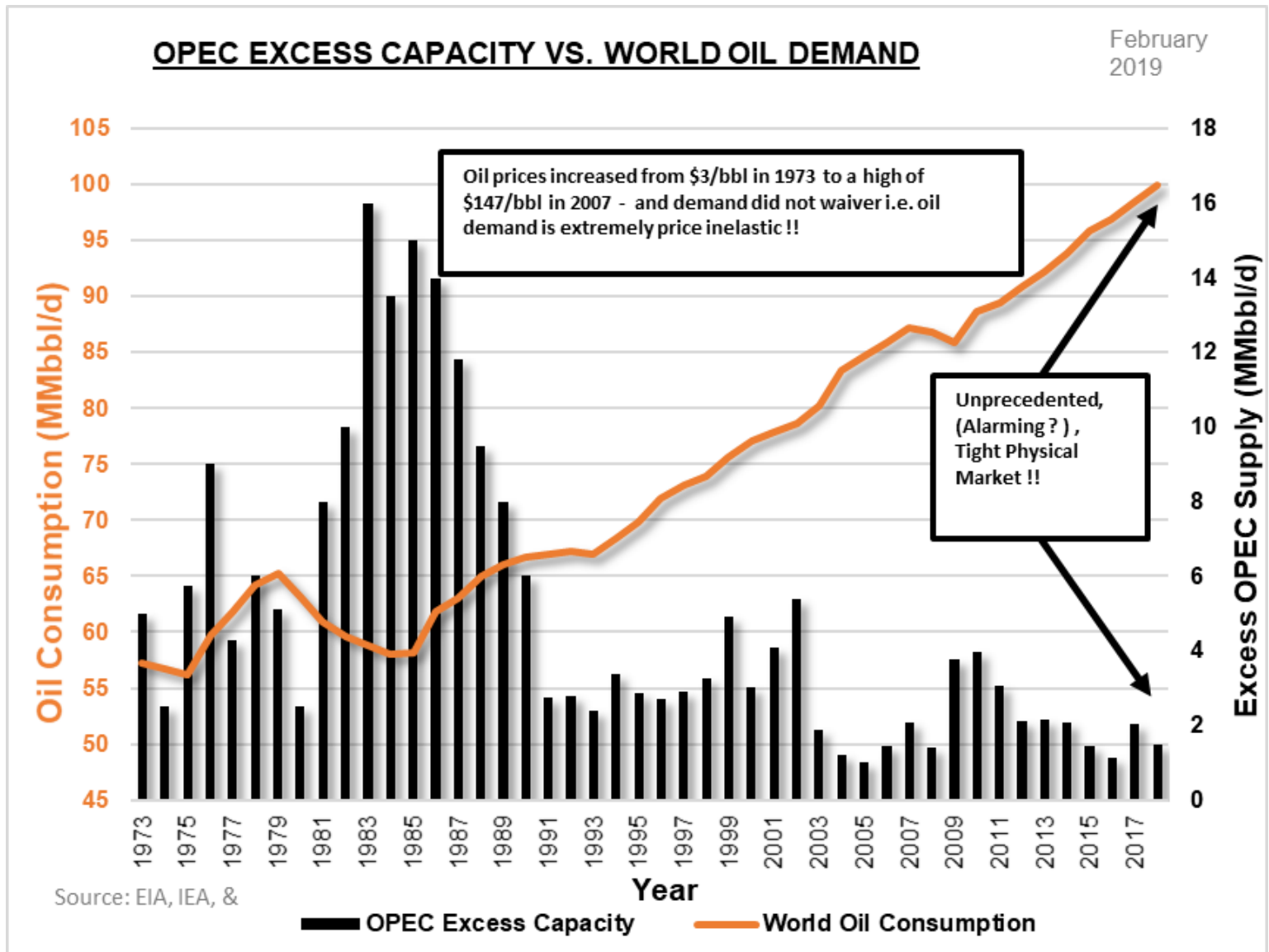
***SUSTAINABLE CONVENTIONAL  
RESOURCE COMPANY***

