FINANCIAL AND OPERATING SUMMARY

($000s except per share amounts)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2015	2014	% Change	**2015**	2014	% Change
Financial highlights						
Oil and NGL sales	**43,210**	135,548	(68)%	**185,640**	357,536	(48)%
Natural gas sales	**2,569**	8,161	(69)%	**11,360**	21,888	(48)%
Total oil, natural gas, and NGL revenue	**45,779**	143,709	(68)%	**197,000**	379,424	(48)%
Funds from operations[1]	**17,009**	71,298	(76)%	**103,571**	190,593	(46)%
Per share basic ($)	**0.08**	0.33	(76)%	**0.47**	0.98	(52)%
Per share diluted ($)	**0.08**	0.32	(75)%	**0.47**	0.98	(52)%
Net income (loss)	**(34,820)**	34,655	nm[4]	**(149,294)**	76,004	nm
Per share basic ($)	**(0.16)**	0.16	nm	**(0.68)**	0.39	nm
Per share diluted ($)	**(0.16)**	0.16	nm	**(0.68)**	0.39	nm
Capital expenditures - petroleum & gas properties[2]	**17,653**	32,473	(46)%	**58,422**	109,799	(47)%
Capital expenditures - acquisitions & dispositions[2]	**(3,735)**	(52,473)	nm	**(464,685)**	529,350	nm
Total capital expenditures[2]	**13,918**	(20,000)	nm	**(406,263)**	639,149	nm
Net debt at end of period[3]	**143,200**	503,004	(72)%	**143,200**	503,004	(72)%
Operating highlights						
Production:						
Oil and NGL (bbls per day)	**11,234**	17,180	(35)%	**14,402**	14,723	(2)%
Natural gas (mcf per day)	**13,731**	18,879	(27)%	**16,955**	15,269	11 %
Total (boe per day) (6:1)	**13,523**	20,327	(33)%	**17,228**	17,268	— %
Average realized price (excluding hedges):						
Oil and NGL ($ per bbl)	**41.81**	85.76	(51)%	**47.22**	88.95	(47)%
Natural gas ($ per mcf)	**2.03**	4.70	(57)%	**2.45**	5.25	(53)%
Netback ($ per boe)						
Oil, natural gas and NGL sales	**36.80**	76.85	(52)%	**41.89**	80.49	(48)%
Realized gain (loss) on commodity contracts	**1.70**	(2.47)	nm	**8.20**	(4.18)	nm
Royalties	**(6.47)**	(13.61)	(52)%	**(6.46)**	(14.00)	(54)%
Operating expenses	**(13.35)**	(16.02)	(17)%	**(15.71)**	(15.44)	2 %
Transportation expenses	**(1.90)**	(1.82)	4 %	**(1.55)**	(1.82)	(15)%
Operating netback	**16.78**	42.93	(61)%	**26.37**	45.05	(41)%
G&A expense	**(1.76)**	(1.99)	(12)%	**(1.87)**	(2.06)	(9)%
Interest expense	**(1.35)**	(2.81)	(52)%	**(2.47)**	(2.48)	— %
Corporate netback	**13.67**	38.13	(64)%	**22.03**	40.51	(46)%
Common shares outstanding, end of period	**220,851**	217,713	1 %	**220,851**	217,713	1 %
Weighted average basic shares outstanding	**221,259**	217,689	2 %	**220,540**	193,739	14 %
Stock option dilution	**—**	1,718	nm	**—**	1,279	nm
Weighted average diluted shares outstanding	**221,259**	219,407	1 %	**220,540**	195,018	13 %

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 note.

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".

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) of the consolidated financial position and results of operations of Surge Energy Inc. ("Surge" or the "Company"), which includes its subsidiaries and partnership arrangements, is for the three and nine months ended September 30, 2015 and 2014. For a full understanding of the financial position and results of operations of the Company, the MD&A should be read in conjunction with the documents filed on SEDAR, including historical financial statements, MD&A and the Annual Information Form (AIF). These documents are available at www.sedar.com.

Surge's interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

DESCRIPTION OF BUSINESS

Surge is an E&P company positioned to provide shareholders with attractive long term sustainability by exploiting the Company's assets in a financially disciplined manner and by acquiring additional long life oil and gas assets of a similar nature. Surge's assets are comprised primarily of operated oil-weighted properties characterized by large OOIP crude oil reservoirs with low recovery factors and an extensive inventory of more than seven hundred gross low risk development drilling locations and several high quality waterflood projects. Surge will continue to identify and actively pursue strategic acquisitions with synergistic characteristics such as existing long life producing assets or opportunities with significant, low risk upside potential.

NON-IFRS MEASURES

The terms "funds from operations", "funds from operations per share", and "netback" used in this discussion are not recognized measures under International Financial Reporting Standards (IFRS). Management believes that in addition to net income, funds from operations and netback are useful supplemental measures as they provide an indication of the results generated by the Company's principal business activities before the consideration of how those activities are financed or how the results are taxed. Investors are cautioned, however, that these measures should not be construed as alternatives to net income determined in accordance with IFRS, as an indication of Surge's performance.

Surge's method of calculating funds from operations may differ from that of other companies, and, accordingly, may not be comparable to measures used by other companies. Surge determines funds from operations as cash flow from operating activities before changes in non-cash working capital, decommissioning expenditures, transaction costs and cash settled stock-based compensation.

Funds from Operations

($000s)	**Q3 2015**	Q2 2015	Q1 2015	Q4 2014	Q3 2014
Cash flow from operating activities	**$ 9,512**	$ 26,760	$ 53,823	$ 36,099	$ 72,888
Change in non-cash working capital	**5,015**	(178)	(5,228)	18,099	(5,510)
Decommissioning expenditures	**712**	382	2,171	183	1,971
Transaction costs	**265**	7,468	306	289	454
Cash settled stock-based compensation	**1,505**	1,058	—	—	1,495
Funds from operations	**$ 17,009**	$ 35,490	$ 51,072	$ 54,670	$ 71,298

Funds from operations per share is calculated using the same weighted average basic and diluted shares used in calculating income per share. Operating and corporate netbacks are also presented. Operating netbacks represent Surge's revenue, realized gains or losses on financial contracts, less royalties and operating and transportation expenses. Corporate netbacks represent Surge's operating netback, less general and administrative and interest expenses, in order to determine the amount of funds generated by production. Operating and corporate netbacks have been presented on a per barrels of oil equivalent ("boe") basis. This reconciliation is shown within the MD&A. Share based consideration included in acquisition capital has been calculated using the share price on the date of announcement.

Surge's management is responsible for the integrity of the information contained in this report and for the consistency between the MD&A and financial statements. In the preparation of these statements, estimates are necessary to make a determination of future values for certain assets and liabilities. Management believes these estimates have been based on careful judgments and have been properly presented. The financial statements have been prepared using policies and procedures established by management and fairly reflect Surge's financial position, results of operations and funds from operations.

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.

Surge's Board of Directors and Audit Committee have reviewed and approved the financial statements and MD&A. This MD&A is dated November 9, 2015.

OPERATIONS

Drilling

	Drilling		Success	Working
	Gross	Net	rate (%) net	interest (%)
Q1 2015	7.0	4.6	100%	66%
Q2 2015	1.0	1.0	100%	100%
Q3 2015	5.0	5.0	100%	100%
Total	**13.0**	**10.6**	**100%**	**82%**

Surge achieved a 100 percent success rate during the three months ended September 30, 2015, drilling 5 gross (5.0 net) wells including one well at Valhalla and four at Shaunavon.