***TSX: SGY***

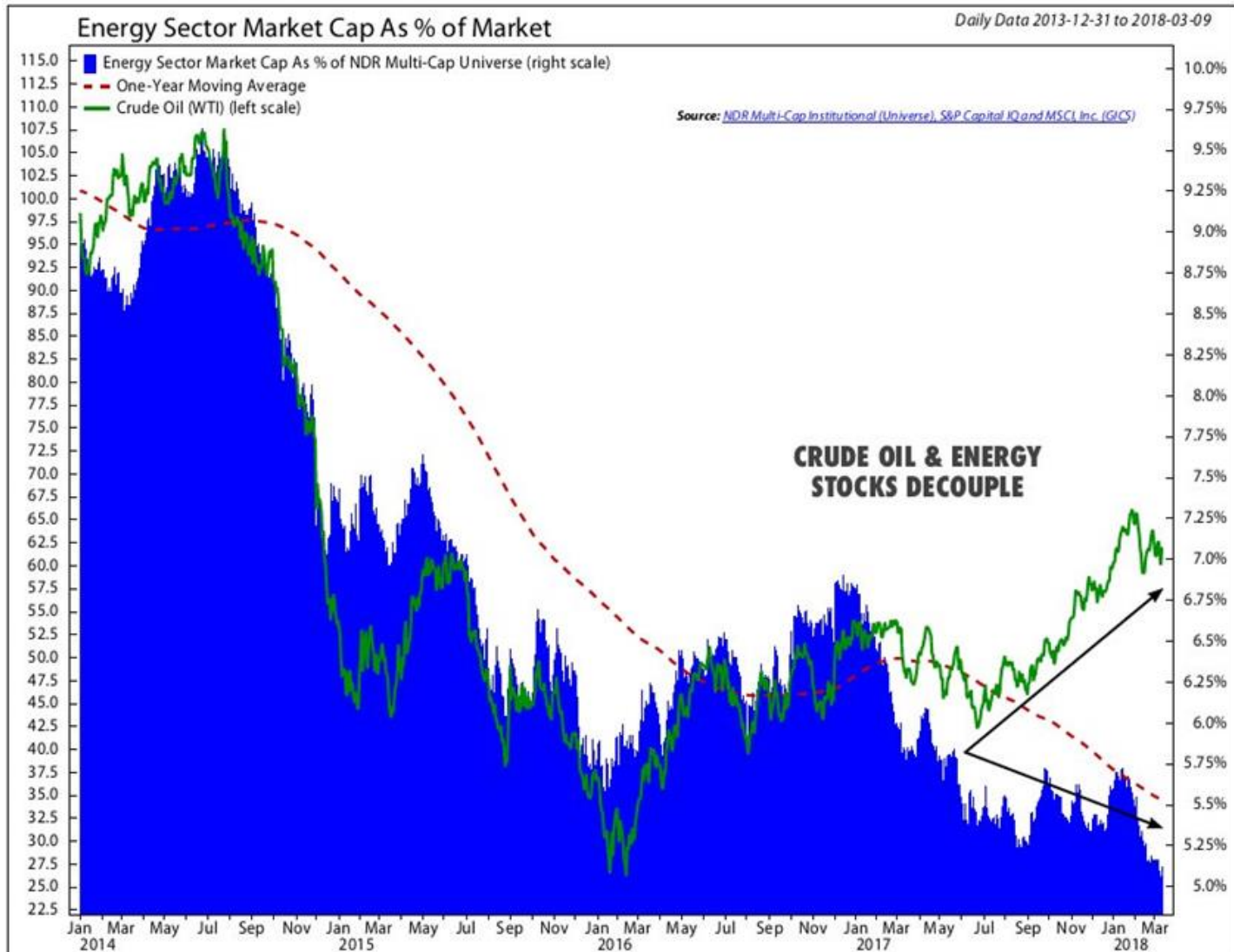
***AGM PRESENTATION***

***MAY 14, 2019***

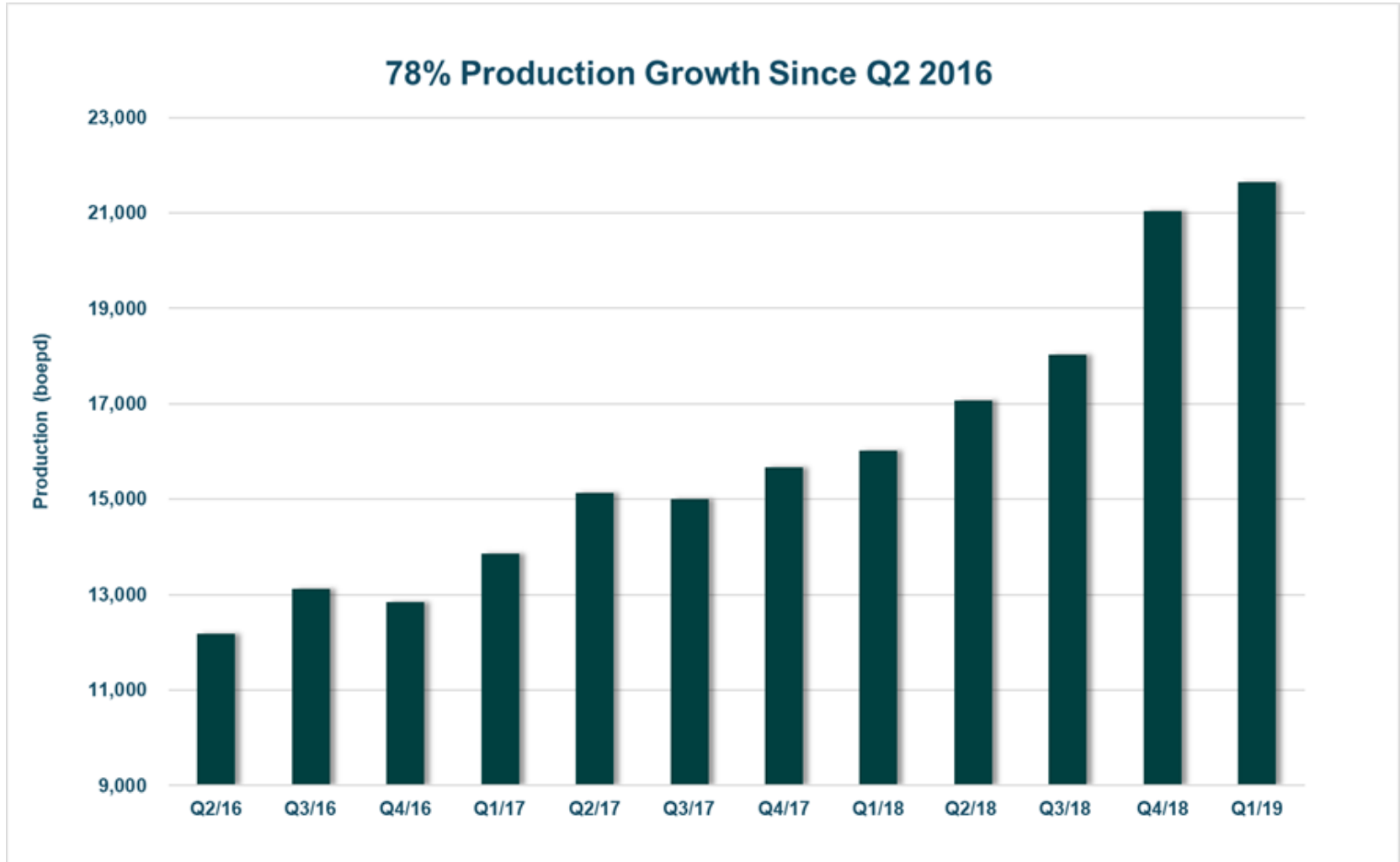
# WORLD CRUDE OIL - SUPPLY AND DEMAND



# DECOUPLING OF CRUDE OIL PRICES AND ENERGY STOCKS



# CONSISTENT PRODUCTION GROWTH OVER 11 FINANCIAL QUARTERS

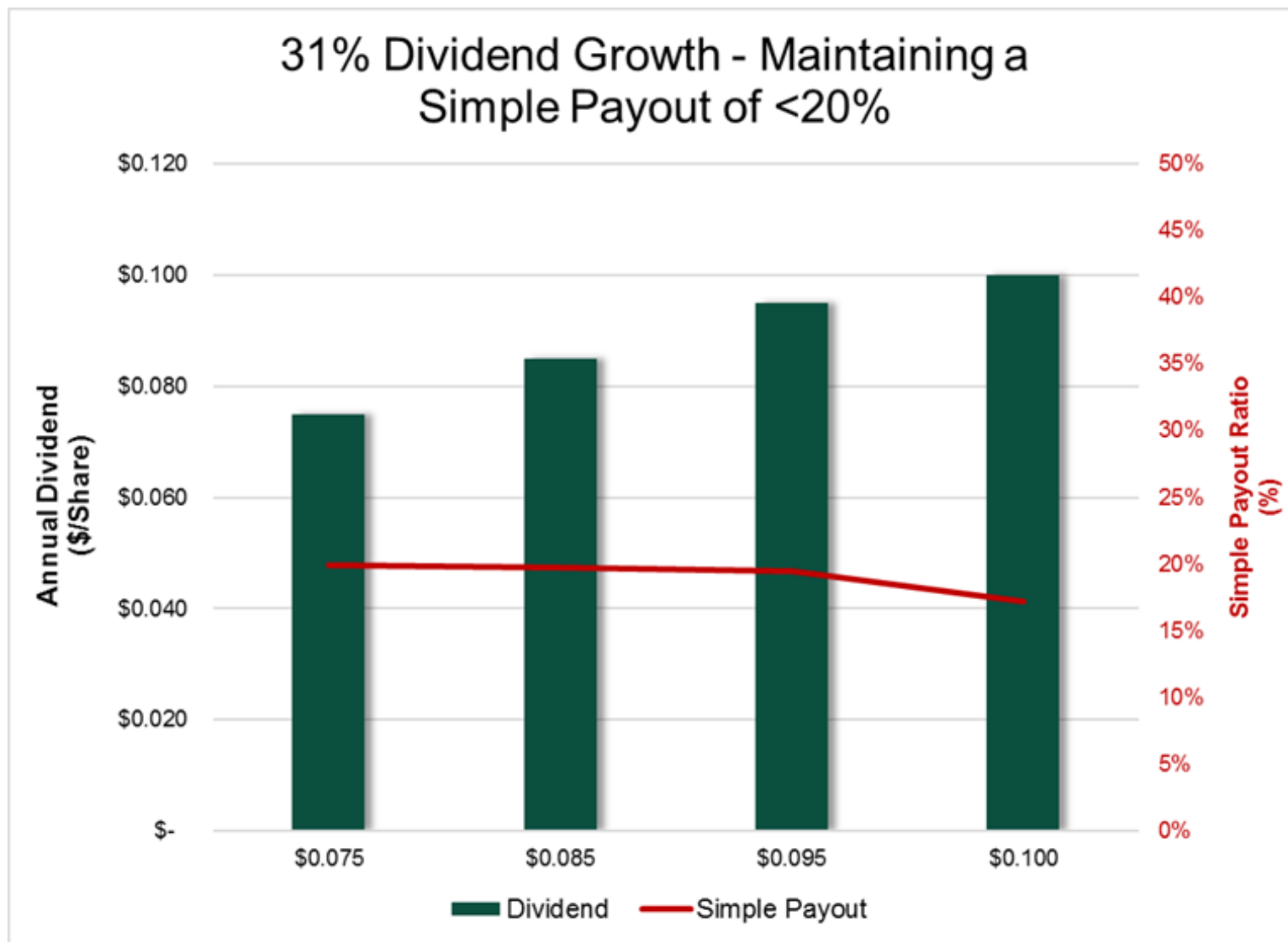


# 2019 SUSTAINABILITY ANALYSIS

## Commodity Sensitivity<sup>(1)</sup>

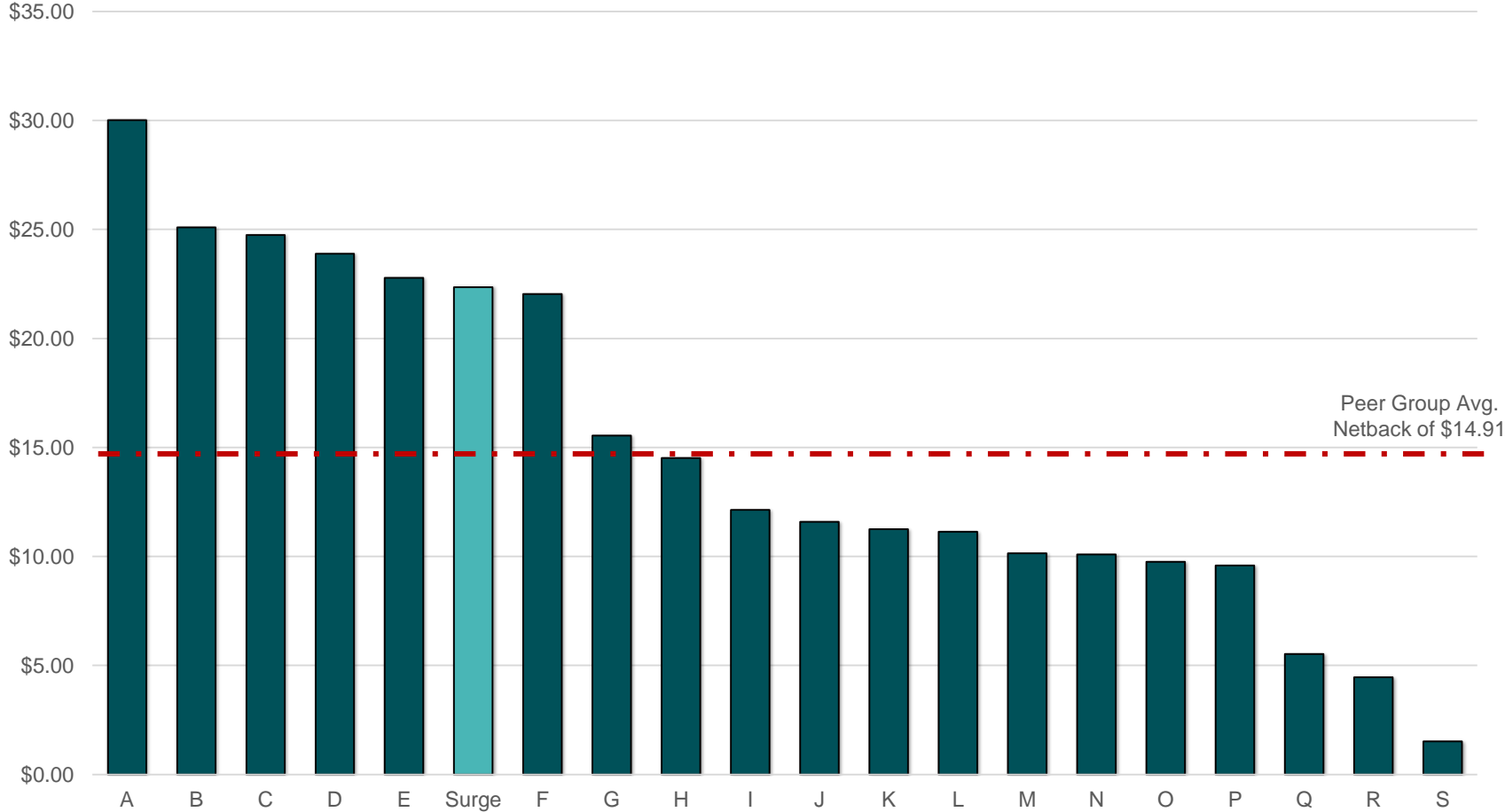
WTI (USD)	\$55	\$65	\$75