Production

	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014
Oil and NGL (bbls per day)	**11,234**	14,865	17,171	17,223	17,180
Natural gas (mcf per day)	**13,731**	16,724	20,484	19,349	18,879
Total (boe per day) (6:1)	**13,523**	17,652	20,585	20,448	20,327
% Oil and NGL	**83%**	84%	83%	84%	85%

Surge achieved production of 13,523 boe per day in the third quarter of 2015 (83 percent oil and NGLs), a 33 percent decrease from an average production rate of 20,327 boe per day (85 percent oil and NGLs) in the same period of 2014 and a 23 percent decrease from an average production rate of 17,652 boe per day (84 percent oil and NGLs) in the second quarter of 2015.

The decrease in production volumes as compared to the same period in 2014 is primarily due to the disposition of Surge's southeast Saskatchewan and southwest Manitoba assets on June 15, 2015, representing approximately 4,750 boe per day in addition to a curtailment of production in the Valhalla operating area due to two downstream industry pipeline outages during the third quarter of 2015 of over 1,600 boe per day.

The decrease in production volumes as compared to the second quarter of 2015 is primarily due to the disposition of Surge's southeast Saskatchewan and southwest Manitoba assets on June 15, 2015, representing approximately 4,750 boe per day (or 4,000 boe per day for the third quarter of 2015). Additionally, Surge experienced a curtailment of production in its Valhalla operating area due to two downstream industry pipeline outages during the third quarter of 2015 of over 1,600 boe per day. This is an additional 500 boe per day curtailment compared to a similar curtailment of production in the second quarter of 2015 of approximately 1,100 boe per day.

OIL, NATURAL GAS AND NGL, FINANCIAL CONTRACTS AND OTHER REVENUES

In the third quarter of 2015, 94 percent of Surge's revenue resulted from oil and natural gas liquids production, with six percent derived from natural gas.

A 33 percent decrease in production and a 52 percent decrease in revenue per boe, resulted in revenues of $45.8 million in the third quarter of 2015, down 68 percent from $143.7 million in the same period of 2014.

Surge had certain financial contracts in place as of September 30, 2015. Surge recognized an unrealized gain of $2.9 million and a realized gain of $2.1 million on its financial contracts for the three months ended September 30, 2015. This compares to an unrealized gain of $18.9 million and a realized loss of $4.6 million on its financial contracts for the three months ended September 30, 2014.

During the nine months of 2015, 94 percent of Surge's revenue resulted from oil and natural gas liquids production, with six percent derived from natural gas.

A 48 percent decrease in revenue per boe, resulted in revenues of $197.0 million in the nine months of 2015, down 48 percent from $379.4 million in the same period of 2014.

Surge recognized an unrealized loss of $41.2 million and a realized gain of $38.6 million on its financial contracts in the nine months of 2015 primarily due to the monetization of the Company's 2015 crude oil swaps for proceeds of $36.1 million in the first quarter of 2015. This compares to an unrealized gain of $8.0 million and a realized loss of $19.7 million on its financial contracts in the same nine months of 2014.

Please refer to the "Financial Instruments" section of this MD&A and the financial statements for further details on these commodity contracts.

PRICES

The Company realized average revenue of $36.80 per boe in the third quarter of 2015, before realized gains on financial contracts, a decrease of 52 percent from the $76.85 per boe recorded in the same period of 2014, primarily due to the decrease in commodity prices.

The Company realized an average price of $41.81 per bbl of oil and natural gas liquids in the third quarter of 2015, a decrease of 51 percent from the $85.76 per bbl realized in the same period of 2014. This compares to an average Edmonton Light Sweet price of $60.82 per bbl for the quarter, which decreased 37 percent from the $96.98 per bbl during the same period of 2014.

The Company realized an average natural gas price of $2.03 per mcf in the third quarter of 2015, a 57 percent decrease from the $4.70 per mcf averaged in the same period of 2014. This compares to an average AECO Daily Index reference price of $2.90 per mcf in the quarter, which decreased by 27 percent from the $3.98 per mcf in the same period of 2014. Surge's realized gas price normally trends slightly higher than the benchmark due to the high heat content of the Company's gas production. However, in the third quarter of 2015, the Company experienced pipeline restrictions in its Valhalla operating area resulting in less production of higher value gas as compared to prior periods.

The realized gains on financial contracts resulted in an increase of $1.70 per boe to average revenue per boe during the three months ended September 30, 2015, as compared to realized losses on financial contracts resulting in a decrease of $2.47 per boe to average revenue per boe during the same period of 2014.

The Company realized average revenue of $41.89 per boe in the nine months of 2015, before realized gains on financial contracts, a decrease of 48 percent from the $80.49 per boe recorded in the same period of 2014, primarily due to the decrease in commodity prices.

The Company realized an average price of $47.22 per bbl of oil and natural gas liquids in the nine months of 2015, a decrease of 47 percent from the $88.95 per bbl realized in the same period of 2014. This compares to an average Edmonton Light Sweet price of $58.52 per bbl for the nine months of 2015, which decreased 43 percent from the $102.62 per bbl during the same period of 2014.

The Company realized an average natural gas price of $2.45 per mcf in the nine months of 2015, a 53 percent decrease from the $5.25 per mcf averaged in the same period of 2014. This compares to an average AECO Daily Index reference price of $2.76 per mcf in the nine months of 2015, which decreased by 47 percent from the $5.20 per mcf in the same period of 2014.

The realized gains on financial contracts resulted in an increase of $8.20 per boe to average revenue per boe during the nine months of 2015, mainly the result of monetization of 2015 crude oil swaps in February 2015 for proceeds of $36.1 million. This compares to realized losses on financial contracts resulting in a decrease of $4.18 per boe to average revenue per boe during the same period of 2014.

Revenue and Realized Prices

	Three Months Ended September 30,			Nine Months Ended September 30,		
($000s except per amount)	**2015**	2014	% Change	**2015**	2014	% Change
Oil and NGL	**43,210**	135,548	(68)%	**185,640**	357,536	(48)%
Natural gas	**2,569**	8,161	(69)%	**11,360**	21,888	(48)%
Total oil, natural gas and NGL revenue	**45,779**	143,709	(68)%	**197,000**	379,424	(48)%
Oil and NGL ($ per bbl)	**41.81**	85.76	(51)%	**47.22**	88.95	(47)%
Natural gas ($ per mcf)	**2.03**	4.70	(57)%	**2.45**	5.25	(53)%
Total oil, natural gas and NGL revenue ($ per boe)	**36.80**	76.85	(52)%	**41.89**	80.49	(48)%
Realized gain (loss) on commodity contracts ($ per boe)	**1.70**	(2.47)	nm	**8.20**	(4.18)	nm
Total oil, natural gas, and NGL revenue after realized commodity contracts ($ per boe)	**38.50**	74.38	(48)%	**50.09**	76.31	(34)%
Reference Prices						
Edmonton Light Sweet ($ per bbl)	**60.82**	96.98	(37)%	**58.52**	102.62	(43)%
AECO Daily Index ($ per mcf)	**2.90**	3.98	(27)%	**2.76**	5.20	(47)%

Benchmark Prices

	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014
($ per bbl)					
Benchmark - WTI (US$)	**46.43**	57.94	48.63	73.15	97.19
Benchmark - WTI (C$)	**60.82**	71.27	60.30	83.39	105.91
Difference - WTI (C$) realized to Edmonton Light Sweet (C$)	**(4.66)**	(3.65)	(8.51)	(7.84)	(8.93)
% Difference	**(8)%**	(5)%	(14)%	(9)%	(8)%
Benchmark - Edmonton Light Sweet (C$)	**56.16**	67.62	51.79	75.55	96.98
Difference - Edmonton Light Sweet to Surge realized (C$)	**(14.35)**	(10.33)	(9.77)	(12.80)	(11.22)
% Difference	**(26)%**	(15)%	(19)%	(17)%	(12)%
Surge realized prices (C$)	**41.81**	57.29	42.02	62.75	85.76
(C$ per mcf)					
Benchmark - AECO Daily Index	**2.90**	2.66	2.74	3.60	3.98
Surge realized prices	**2.03**	2.22	2.94	3.84	4.70
Difference	**(0.87)**	(0.44)	0.20	0.24	0.72
% Difference	**(30)%**	(17)%	7 %	7 %	18 %

ROYALTIES

Surge realized royalty expenses of $8.0 million or 18 percent of revenue in the third quarter of 2015, as compared to $25.5 million or 18 percent of revenue in the same period of 2014.

During the nine months of 2015, Surge realized royalty expenses of $30.4 million or 15 percent of revenue, as compared to $66.0 million or 17 percent of revenue in the same period of 2014.

As royalties are sensitive to both commodity prices and production levels, the corporate royalty rates will fluctuate with commodity prices, well production rates, production decline of existing wells, and performance and location of new wells drilled. The decrease in royalties as a percentage of revenue for the nine months ended September 30, 2015 is primarily due to the significant decrease in commodity prices when compared to the same periods of 2014.

Royalties

	Three Months Ended September 30,			Nine Months Ended September 30,		
($000s except per boe)	**2015**	2014	% Change	**2015**	2014	% Change
Royalties	**8,045**	25,458	(68)%	**30,402**	65,980	(54)%
% of Revenue	**18%**	18%	— %	**15%**	17%	(12)
$ per boe	**6.47**	13.61	(52)%	**6.46**	14.00	(54)%

OPERATING EXPENSES

Operating expenses per boe for the third quarter of 2015 were 17 percent lower than the same period in 2014 and 12 percent lower than the second quarter of 2015, at $13.35 per boe as compared to $16.02 per boe and $15.13 per boe, respectively. Operating expenses per boe for the three months ended September 30, 2015 included a favorable 13-month adjustment of $1.1 million or $0.90 per boe. Excluding the favorable 13-month adjustment, operating expenses per boe for the third quarter of 2015 would have been eight percent lower than the same period in 2014 and three percent lower than the second quarter of 2015, at $14.25 per boe. The decrease in operating expenses per boe, excluding the 13-month adjustment, is mainly due to Surge's focus on allocating capital and increasing production in low cost operating areas throughout 2015. Additionally, Surge continues to realize operating efficiencies as a result of the overlap of recently acquired assets into Surge's existing core areas.

Operating expenses per boe for the nine months of 2015 were two percent higher than the same period in 2014, at $15.71 per boe as compared to $15.44 per boe. Operating expenses per boe for the nine months of 2015 increased mainly due to an unfavorable net 13-month adjustment of $1.1 million or $0.23 per boe during the nine months of 2015. Excluding 13-month adjustments, operating expenses per boe for the nine months of 2015 were $15.48, comparable to the same period of 2014.

Operating Expenses

	Three Months Ended September 30,			Nine Months Ended September 30,		
($000s except per boe)	**2015**	2014	% Change	**2015**	2014	% Change
Operating expenses	**16,610**	29,950	(45)%	**73,866**	72,803	1%
$ per boe	**13.35**	16.02	(17)%	**15.71**	15.44	2%

TRANSPORTATION EXPENSES

Transportation expenses per boe increased by four percent to $1.90 per boe in the third quarter of 2015, as compared to $1.82 per boe in the same period of 2014.

The increase in transportation expense for the three months ended September 30, 2015 is primarily due to additional costs associated with the use of an alternative processing facility to help minimize curtailment of production from Surge's Valhalla operating area, equal to $0.43 per boe. Excluding the additional curtailment expense, transportation expenses for the third quarter of 2015 were $1.47 per boe, a 19 percent decrease compared to the same period of the prior year and comparable to the $1.45 per boe realized in the second quarter of 2015. Surge is forecasting transportation expenses will return to historical levels in 2016.

Transportation expenses per boe decreased by 15 percent to $1.55 per boe in the nine months of 2015, as compared to $1.82 per boe in the same period of 2014.

The decrease in transportation expense for the nine months of 2015 is primarily due to production volumes acquired during the past twelve months located in low-cost pipeline connected areas, specifically southeast Saskatchewan acquired from Longview on June 5, 2014, leading to further cost savings on a per boe basis as Surge leveraged the additional pipeline infrastructure for pre-acquisition production transportation. A further decrease in transportation expense for the nine months of 2015 is due to an increase in waterflood projects undertaken by Surge, whereby produced water is held in the field for reinjection as opposed to transported for disposal as wet emulsion. During the nine months of 2015, Surge retained an additional 1,000 bbl per day of water for reinjection in its core operating areas which resulted in cost savings compared to prior periods.

Transportation Expenses

	Three Months Ended September 30,			Nine Months Ended September 30,		
($000s except per boe)	**2015**	2014	% Change	**2015**	2014	% Change
Transportation expenses	**2,361**	3,409	(31)%	**7,306**	8,563	(15)%
$ per boe	**1.90**	1.82	4 %	**1.55**	1.82	(15)%

GENERAL AND ADMINISTRATIVE EXPENSES (G&A)

Net G&A expenses per boe for the third quarter of 2015 decreased twelve percent to $1.76 per boe as compared to $1.99 in the same period of 2014. G&A expenses for the third quarter of 2015, net of recoveries and capitalized amounts of $1.1 million, were $2.2 million, compared to $3.7 million in the same period of 2014, after recoveries and capitalized amounts of $1.7 million.

Net G&A expenses per boe for the nine months of 2015 decreased nine percent to $1.87 per boe as compared to $2.06 in the same period of 2014. G&A expenses for the nine months of 2015, net of recoveries and capitalized amounts of $4.7 million, were $8.8 million, compared to $9.7 million in the same period of 2014, after recoveries and capitalized amounts of $4.6 million.

Surge implemented a company wide G&A cost reduction initiative in the fourth quarter of 2013 the results of which were continually realized throughout 2014 and into the first nine months of 2015.

G&A Expenses

	Three Months Ended September 30,			Nine Months Ended September 30,		
($000s except per boe)	**2015**	2014	% Change	**2015**	2014	% Change
G&A expenses	**3,326**	5,398	(38)%	**13,540**	14,281	(5)%
Recoveries and capitalized amounts	**(1,135)**	(1,685)	(33)%	**(4,747)**	(4,593)	3 %
Net G&A expenses	**2,191**	3,713	(41)%	**8,793**	9,688	(9)%
Net G&A expenses $ per boe	**1.76**	1.99	(12)%	**1.87**	2.06	(9)%

TRANSACTION COSTS

In the nine months of 2015, the Company incurred transaction costs of $8.0 million or $1.71 per boe, primarily related to the disposal of its petroleum and natural gas properties in southeast Saskatchewan and southwest Manitoba. This is compared to $7.0 million or $1.50 per boe during the same period of 2014, primarily related to the Longview acquisition.