FX (USD / CAD)	\$0.75	\$0.75	\$0.75
WTI (CAD\$ / Bbl)	\$73.33	\$86.67	\$100.00
MSW-to-WTI Differential (US\$ / Bbl)	-\$5.00	-\$5.00	-\$5.00
WCS-to-WTI Differential (US\$ / Bbl)	-\$15.00	-\$15.00	-\$15.00
<b>Capital Efficiency (\$ / boepd)</b>	<b>\$25,500</b>	<b>\$25,500</b>	<b>\$25,500</b>
2019e Cash Flow from Operating Activities <sup>(2)</sup> (\$ MM)	<b>\$171</b>	<b>\$236</b>	<b>\$291</b>
Exploration and Development Capital (\$ MM)	<b>\$135</b>	<b>\$135</b>	<b>\$135</b>
Dividend (\$ MM)	<b>\$31</b>	<b>\$31</b>	<b>\$31</b>
<b>Capital &amp; Dividend (\$ MM)</b>	<b>\$166</b>	<b>\$166</b>	<b>\$166</b>
Cash Flow from Operating Activities in Excess of Capital & Dividend (\$ MM)	\$5	\$70	\$125
<b>All-in Payout Ratio<sup>(3)</sup></b>	<b>97%</b>	<b>70%</b>	<b>57%</b>

# SURGE DIVIDEND GROWTH



# CASHFLOW NETBACK COMPARISON

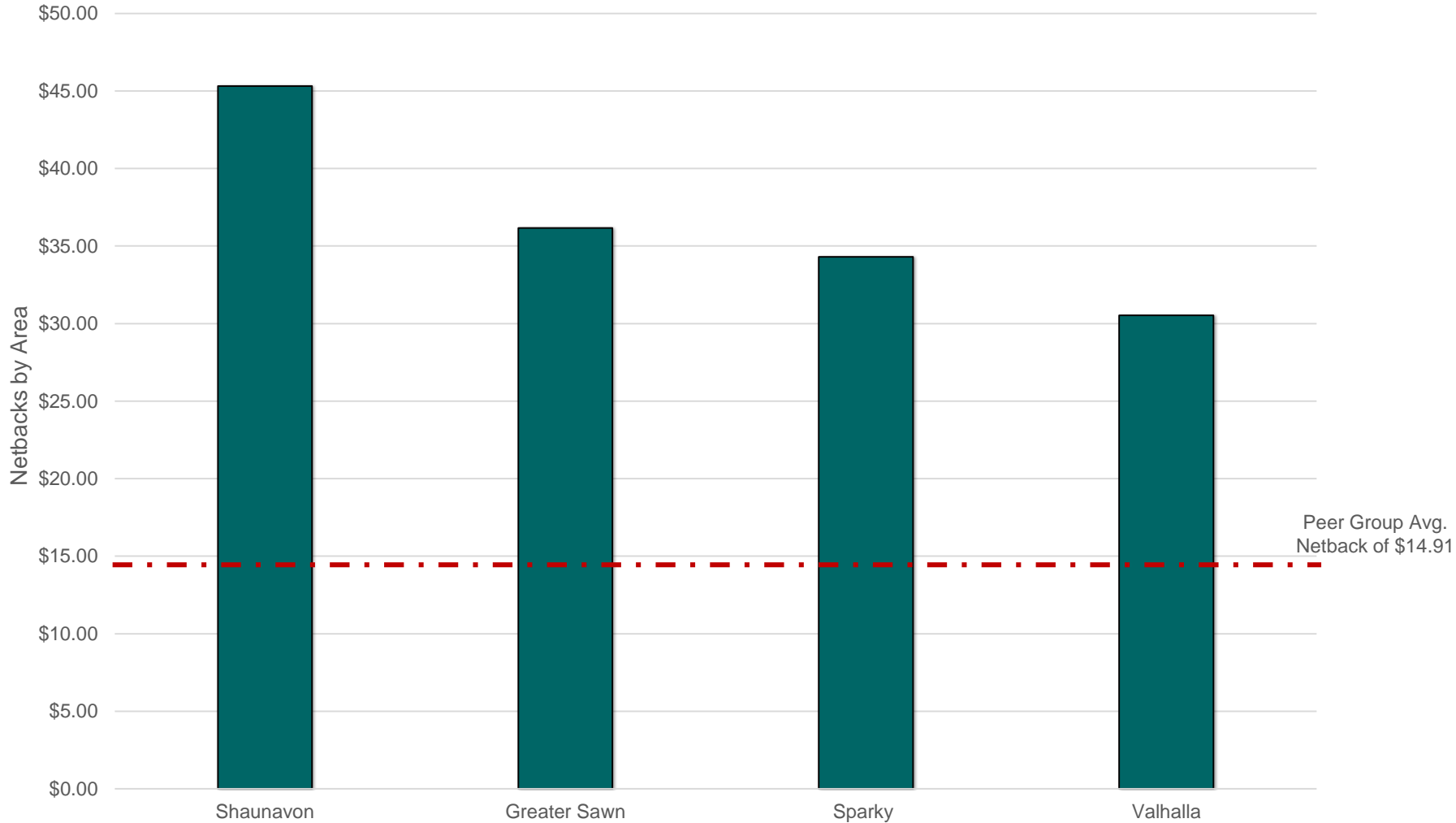
## TOP QUARTILE CASHFLOW NETBACKS<sup>(1)</sup>