Transaction Costs

	Three Months Ended September 30,			Nine Months Ended September 30,		
($000s except per boe)	**2015**	2014	% Change	**2015**	2014	% Change
Transaction costs	**265**	454	(42)%	**8,039**	7,048	14%
$ per boe	**0.21**	0.24	(13)%	**1.71**	1.50	14%

FINANCE EXPENSES

During the three months ended September 30, 2015, Surge incurred interest expense of $1.7 million or $1.35 per boe as compared to $5.3 million or $2.81 per boe in the same period of 2014.

During the nine months of 2015, Surge incurred interest expense of $11.6 million or $2.47 per boe as compared to $11.7 million or $2.48 per boe in the same period of 2014.

The decrease in interest expense during the three months ended September 30, 2015 is primarily due to lower debt levels as compared to the same periods of 2014 as a result of the successful closing of the southeast Saskatchewan and southwest Manitoba asset sale for proceeds of $430 million in the second quarter of 2015. The proceeds were used to pay down bank indebtedness.

Accretion represents the change in the time value of the decommissioning liability as well as a firm transportation agreement. Accretion expense per boe decreased for the three and nine months ended September 30, 2015 as compared to the same period of 2014 primarily due to a change in discount rate. The underlying liability may increase over a period of time, based on new obligations incurred from drilling wells, constructing facilities, acquiring operations or adjusting future estimates of timing or amounts. This future obligation can be reduced as a result of abandonment work undertaken.

Finance Expenses

	Three Months Ended September 30,			Nine Months Ended September 30,		
($000s except per boe)	**2015**	2014	% Change	**2015**	2014	% Change
Interest expense	**1,678**	5,260	(68)%	**11,640**	11,703	(1)%
$ per boe	**1.35**	2.81	(52)%	**2.47**	2.48	— %
Accretion expense	**934**	1,448	(35)%	**3,195**	3,918	(18)%
$ per boe	**0.75**	0.78	(4)%	**0.68**	0.83	(18)%
Finance expenses	**2,612**	6,708	(61)%	**14,835**	15,621	(5)%
$ per boe	**2.10**	3.59	(42)%	**3.15**	3.31	(5)%

NETBACKS

Surge's operating netback was $16.78 per boe for the third quarter of 2015, a 61 percent decrease from the $42.93 per boe recorded during the same period of 2014. The decrease in operating netback was attributable to a 52 percent decrease in revenue per boe as a result of significantly lower oil prices during the period and a four percent increase in transportation costs per boe, partially offset by a 52 percent decrease in royalties per boe, a 17 percent decrease in operating costs per boe, and a $1.70 per boe realized gain on commodity contracts as compared to a $2.47 per boe realized loss on commodity contracts in the same period of the prior year. The decrease in corporate netback was further impacted by a 52 percent increase in interest expense per boe as compared to the same period of 2014, partially offset by a twelve percent decrease in G&A expense per boe.

Surge's operating netback was $26.37 per boe for the nine months of 2015, a 41 percent decrease from the $45.05 per boe recorded during the same period of 2014. The decrease in operating netback was attributable to a 48 percent decrease in revenue per boe as a result of significantly lower oil prices during the period and a two percent increase in operating costs per boe, partially offset by a 54 percent decrease in royalties per boe, a 15 percent decrease in transportation costs per boe, and a $8.20 per boe realized gain on commodity contracts as compared to a $4.18 per boe realized loss on commodity contracts in the same period of the prior year. The decrease in corporate netback was further impacted by an nine percent decrease in G&A expense per boe.

Netbacks

	Three Months Ended September 30			**Nine Months Ended September 30**		
($ per boe, except production)	**2015**	2014	% Change	**2015**	2014	% Change
Average production (boe per day)	**13,523**	20,327	(33)%	**17,228**	17,268	— %
Revenue	**36.80**	76.85	(52)%	**41.89**	80.49	(48)%
Realized gain (loss) on commodity contracts	**1.70**	(2.47)	nm	**8.20**	(4.18)	nm
Royalties	**(6.47)**	(13.61)	(52)%	**(6.46)**	(14.00)	(54)%
Operating costs	**(13.35)**	(16.02)	(17)%	**(15.71)**	(15.44)	2 %
Transportation costs	**(1.90)**	(1.82)	4 %	**(1.55)**	(1.82)	(15)%
Operating netback	**16.78**	42.93	(61)%	**26.37**	45.05	(41)%
G&A expense	**(1.76)**	(1.99)	(12)%	**(1.87)**	(2.06)	(9)%
Interest expense	**(1.35)**	(2.81)	(52)%	**(2.47)**	(2.48)	— %
Corporate netback	**13.67**	38.13	(64)%	**22.03**	40.51	(46)%

FUNDS FROM OPERATIONS AND CASH FLOW FROM OPERATIONS

Funds from operations decreased 76 percent to $17.0 million in the third quarter of 2015 compared to $71.3 million in the same period of 2014. On a per share basis, funds from operations decreased 76 percent, to $0.08 per basic share from $0.33 per basic share in the same period of 2014.

Funds from operations decreased 46 percent to $103.6 million in the nine months of 2015 compared to $190.6 million in the same period of 2014. On a per share basis, funds from operations decreased 52 percent, to $0.47 per basic share from $0.98 per basic share in the same period of 2014.

Cash flow from operating activities differs from funds from operations principally due to the inclusion of changes in non-cash working capital. Cash flow from operations was $9.5 million and $90.1 million for the three and nine months ended September 30, 2015, respectively, as compared to $72.9 million and $171.4 million in the same periods of 2014.

Included in cash flow from operations is a decrease in non-cash working capital of $5.0 million in the third quarter of 2015 and a decrease of $0.4 million for the nine months ended September 30, 2015.

Funds from Operations

	Three Months Ended September 30,			Nine Months Ended September 30,		
($000s except per share and per boe)	**2015**	2014	% Change	**2015**	2014	% Change
Funds from operations	**17,009**	71,298	(76)%	**103,571**	190,593	(46)%
Per share - basic ($)	**0.08**	0.33	(76)%	**0.47**	0.98	(52)%
Per share - diluted ($)	**0.08**	0.32	(75)%	**0.47**	0.98	(52)%
$ per boe	**13.67**	38.13	(64)%	**22.03**	40.51	(46)%
Cash flow from operating activities	**9,512**	72,888	(87)%	**90,095**	171,381	(47)%

STOCK-BASED COMPENSATION

Surge recorded a net stock-based compensation expense of $0.7 million during the third quarter of 2015, compared to stock-based compensation expense of $2.2 million for the same period of 2014. Surge recorded net stock-based compensation expense of $4.0 million during the nine months of 2015, compared to stock-based compensation expense of $7.3 million for the same period of 2014. The stock-based compensation recorded in the three and nine months ended September 30, 2015 primarily relates to the stock appreciation rights ("SARs"), restricted share awards ("RSAs") and performance share awards ("PSAs") grants.

Subject to terms and conditions of the plan, each RSA entitles the holder to an award value not limited to, but typically paid as to one-third on each of the first, second and third anniversaries of the date of grant. Each PSA entitles the holder to an award value to be typically paid on the third anniversary of the date of grant. For the purpose of calculating share-based compensation, the fair value of each award is determined at the grant date using the closing price of the common shares. An estimated forfeiture rate of 15% was used to value all awards granted for the period ended September 30, 2015. The weighted average fair value of awards granted for the period ended September 30, 2015 is $2.47 per PSA and RSA. In the case of PSAs, the award value is adjusted for a payout multiplier which can range from 0.0 to 2.0 and is dependent on the performance of the Company relative to pre-defined corporate performance measures for a particular period.

The number of restricted and performance share awards outstanding are as follows:

	Number of restricted share awards	Number of performance share awards
Balance at January 1, 2015	1,921,355	1,707,974
Granted	1,661,077	1,719,837
Reinvested [1]	169,029	152,476
Exercised	(477,647)	(51,579)
Forfeited	(164,703)	(268,960)
Balance at September 30, 2015	**3,109,111**	**3,259,748**

[1] Per the terms of the plan, cash dividends paid by the Company are reinvested to purchase incremental awards.

Stock-based compensation

	Three Months Ended September 30,			Nine Months Ended September 30,		
($000s except per boe)	**2015**	2014	% Change	**2015**	2014	% Change
Stock-based compensation	**3,161**	2,970	6 %	**9,658**	9,082	6 %
Capitalized stock-based compensation	**(2,511)**	(795)	nm	**(5,631)**	(1,764)	nm
Net stock-based compensation	**650**	2,175	(70)%	**4,027**	7,318	(45)%
Net stock-based compensation $ per boe	**0.52**	1.16	(55)%	**0.86**	1.55	(45)%

DEPLETION AND DEPRECIATION

Depletion and depreciation are calculated based upon capital expenditures, production rates and proved plus probable reserves. Deducted from the Company's depletion and depreciation calculation are costs associated with salvage values of $117.2 million. Future development costs for proved and probable reserves of $479.2 million have been included in the depletion calculation.

Surge recorded $24.2 million or $19.46 per boe in depletion and depreciation expense during the third quarter of 2015, as compared to $44.6 million or $23.84 per boe in the same period of 2014.

Surge recorded $99.6 million or $21.17 per boe in depletion and depreciation expense during the nine months ended September 30, 2015, as compared to $116.1 million or $24.63 per boe in the same period of 2014.

The decrease in total depletion expense for the three and nine months ended September 30, 2015 is primarily due to the disposition of Surge's Southeast Saskatchewan properties that was completed in the second quarter of 2015.

The depletion and depreciation calculation is based on daily production volumes of 13,523 boe per day for the third quarter of 2015.

Depletion and Depreciation Expense

	Three Months Ended September 30,			Nine Months Ended September 30,		
($000s except per boe)	**2015**	2014	% Change	**2015**	2014	% Change
Depletion and depreciation expense	**$ 24,207**	$ 44,573	(46)%	**99,553**	116,077	(14)%
$ per boe	**19.46**	23.84	(18)%	**21.17**	24.63	(14)%

IMPAIRMENT

At March 31, 2015, due to declines in forward commodity prices, the Company determined a trigger to be present across all of its CGUs. As a result, the Company undertook an impairment test. Recoverable value was estimated at fair value less costs to sell based on before tax cashflows from oil and gas proved plus probable reserves estimated by the Company's third party reserve evaluators and internally updated, at a 11 - 12 percent discount rate. In determining the appropriate discount rate, the Company referenced recent market transactions completed on assets similar to those in the CGU. It was determined that the book value of certain CGUs exceeded the recoverable value and a $109.8 million (March 31, 2014 - nil) impairment was recognized. The impairment specifically related to Northeast Alberta ($22.5 million), Central Alberta ($18.2 million) and Southeast Saskatchewan ($69.1 million) and was the direct result of a decrease in commodity prices.

At September 30, 2015, due to further declines in forward commodity prices, the Company determined a trigger to be present across all of its CGUs. As a result, the Company undertook an impairment test. Recoverable value was estimated at fair value less costs to sell based on before tax cashflows from oil and gas proved plus probable reserves estimated by the Company's third party reserve evaluators and internally updated, at a 11 - 12 percent discount rate. In determining the appropriate discount rate, the Company referenced recent market transactions completed on assets similar to those in the CGU. It was determined that the book value of certain CGUs exceeded the recoverable value and a $42.5 million impairment was recognized. The impairment specifically related to Northwest Alberta ($27.6 million), Northeast Alberta ($1.9 million), Central Alberta ($11.7 million) and Southeast Alberta ($1.3 million) and was the direct result of a decrease in commodity prices.

Impairment

	Three Months Ended September 30,			Nine Months Ended September 30,		
($000s except per boe)	**2015**	2014	% Change	**2015**	2014	% Change
Impairment	**$ 42,486**	$ —	nm	**152,322**	—	nm
$ per boe	**34.15**	—	nm	**32.39**	—	nm

The following tables outline forecast commodity prices and exchange rates used in the Company's CGU impairment tests at March 31, 2015 and September 30, 2015. The forecast commodity prices are consistent with those used by the Company's external reserve evaluators and are a key assumption in assessing the recoverable amount. The reserve evaluators also include financial assumptions regarding royalty rates, operating costs, and future development capital that can significantly impact the recoverable amount which are assigned based on historic rates and future anticipated activities by Management.

March 31, 2015 Commodity Price and Exchange Rate Forecast

	Medium and Light Crude Oil		Natural Gas	NGL				
Year	Canadian Light Sweet Crude 40˚ API ($/bbl)	Western Canadian Select 20.5˚ API ($/bbl)	AECO Gas Price ($/MMBtu)	Edmonton Pentanes Plus ($/bbl)	Edmonton Butane ($/bbl)	Edmonton Propane ($/bbl)	Inflation rates (%/Yr)	Exchange rate ($US/$Cdn)
2015	59.63	50.09	2.68	66.62	46.66	15.72	—	0.80
2016	75.76	63.64	3.42	84.65	59.29	24.96	—	0.85
2017	81.18	68.19	4.01	90.69	60.50	32.10	—	0.85
2018	89.41	75.11	4.59	99.89	66.64	41.24	1.5	0.85
2019	90.75	76.23	5.18	101.39	67.64	41.86	1.5	0.85
2020	93.08	78.19	5.27	104.00	69.38	42.94	1.5	0.85
2021	94.48	79.36	5.36	105.56	70.42	43.58	1.5	0.85
2022	95.90	80.55	5.45	107.14	71.48	44.24	1.5	0.85
2023	97.34	81.76	5.54	108.75	72.55	44.90	1.5	0.85
2024	98.80	82.99	5.64	110.38	73.64	45.57	1.5	0.85
2025	100.28	84.23	5.73	112.03	74.74	46.26	1.5	0.85

September 30, 2015 Commodity Price and Exchange Rate Forecast

	Medium and Light Crude Oil		Natural Gas	NGL				
Year	Canadian Light Sweet Crude 40˚ API ($/bbl)	Western Canadian Select 20.5˚ API ($/bbl)	AECO Gas Price ($/MMBtu)	Edmonton Pentanes Plus ($/bbl)	Edmonton Butane ($/bbl)	Edmonton Propane ($/bbl)	Inflation rates (%/Yr)	Exchange rate ($US/$Cdn)
2015	55.68	40.09	2.92	59.62	35.28	11.01	—	0.76
2016	64.87	54.49	3.10	69.46	43.52	12.82	—	0.78
2017	75.76	63.64	3.32	81.12	56.47	19.97	—	0.85
2018	83.82	70.41	3.91	89.75	62.48	33.14	1.5	0.85
2019	89.41	75.11	4.49	95.73	66.64	41.24	1.5	0.85
2020	91.71	77.03	4.79	98.19	68.35	42.30	1.5	0.85
2021	93.08	78.19	4.87	99.66	69.38	42.94	1.5	0.85
2022	94.48	79.36	4.96	101.16	70.42	43.58	1.5	0.85
2023	95.90	80.55	5.04	102.68	71.48	44.24	1.5	0.85
2024	97.34	81.76	5.13	104.22	72.55	44.90	1.5	0.85
2025	98.80	82.99	5.22	105.78	73.64	45.57	1.5	0.85

NET INCOME (LOSS)

The Company recorded a net loss of $34.8 million or $0.16 per basic share for the third quarter of 2015 compared to net income of $34.7 million or $0.16 per basic share for the same period of 2014. The cause for the change is primarily due to impairment recognition of $42.5 million in the third quarter of 2015 (2014 - nil) along with decreased revenue as a result of lower crude oil prices compared to the same period of 2014.