(1) Information taken from National Bank Financial's "Energy Equity Compsheet" dated May 9, 2019.

# TOP DECILE OPERATING NETBACKS

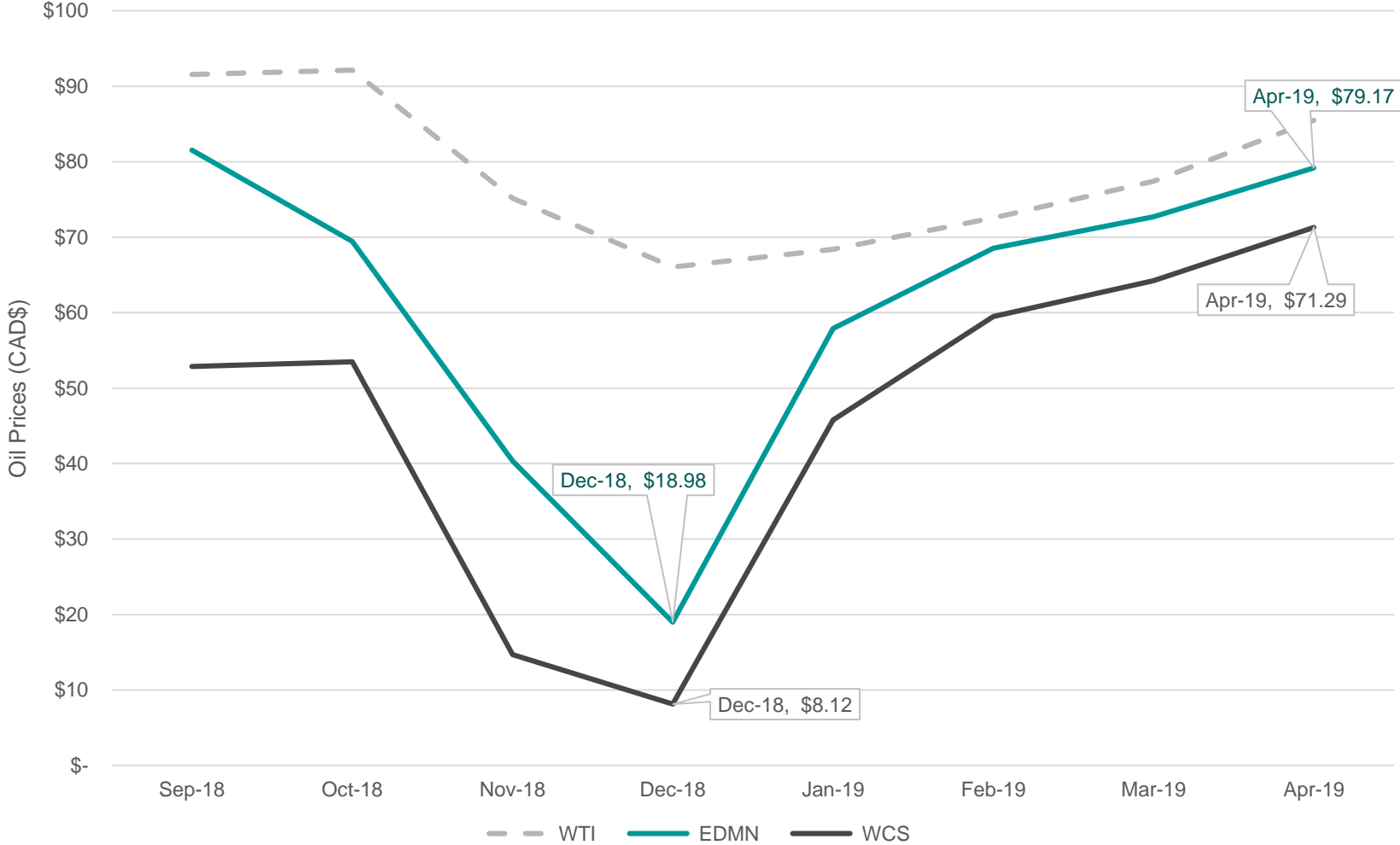
SURGE'S FOUR CORE AREAS HAVE EXCELLENT OPERATING NETBACKS





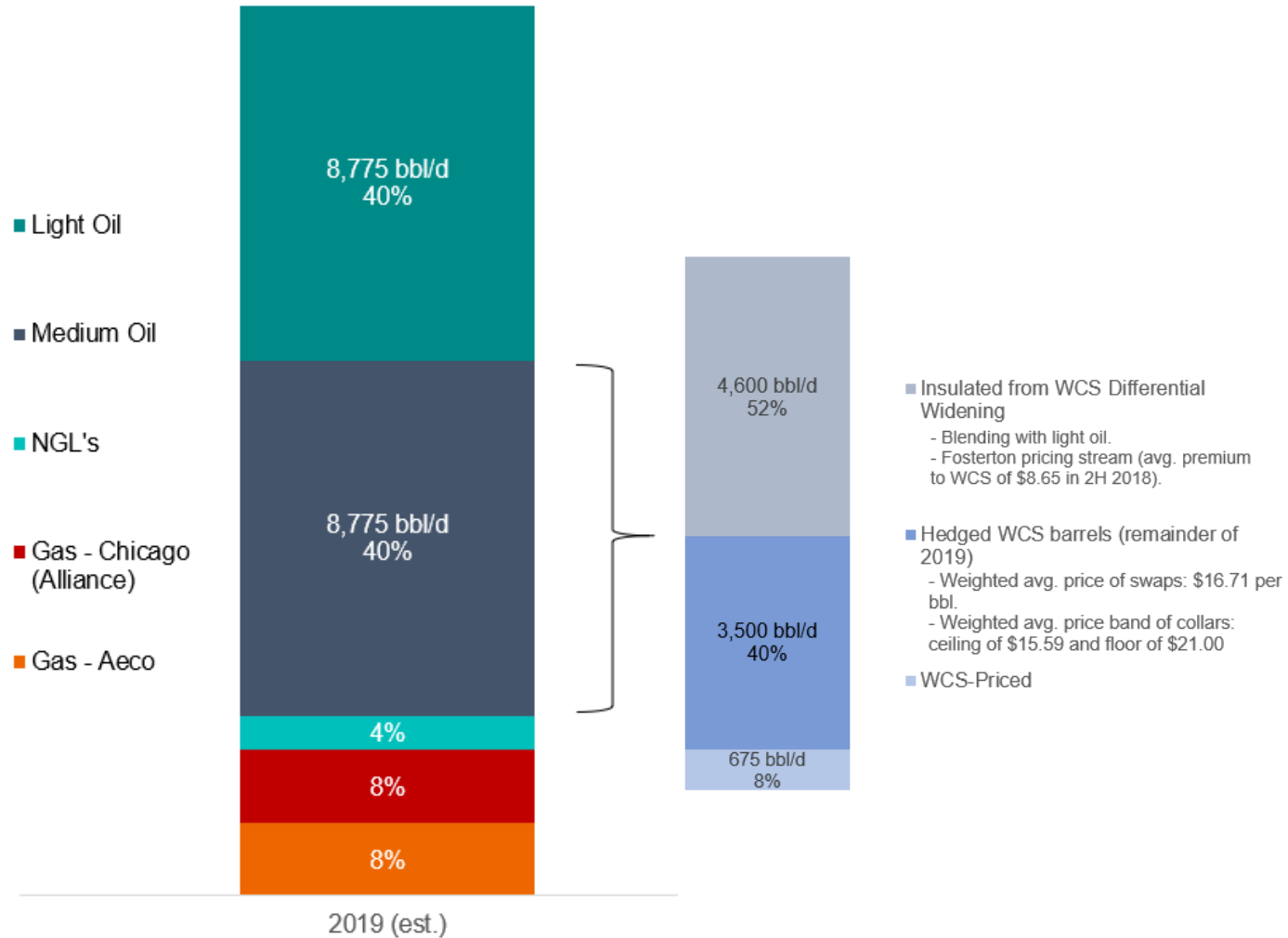
# NORMALIZATION OF REALIZED PRICES

Surge's Realized Oil Price Improved Dramatically in Q1 2019

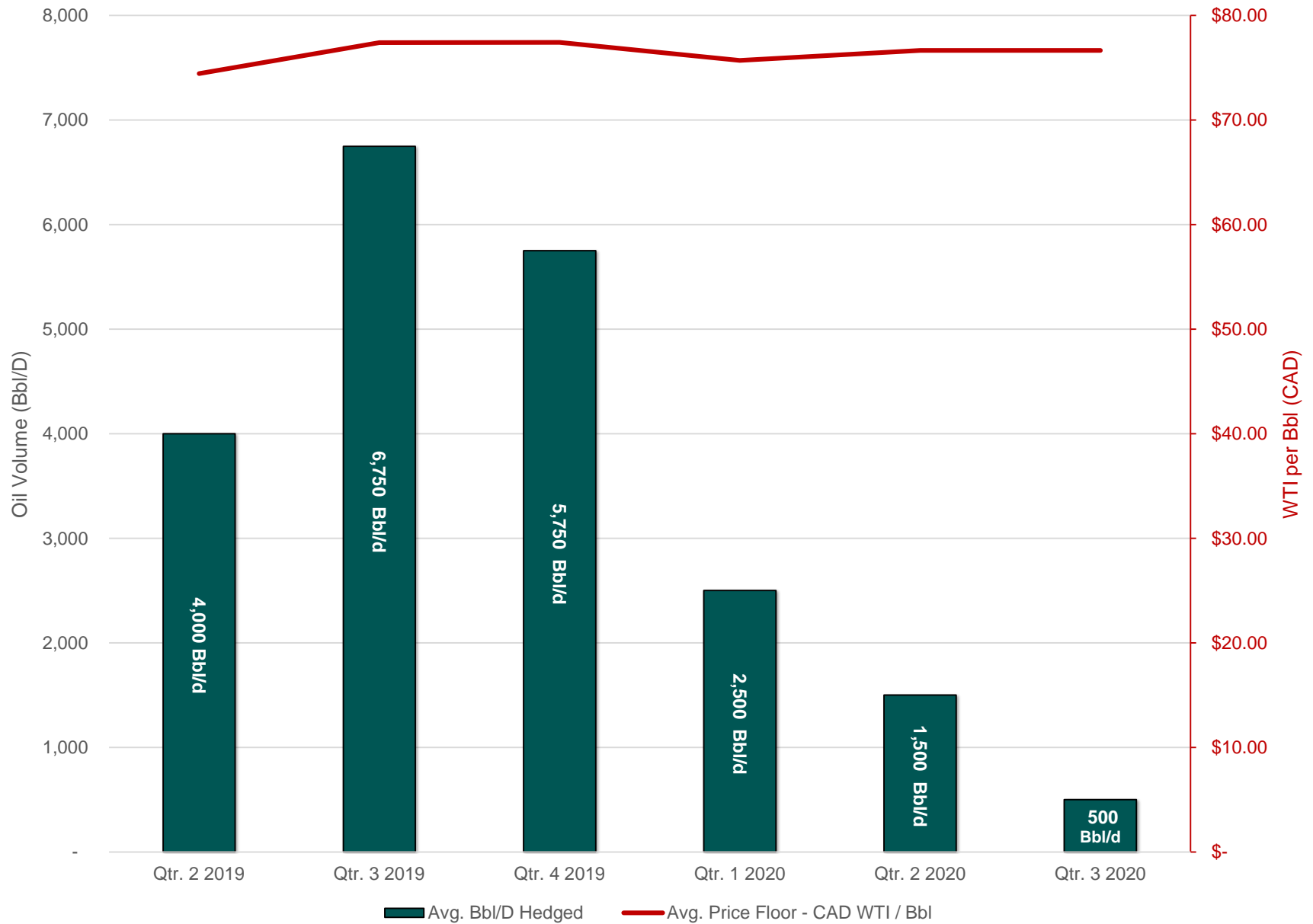


# PRODUCT MIX 2019

Less than 10% of WCS correlated barrels exposed to widening differentials