The Company recorded a net loss of $149.3 million or $0.68 per basic share for the nine months of 2015 compared to net income of $76.0 million or $0.39 per basic share for the same period of 2014. The cause for the change is primarily due to impairment recognition of $152.3 million for the nine months of 2015 (2014 - nil) along with decreased revenue as a result of lower crude oil prices compared to the same period of 2014.

Net Income (Loss)

	Three Months Ended September 30,			Nine Months Ended September 30,		
($000s except per share)	**2015**	2014	% Change	**2015**	2014	% Change
Net Income (Loss)	**(34,820)**	34,655	nm	**(149,294)**	76,004	nm
Per share - basic ($)	**(0.16)**	0.16	nm	**(0.68)**	0.39	nm
Per share - diluted ($)	**(0.16)**	0.16	nm	**(0.68)**	0.39	nm

CAPITAL EXPENDITURES

During the three and nine months ended September 30, 2015, Surge invested a total of $17.7 million and $58.4 million, respectively, excluding acquisitions and dispositions.

During the three months ended September 30, 2015, Surge invested $11.6 million to drill 5 gross (5 net) wells.

In addition, for the nine months ended September 30, 2015, the Company invested $17.2 million in waterflood expansions and pilots, facilities and pipelines, and $8.6 million in land and seismic acquisitions and other capital items.

During the nine months of 2015 Surge disposed of its petroleum and natural gas properties in southeast Saskatchewan and southwest Manitoba for cash proceeds of $429.8 million and certain non-core properties in Alberta and Saskatchewan for cash proceeds of $40.0 million.

Capital Expenditure Summary

($000s)	Q1 2015	Q2 2015	Q3 2015	**2015 YTD**	2014 YTD	% Change
Land	474	673	1,659	**2,806**	2,277	23 %
Seismic	106	120	86	**312**	858	(64)%
Drilling and completions	15,176	5,868	11,588	**32,632**	70,515	(54)%
Facilities, equipment and pipelines	7,742	6,331	3,111	**17,184**	30,512	(44)%
Other	2,314	1,965	1,209	**5,488**	5,636	(3)%
Total exploration and development	25,812	14,957	17,653	**58,422**	109,798	(47)%
Acquisitions - cash consideration	4,574	—	557	**5,131**	154,592	nm
Acquisitions - debt acquired	—	—	—	**—**	155,486	nm
Acquisitions - share based consideration	—	—	—	**—**	271,904	nm
Property dispositions	(35,729)	(429,795)	(4,292)	**(469,816)**	(52,632)	nm
Total acquisitions & dispositions	(31,155)	(429,795)	(3,735)	**(464,685)**	529,350	nm
Total capital expenditures	(5,343)	(414,838)	13,918	**(406,263)**	639,148	nm

FACTORS THAT HAVE CAUSED VARIATIONS OVER THE QUARTERS

The fluctuations in Surge's revenue and net earnings from quarter to quarter are primarily caused by changes in production volumes, changes in realized commodity prices and the related impact on royalties, and realized and unrealized gains or losses on derivative instruments. The change in production from the fourth quarter of 2013 through the current quarter are due to Surge's successful drilling program, as well as corporate and asset acquisitions over that period combined with a recent disposition in the second quarter of 2015. Please refer to the Financial and Operating Results section and other sections of this MD&A for detailed discussions on variations during the comparative quarters and to Surge's previously issued interim and annual MD&A for changes in prior quarters.

Share Capital and Option Activity

	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Weighted common shares	**221,259,098**	220,287,256	220,059,794	219,834,286
Dilutive instruments (treasury method)	—	—	—	—
Weighted average diluted shares outstanding	**221,259,098**	220,287,256	220,059,794	219,834,286

	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Weighted common shares	217,689,253	189,968,583	173,069,989	142,980,744
Dilutive instruments (treasury method)	1,718,354	1,383,899	828,174	—
Weighted average diluted shares outstanding	219,407,607	191,352,482	173,898,163	142,980,744

On November 9, 2015, Surge had 221,002,492 common shares, 1,400,560 warrants, 2,000,000 SAR's, 3,350,366 PSAs, 2,721,870 RSAs, and 129,200 stock options outstanding.

Quarterly Financial Information

	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Oil, Natural gas & NGL sales	**45,779**	80,868	70,353	106,262
Net earnings (loss)	**(34,820)**	(9,769)	(104,705)	(109,179)
Net earnings (loss) per share ($):				
Basic	**(0.16)**	(0.04)	(0.48)	(0.50)
Diluted	**(0.16)**	(0.04)	(0.48)	(0.50)
Funds from operations	**17,009**	35,490	51,072	54,670
Funds from operations per share ($):				
Basic	**0.08**	0.16	0.23	0.25
Diluted	**0.08**	0.16	0.23	0.25
Average daily sales				
Oil & NGL (bbls/d)	**11,234**	14,865	17,171	17,223
Natural gas (mcf/d)	**13,731**	16,724	20,484	19,349
Barrels of oil equivalent (boe per day) (6:1)	**13,523**	17,652	20,585	20,448
Average sales price				
Natural gas ($/mcf)	**2.03**	2.22	2.94	3.84
Oil & NGL ($/bbl)	**41.81**	57.29	42.02	62.75
Barrels of oil equivalent ($/boe)	**36.80**	50.34	37.97	56.49

Quarterly Financial Information

	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Oil, Natural gas & NGL sales	143,709	128,148	107,567	73,517
Net earnings (loss)	34,655	37,927	3,422	(2,848)
Net earnings (loss) per share ($):				
Basic	0.16	0.20	0.02	(0.02)
Diluted	0.16	0.20	0.02	(0.02)
Funds from operations	71,298	65,525	53,770	37,268
Funds from operations per share ($):				
Basic	0.33	0.34	0.31	0.26
Diluted	0.32	0.34	0.31	0.26
Average daily sales				
Oil & NGL (bbls/d)	17,180	14,246	12,694	10,354
Natural gas (mcf/d)	18,879	12,893	13,980	9,958
Barrels of oil equivalent (boe per day) (6:1)	20,327	16,395	15,024	12,014
Average sales price				
Natural gas ($/mcf)	4.70	5.06	6.19	4.12
Oil & NGL ($/bbl)	85.76	94.25	87.32	73.17
Barrels of oil equivalent ($/boe)	76.85	85.89	79.55	66.52

LIQUIDITY AND CAPITAL RESOURCES

On September 30, 2015, Surge had drawn $131.0 million on its credit facility with total net debt of $143.2 million, a decrease in total net debt of 72 percent as compared to the same date in 2014. Debt decreased significantly towards the end of the second quarter of 2015 with the successful closing of the southeast Saskatchewan and southwest Manitoba asset sale for proceeds of $430 million. The proceeds were used to pay down bank indebtedness. At September 30, 2015, Surge had approximately $294 million of borrowing capacity in relation to the $425 million credit facility, providing Surge financial flexibility through 2016.

Surge monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives. Given the extreme volatility, significant downward pressure and uncertainty of world oil prices in the fourth quarter of 2014 and subsequent to December 31, 2014, the Company reduced drilling and capital spending late in the fourth quarter of 2014 and has adopted a conservative capital spending program for 2015, designed to protect the Company's financial position. Additionally, Surge disposed of its petroleum and natural gas properties in southeast Saskatchewan and southwest Manitoba for proceeds of $429.8 million, in order to allocate its capital to the continued development of its core properties. Surge anticipates that the future capital requirements will be funded through a combination of internal cash flow, divestitures, debt and/or equity financing. Furthermore, Surge’s flexible capital program and unused bank line further add to Surge’s ability to fund future capital requirements. There is no assurance that debt and equity financing will be available on terms acceptable to the Company to meet its capital requirements.

Additionally, Surge reduced the Company's dividend from $0.05 per share per month to $0.025 per share per month beginning with the January 2015 declared dividend as a further measure to protect the Company's financial position. Surge's management and Board will continue to assess market conditions regularly until a sustainable recovery in world crude oil prices is realized.

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 as follows.

Net Debt

($000s)	
Bank debt	(130,967)
Accounts receivable	34,955
Prepaid expenses and deposits	6,245
Accounts payable and accrued liabilities	(47,911)
Dividends payable	(5,522)
Total	**(143,200)**

As at September 30, 2015, the Company had a $425 million extendible, revolving term credit facility with a syndicate of Canadian banks bearing interest at bank rates. The facility is available on a revolving basis until May 29, 2016. On May 29, 2016, at the Company's discretion, the facility is available on a non-revolving basis for a one-year period, at the end of which time the facility would be due and payable. Alternatively, the facilities may be extended for a further 364-day period at the request of the Company and subject to the approval of the syndicate. As the available lending limits of the facilities are based on the syndicate's interpretation of the Company's reserves and future commodity prices, there can be no assurance that the amount of the available facilities will not decrease at the next scheduled review. Interest rates vary depending on the ratio of net debt to cash flow. The facility had an effective interest rate of prime plus 1.50 percent as at September 30, 2015 (December 31, 2014 – prime plus 1.50 percent).

Surge's facility is secured by a general assignment of book debts, debentures of $1.5 billion with a floating charge over all assets of the Company with a negative pledge and undertaking to provide fixed charges on the major producing petroleum and natural gas properties at the request of the bank.

Subsequent to September 30, 2015, the Company confirmed its extendible, revolving term credit facility with a syndicate of Canadian banks at $400 million.

RELATED-PARTY AND OFF-BALANCE-SHEET TRANSACTIONS

Surge was not involved in any off-balance-sheet transactions or related party transactions during the period ended September 30, 2015.

FINANCIAL INSTRUMENTS

As a means of managing commodity price, interest rate, and foreign exchange volatility, the Company enters into various derivative financial instrument agreements and physical contracts. The fair value of forward contracts and swaps is determined by discounting the difference between the contracted prices and published forward price curves as at the statement of financial position date, using the remaining contracted oil and natural gas volumes and a risk-free interest rate (based on published government rates). The fair value of options and costless collars is based on option models that use published information with respect to volatility, prices and interest rates. Surge's financial derivative contracts are classified as level two.

During the nine months of 2015, the Company reconfigured its hedged position as a result of the dramatic change in forward curve crude oil pricing in recent months. Surge monetized fixed swap positions for proceeds of $36.1 million and entered a costless collar commodity contract for approximately 45 percent of the Company's net crude oil production for calendar 2015.

The following table summarizes the Company's financial and physical derivatives as at September 30, 2015 by period and by product. Further detail on the individual hedges can be found in the Financial Statements.

Commodity Contracts

WCS Oil Differential Hedges

Period	Volume Hedged (bbl/d)	Avg Price (Surge receives) (US$ per bbl)
Q4 2015	500	$ 22.60
Q1 2016	1,000	$ 21.75
Q2 2016	1,000	$ 21.75
Q3 2016	1,000	$ 21.75
Q4 2016	1,000	$ 21.75

WTI Oil Hedges - US$

Period	Volume Hedged (bbl/d)	Avg Floor Price (US$ per bbl)	Avg Ceiling Price (US$ per bbl)
Q4 2015	2,500	$ 50	$ 65.40

WTI Oil Hedges - C$

Period	Volume Hedged (bbl/d)	Avg Floor Price (C$ per bbl)	Avg Ceiling Price (C$ per bbl)
Q4 2015	3,000	$ 61.67	$ 83

AECO Gas Hedges

Period	Volume Hedged (mcf/d)	Avg Swap Price (Surge receives) (C$ per mcf)
Q4 2015	7,586	$ 4.14

CONTROLS AND PROCEDURES

The Chief Executive Officer and Chief Financial Officer are responsible for designing internal controls over financial reporting ("ICFR") or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to the Company is made known to the Company's Chief Executive Officer and Chief Financial Officer by others, particularly during the period in which the annual filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

The Committee of Sponsoring Organizations of the Treadway Commission ("COSO") 2013 framework provides the basis for management's design of internal controls over financial reporting. Management and the Board work to mitigate the risk of a material misstatement in financial reporting; however, a control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met and it should not be expected that the disclosure and internal control procedures will prevent all errors or fraud.

There were no changes in the Company's ICFR during the period ended September 30, 2015 that materially affected, or are reasonably likely to materially affect, the Company's ICFR.

Disclosure Controls

Disclosure controls and procedures have been designed to ensure that information to be disclosed by the Company is accumulated and communicated to management, as appropriate, to allow timely decisions regarding required disclosures.

The President and Chief Executive Officer and the Chief Financial Officer of Surge evaluated the effectiveness and the design and operation of the Company's design of disclosure controls and procedures ("DC&P"). Based on that evaluation, the officers concluded that Surge's DC&P were effective as at September 30, 2015.

Internal Controls over Financial Reporting

Internal controls over financial reporting have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with IFRS.

Under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, Surge conducted an evaluation of the effectiveness of the Company's ICFR as at September 30, 2015 based on the COSO framework. Based on this evaluation, the officers concluded that as of September 30, 2015, Surge maintained effective ICFR.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with IFRS requires management to make certain judgments and estimates. Due to the timing of when activities occur compared to the reporting of those activities, management must estimate and accrue operating results and capital spending. Changes in these judgments and estimates could have a material impact on our financial results and financial condition.

Reserves

The process of estimating reserves is critical to several accounting estimates. It requires significant judgments based on available geological, geophysical, engineering and economic data. These estimates may change substantially as data from ongoing development and production activities becomes available, and as economic conditions impacting oil and gas prices, operating costs and royalty burdens change. Reserve estimates impact net income through depletion, the determination of decommissioning liabilities and the application of impairment tests.

Revisions or changes in reserve estimates can have either a positive or a negative impact on net income.

Forecasted Commodity Prices

Management's estimates of future crude oil and natural gas prices are critical as these prices are used to determine the carrying amount of PP&E, assess impairment and determine the change in fair value of financial contracts. Management's estimates of prices are based on the price forecast from our reserve engineers and the current forward market.