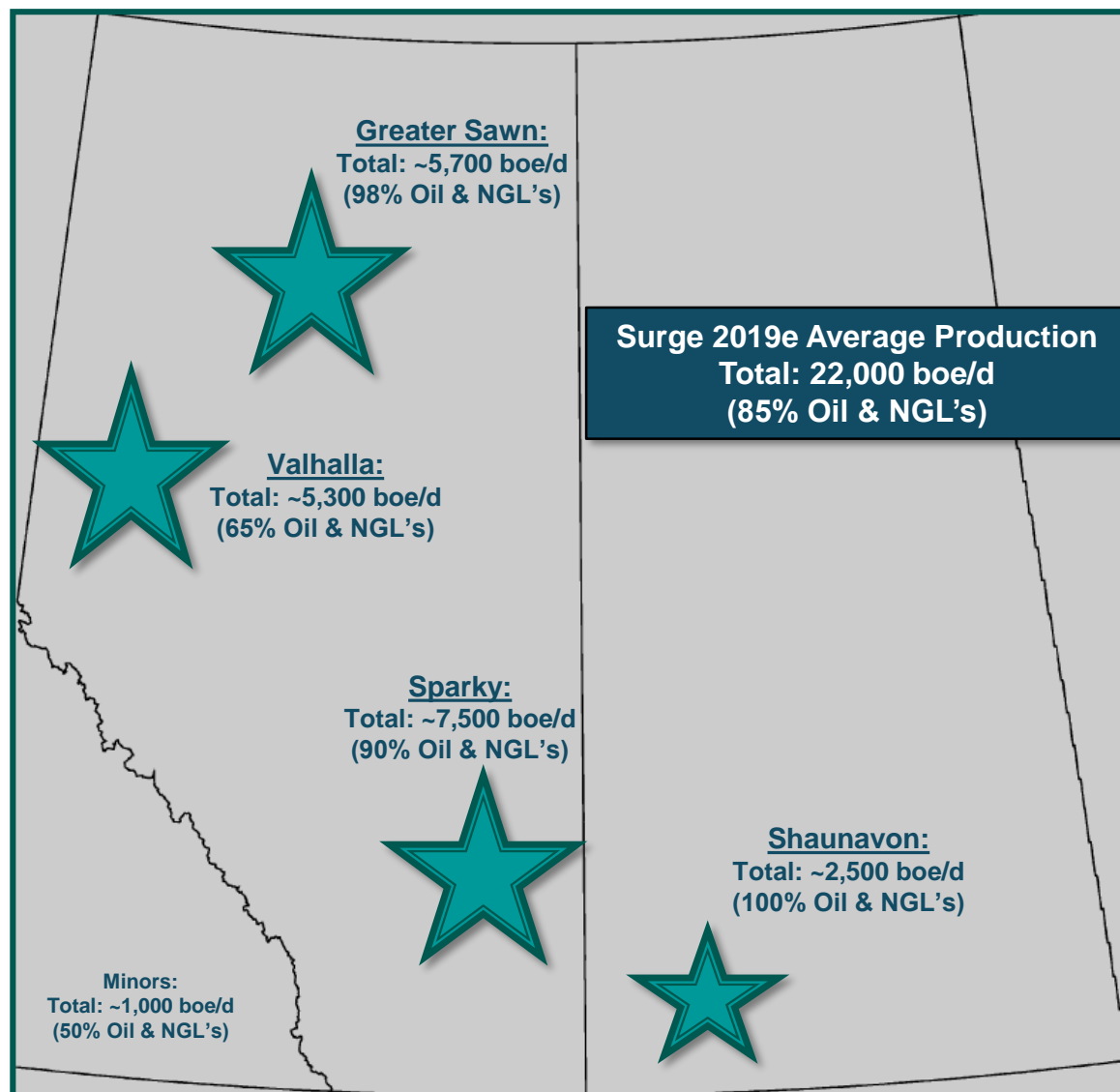


# OIL HEDGING



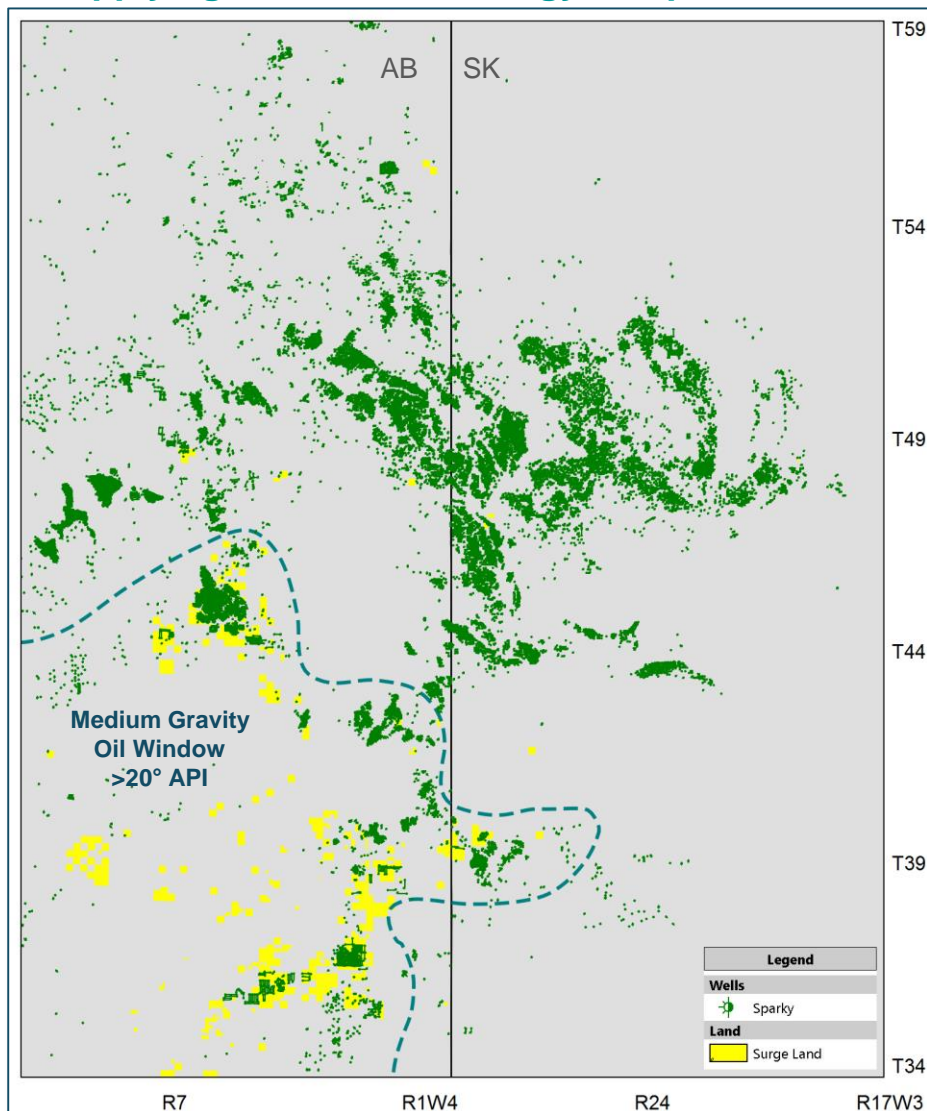
# OPERATIONS FOCUSED IN 4 CORE AREAS

Highly Economic Consistent Drilling Results



# SPARKY – A DOMINANT POSITION

Applying modern technology to a prolific Western Canadian formation



- The Sparky is a well established prolific oil producing formation in Western Canada.
- Surge holds a dominant land position in the medium / light gravity oil window and is applying modern horizontal multi-stage fracturing technology.

## Key Sparky Value Drivers:

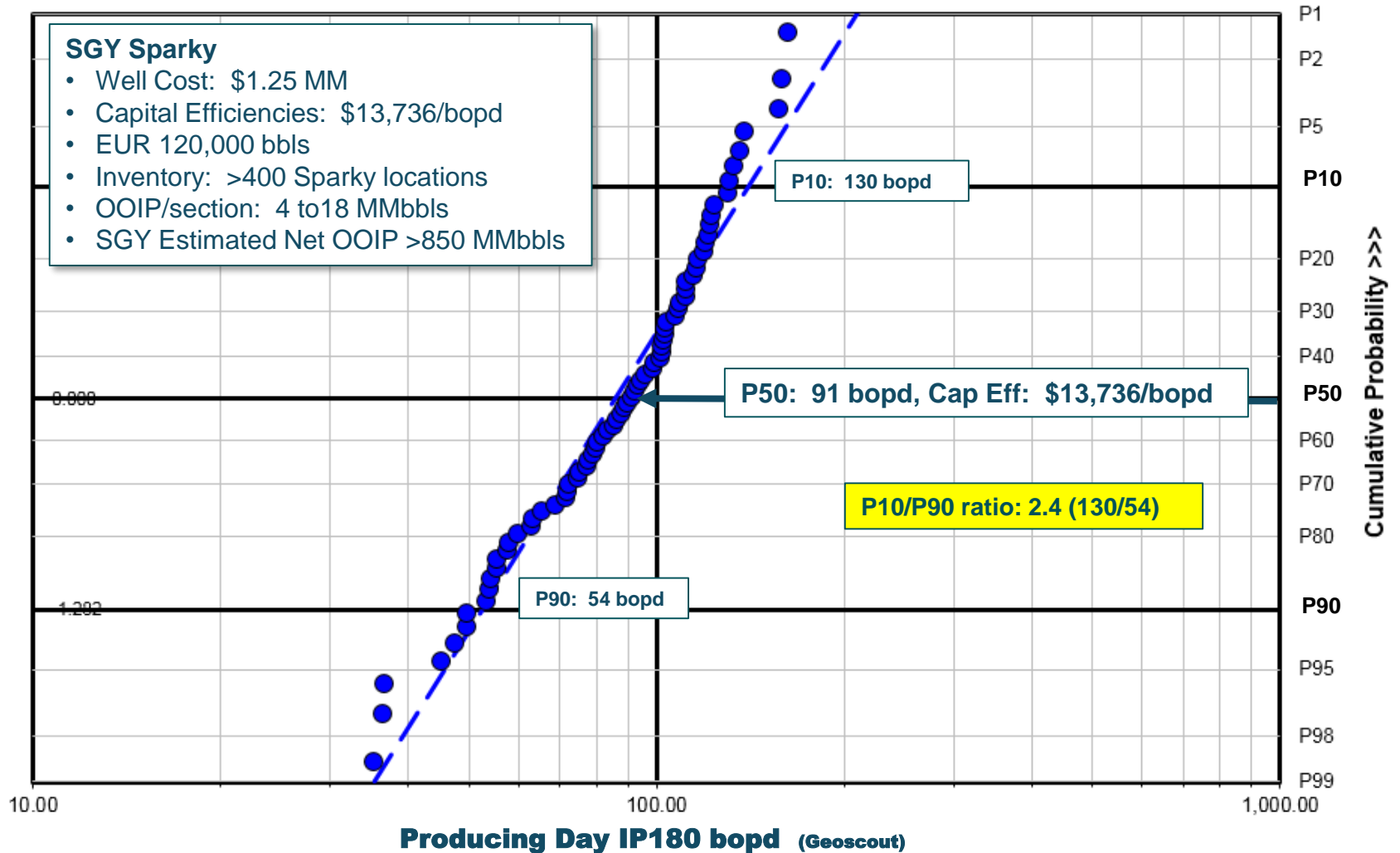
- Shallow depth (700-900m).
- Low cost drilling (D,C&E at CAD\$1.2MM per well).
- Low geological risk due to 3D seismic and thousands of vertical penetrations.
- Focus on lighter oil gravity (23-31° API) = higher netbacks.
- Proven waterflood potential (Wainwright pool at >35% recovery factor<sup>(1)</sup>).

Sparky Formation Facts <sup>(1)</sup>	
First Production	May 1922
Original Oil in Place	> 11 Bbbls
Cum Production	> 1 Bbbls
Recovery Factor	<10%
Producing Wells	> 20,000
Hz Wells / Multi-Stage Hz / Surge Multi-Stage Hz	>650 / >200 / >100

# SPARKY WELL RESULTS

IP180 Lognormal Distribution (oil only): 101 Surge wells over 6 years

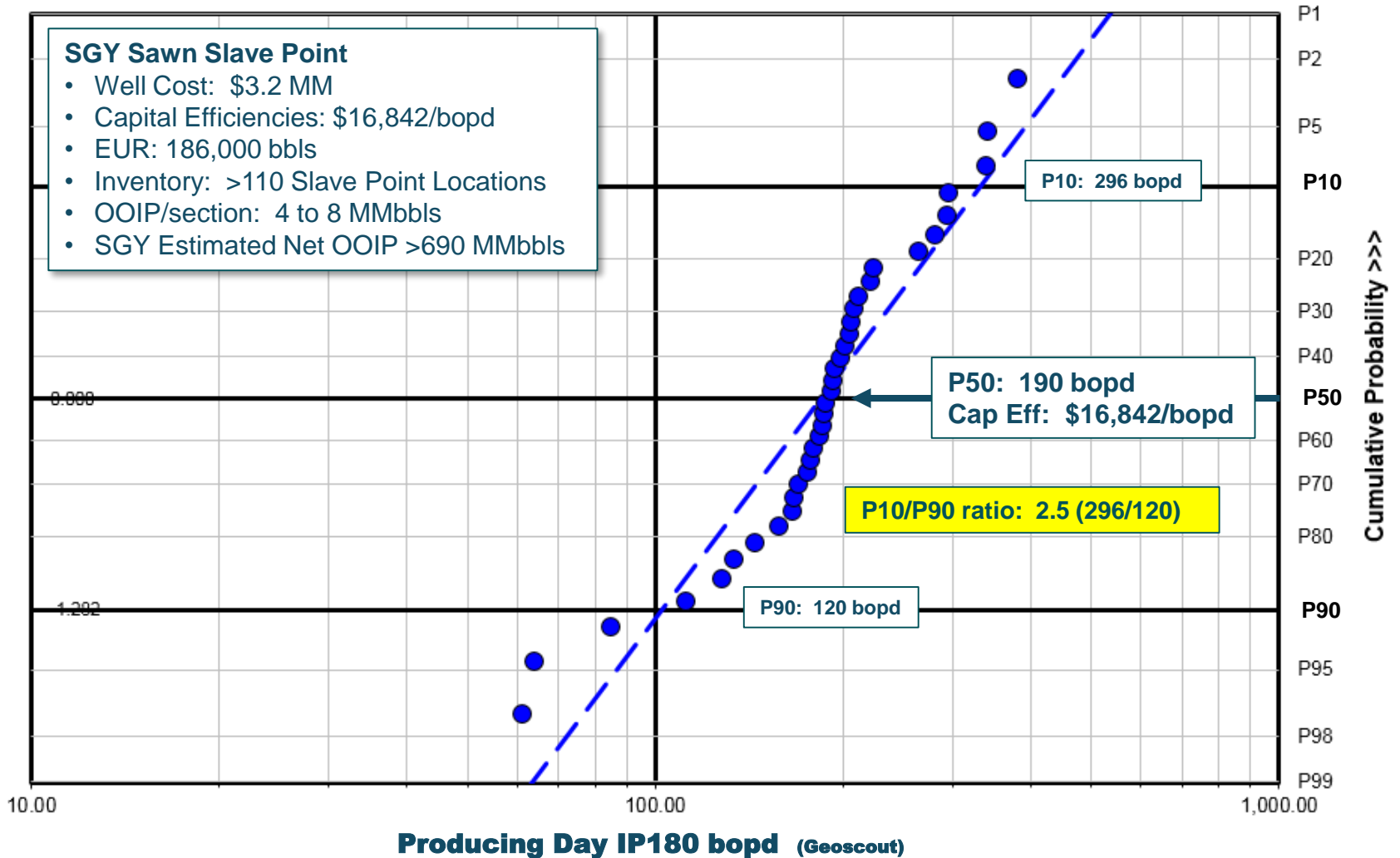
(IP180 results within a given play follows a lognormal distribution)



Surge target's a P10/P90 ratio of 6 or less (consistent results)  
Production efficiencies calculated using P50 (\$/bopd)