Business Combinations

Management makes various assumptions in determining the fair values of any acquired company's assets and liabilities in a business combination. The most significant assumptions and judgments made relate to the estimation of the fair value of the oil and gas properties. To determine the fair value of these properties, we estimate (a) oil and gas reserves in accordance with National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities (''NI 51-101'') and (b) future prices of oil and gas.

Decommissioning Liability

Management calculates the decommissioning liability based on estimated costs to abandon and reclaim its net ownership interest in all wells and facilities and the estimated timing of the costs to be incurred in future periods. The fair value estimate is capitalized to PP&E as part of the cost of the related asset and amortized over its useful life. There are uncertainties related to decommissioning liabilities and the impact on the financial statements could be material as the eventual timing and costs for the obligations could differ from our estimates. Factors that could cause our estimates to differ include any changes to laws or regulations, reserve estimates, costs and technology.

Derivative Financial Instruments

We utilize derivative financial instruments to manage our exposure to market risks relating to commodity prices, foreign currency exchange rates and interest rates. Fair values of derivative contracts fluctuate depending on the underlying estimate of future commodity prices, foreign currency exchange rates, interest rates and counterparty credit risk.

Stock-based Compensation

Management makes various assumptions in determining the value of stock based compensation. This includes estimating the forfeiture rate, the expected volatility of the underlying security, interest rates and expected life.

Deferred Income Taxes

Management makes various assumptions in determining the value of stock deferred income tax provision, including (but not limited to) future tax rates, accessibility of tax pools and future cash flows.

RISK FACTORS

Additional risk factors can be found under "Risk Factors" in the Company's Annual Information Form for the year ended December 31, 2014, which can be found on www.sedar.com. Many risks are discussed below and in the Annual Information Form, but these risk factors should not be construed as exhaustive. There are numerous factors, both known and unknown, that could cause actual results or events to differ materially from forecast results.

Oil and natural gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of Surge depends on its ability to find, acquire, develop, and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, any existing reserves Surge may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. A future increase in Surge's reserves will depend not only on the Company's ability to explore and develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. No assurance can be given that further commercial quantities of oil and natural gas will be discovered or acquired by Surge.

Surge's principal risks include finding and developing economic hydrocarbon reserves efficiently and being able to fund the capital program. The Company's need for capital is both short-term and long-term in nature. Short-term working capital will be required to finance accounts receivable, drilling deposits and other similar short-term assets, while the acquisition and development of oil and natural gas properties requires large amounts of long-term capital. Surge anticipates that future capital requirements will be funded through a combination of internal funds from operations, debt and/or equity financing. There is no assurance that debt and equity financing will be available on terms acceptable to the Company to meet its capital requirements. If any components of the Company's business plan are missing, the Company may not be able to execute the entire business plan.

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial, and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil, or water may give rise to liabilities to governments and third parties and may require Surge's operating entities to incur costs to remedy such discharge. Although Surge believes that it is in material compliance with current applicable environmental regulations, no assurance can be given that environment laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect Surge's financial condition, results of operations or prospects.

Surge's involvement in the exploration for and development of oil and natural gas properties may result in Surge becoming subject to liability for pollution, blowouts, property damage, personal injury or other hazards. Although, prior to drilling, Surge will obtain insurance in accordance with industry standards to address certain of these risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liability. In addition, such risks may not, in all circumstances, be insurable or, in certain circumstances, Surge may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to Surge. The occurrence of a significant event that was not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on Surge's financial position, results of operations or prospects and will reduce income otherwise used to fund operations.

The Company's financial performance and condition are substantially dependent on the prevailing prices of oil and natural gas which are unstable and subject to fluctuation. Fluctuations in oil or natural gas prices could have an adverse effect on the Company's operations and financial condition and the value and amount of its reserves. Prices for crude oil fluctuate in response to global supply of and demand for oil, market performance and uncertainty and a variety of other factors which are outside the control of the Company including, but not limited, to the world economy and the Organization of the Petroleum Exporting Countries' ability to adjust supply to world demand, government regulation, political stability and the availability of alternative fuel sources. Natural gas prices are influenced primarily by factors within North America, including North American supply and demand, economic performance, weather conditions and availability and pricing of alternative fuel sources.

Decreases in oil and natural gas prices typically result in a reduction of the Company's net production revenue and may change the economics of producing from some wells, which could result in a reduction in the volume of the Company's reserves. Any further substantial declines in the prices of crude oil or natural gas could also result in delay or cancellation of existing or future drilling, development or construction programs or the curtailment of production. All of these factors could result in a material decrease in the Company's net production revenue, cash flows and profitability causing a reduction in its oil and gas acquisition and development activities. In addition, bank borrowings available to the Company will in part be determined by the Company's borrowing base. A sustained material decline in prices from historical average prices could further reduce such borrowing base, therefore reducing the bank credit available and could require that a portion of its bank debt be repaid.

The Company utilizes financial derivatives contracts to manage market risk. All such transactions are conducted in accordance with the risk management policy that has been approved by the Board of Directors.

On October 25, 2007, the Alberta Government announced the New Royalty Framework (NRF) which took effect after January 1, 2009. On March 3, 2009, the Alberta Government announced a drilling royalty credit and new well incentive program that will be in effect from April 1, 2009 to March 31, 2010. On November 29, 2008, the Alberta Government announced that in response to the global economic crisis and a slowdown in oil and natural gas drilling in Alberta, companies drilling certain new wells after November 19, 2008 have a one-time option of selecting a transitional rate or the NRF rate. All wells drilled between 2009 and 2013 that adopt the transitional rate will be required to shift to the NRF on January 1, 2014. All wells drilled prior to November 19, 2008 moved to the NRF on January 1, 2009.

BOE PRESENTATION

All amounts are expressed in Canadian dollars unless otherwise noted. Oil, natural gas and natural gas liquids reserves and volumes are converted to a common unit of measure, referred to as a barrel of oil equivalent (boe), on the basis of 6,000 cubic feet of natural gas being equal to one barrel of oil. This conversion ratio is based on an energy equivalency conversion method, primarily applicable at the burner tip and does not necessarily represent a value equivalency at the wellhead. It should be noted that the use of boe might be misleading, particularly if used in isolation.

FORWARD-LOOKING STATEMENTS

This MD&A 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 MD&A contains statements concerning: (i) management's plans to identify and actively pursue strategic acquisitions; (ii) the expected accretion expense and Surge's ability to reduce this future obligation; (iii) Surge's proposed capital spending budget ; (iv) forecast commodity prices, inflation rates and currency prices; (v) the availability of Surge's bank line to fund Surge's future capital requirements; (vi) Surge's financial flexibility; (vii) the expected sources of funding of future capital expenditures; (viii) expected forfeiture rates of RSAs and PSAs granted under the Company's Stock Incentive Plan; (ix) expectations as to the payout multiplier for PSAs granted under the Company's Stock Incentive Plan; (x) expectations with respect to its underling decommissioning liabilities; (xi) expectations with respect to environmental legislation; (xii) expectations on corporate royalty rates applicable to the Company; (xiii) expectations with respect to transportation expense; and (xiv) expectations with respect to the Company's ability to operate and succeed in the current commodity price environment.

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 and the costs relating thereto, 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 and the availability, 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 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 this MD&A under the heading 'Risk Factors' and in Surge's Annual Information Form dated March 19, 2015 which has been filed on SEDAR and can be accessed at www.sedar.com.

The forward-looking statements contained in this MD&A 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.