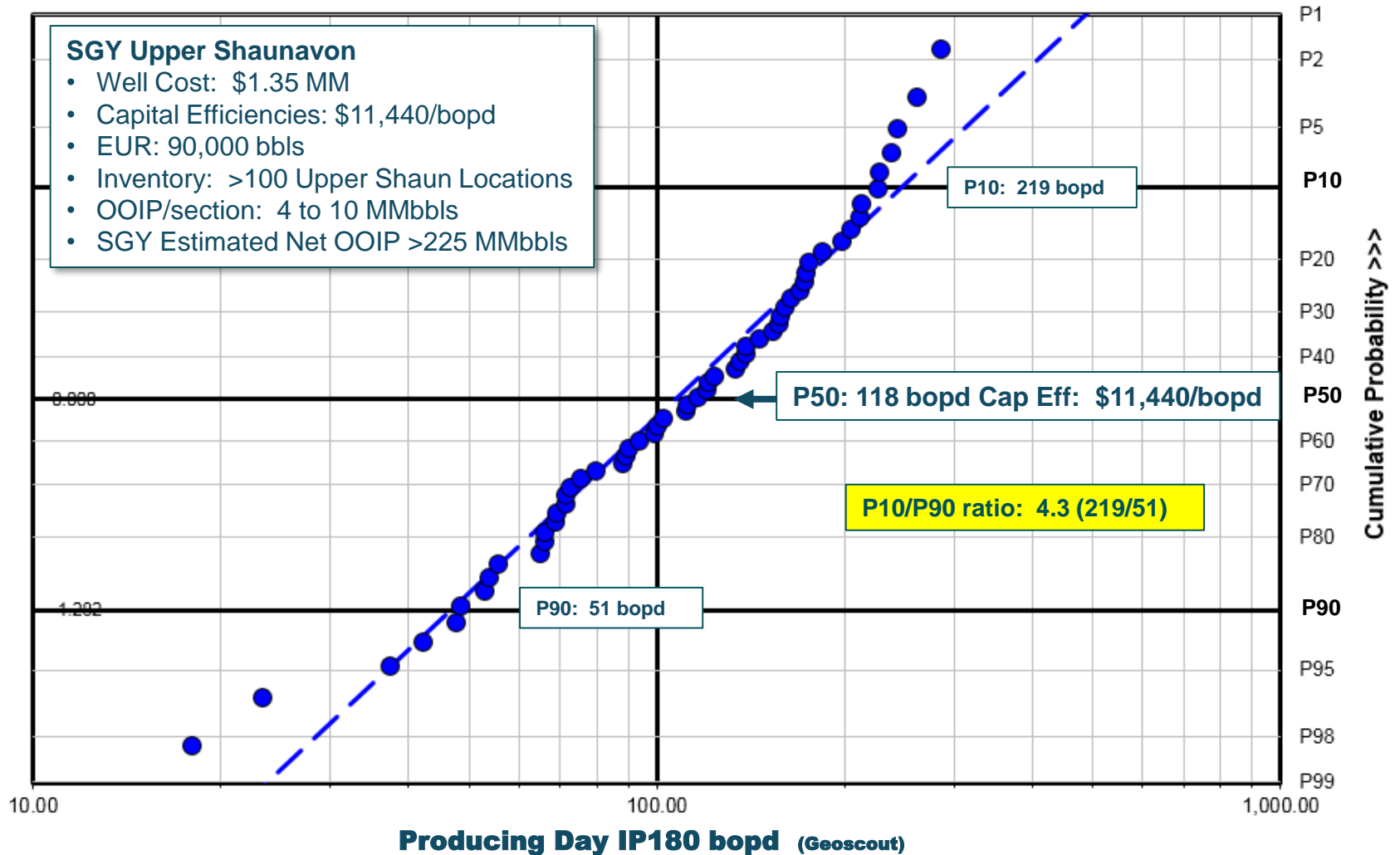
# SAWN SLAVE POINT WELL RESULTS

IP180 Lognormal Distribution (oil only): 43 wells over 6 years



# UPPER SHAUNAVON WELL RESULTS

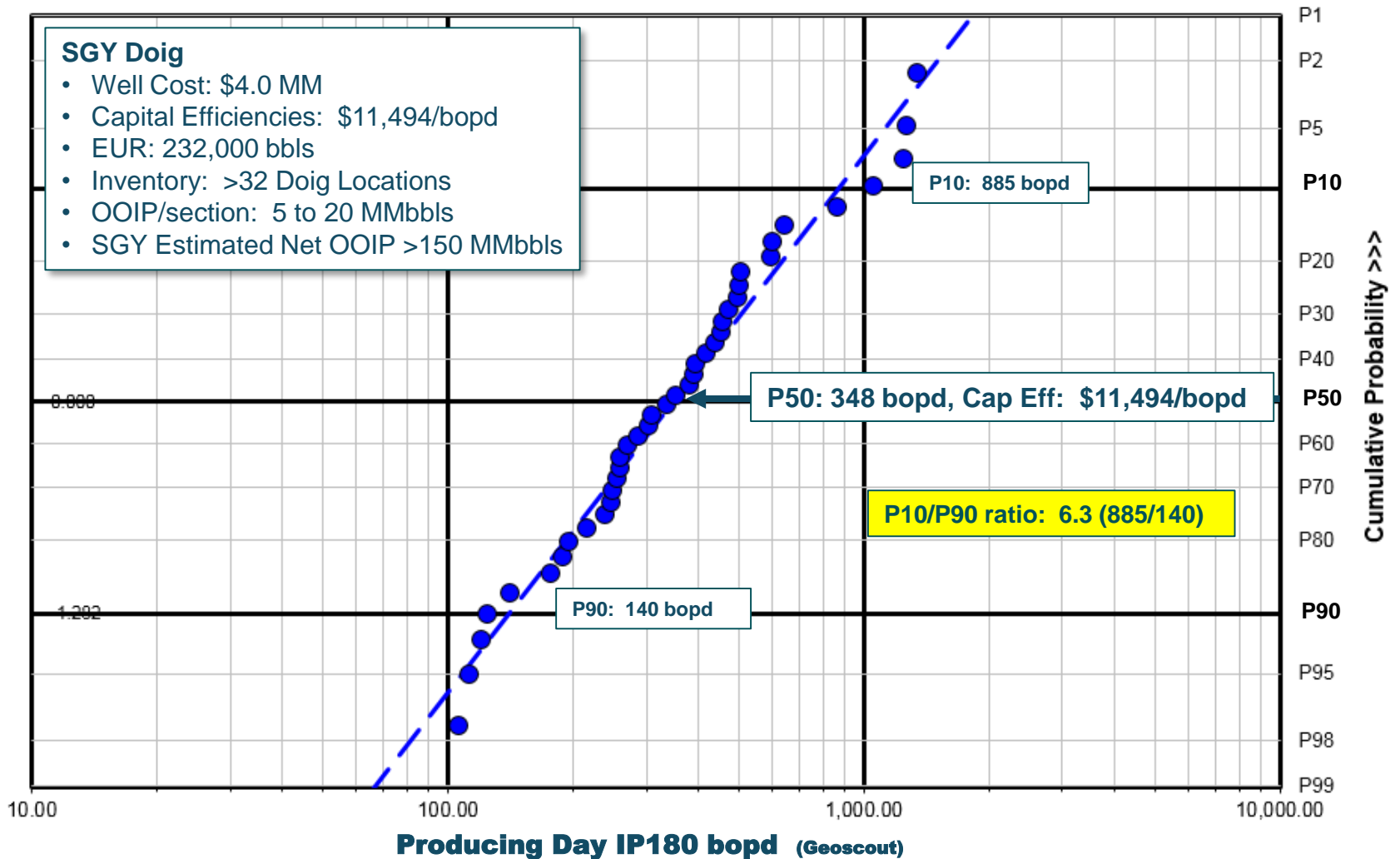
IP180 Lognormal Distribution (oil only): 65 Surge wells over 5 years





# DOIG WELL RESULTS

IP180 Lognormal Distribution (oil only): 44 Surge wells over 8 years



# SURGE – PROACTIVELY MANAGING ARO

## Surge continues to abandon and reclaim inactive wells

- Over the past 5 years, Surge has abandoned over 495 wells, compared to only 177 net new drills.
  - Historically, Surge has completed well abandonments for less than ~70% of the stated government amounts (i.e. AER).
- The Company has budgeted \$6 million for decommissioning expenditures in 2019, which is 45% more than required by the AER under the ABC program.
- Area Based Closure (“ABC”) is a voluntary program that allows operators to efficiently utilize capital to address the abandonment of wells, facilities and pipelines.
  - ABC allows Surge to concentrate its abandonment efforts on areas of choice instead of chasing ‘one off’ wells across the province.
- Surge has recently initiated an ABC program in its inactive Cherry natural gas property (65 wells).
  - Program scheduled to be finished within one year (initiated in January 2019, expected completion in Q3 2019);
  - Expected to complete the Cherry ABC program for less than 55% the AER’s stated deemed liability amount; and
  - Surge is anticipating similar results in several of the Company’s other inactive fields.