

SURGE ENERGY INC.

Waterflood Progress Report for 2013

Waskada Unit No. 15

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Background

The Waskada Unit No. 15 pressure maintenance project commenced water injection into the Lower Amaranth A Pool in accordance with Manitoba Energy and Mines Order No. PM 54 dated January 29, 1987. This order was then rescinded and replaced by PM 58 dated February 2, 1988.

In 2011, a waterflood progress report was submitted for March 1987 to December 2010. It was noted that no previous pressure maintenance reports for Waskada Unit No. 15 have been found in any files that Surge Energy received when acquiring working interest ownership and Unit Operator status in 2010.

The purpose of this document is to update and summarize the Waskada Unit 15 activity for 2012 and to lay out our proposed future development plans for 2013 and 2014.

Waskada Unit No. 15

Original Producers:

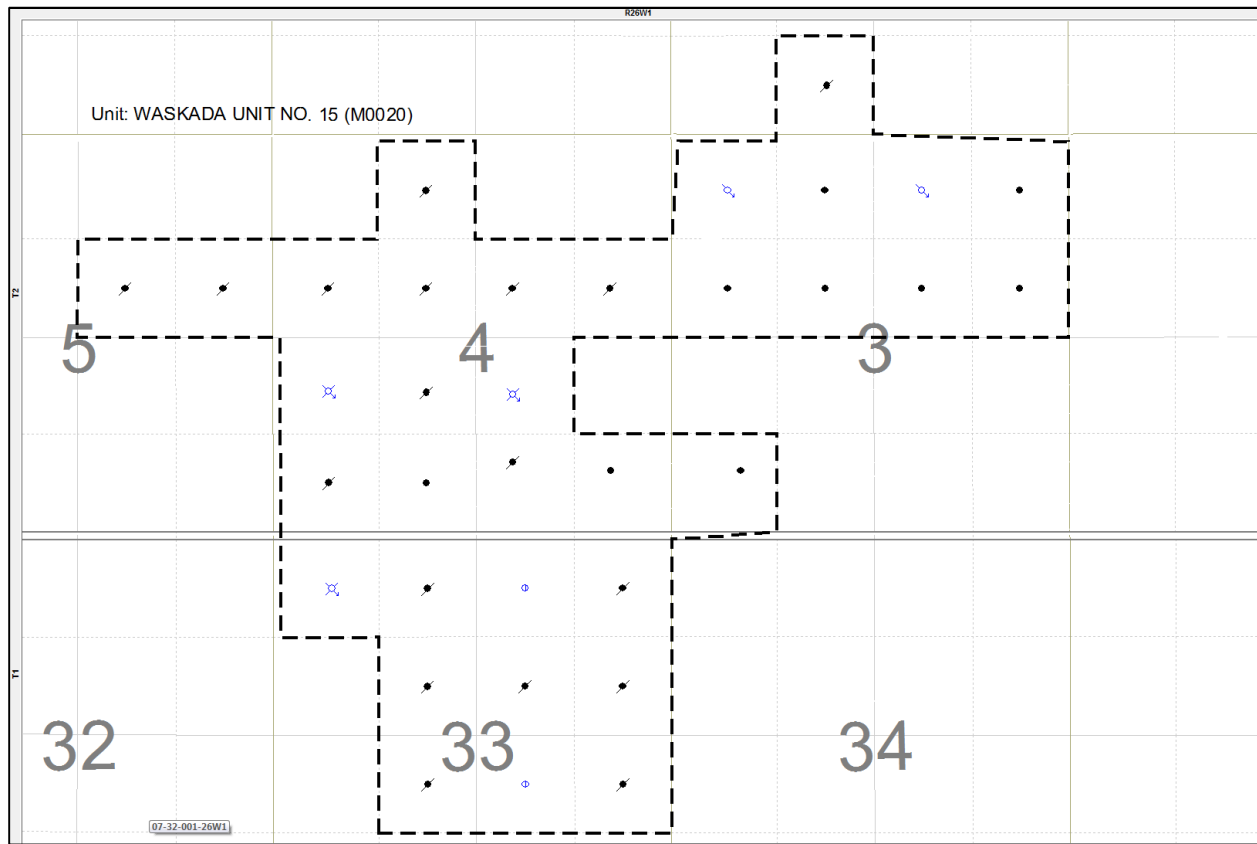


Figure 1: 34 Original Producers - 7 Converted to Injectors

Table 1: 34 Original Producers

34 Original Producers		
Sec 03, 05, and 10	Sec 04	Sec 33
100/04-03-002-26W1/02	100/01-04-002-26W1/00	100/06-33-001-26W1/00
100/09-03-002-26W1/00	100/02-04-002-26W1/00	100/07-33-001-26W1/00
100/10-03-002-26W1/00	100/03-04-002-26W1/00	100/08-33-001-26W1/00
100/11-03-002-26W1/00	100/04-04-002-26W1/00	100/09-33-001-26W1/00
100/12-03-002-26W1/00	100/05-04-002-26W1/00	100/10-33-001-26W1/00
100/13-03-002-26W1/00	102/06-04-002-26W1/00	100/11-33-001-26W1/00
100/14-03-002-26W1/00	100/07-04-002-26W1/00	100/13-33-001-26W1/02
100/15-03-002-26W1/00	100/09-04-002-26W1/00	100/14-33-001-26W1/00
100/16-03-002-26W1/00	100/10-04-002-26W1/00	100/15-33-001-26W1/00
100/09-05-002-26W1/00	100/11-04-002-26W1/00	100/16-33-001-26W1/00
100/10-05-002-26W1/00	100/12-04-002-26W1/00	
100/03-10-002-26W1/00	100/14-04-002-26W1/00	

Table 2: 7 of 34 Converted to Injectors

7 Converted to Injectors
100/07-33-001-26W1/00
100/13-33-001-26W1/02
100/15-33-001-26W1/00
100/13-03-002-26W1/00
100/15-03-002-26W1/00
100/05-04-002-26W1/00
100/07-04-002-26W1/00

Prior to Surge's acquisition and activity in Waskada during 2010, Unit No. 15 consisted of 34 producers, 7 of which were converted to injection wells with a nine spot injection pattern (Figure 1). Water injection commenced March 1987 and continued through to February 1998 when injection was halted. Scattered injection continued through 2000 to 2002, and then again from 2005 until 2010 when all unit injectors and producing wells were shut in.

2010 Activity:

Three horizontal wells were drilled Q4 2010, and came on production in December 2010 (Figure 2).

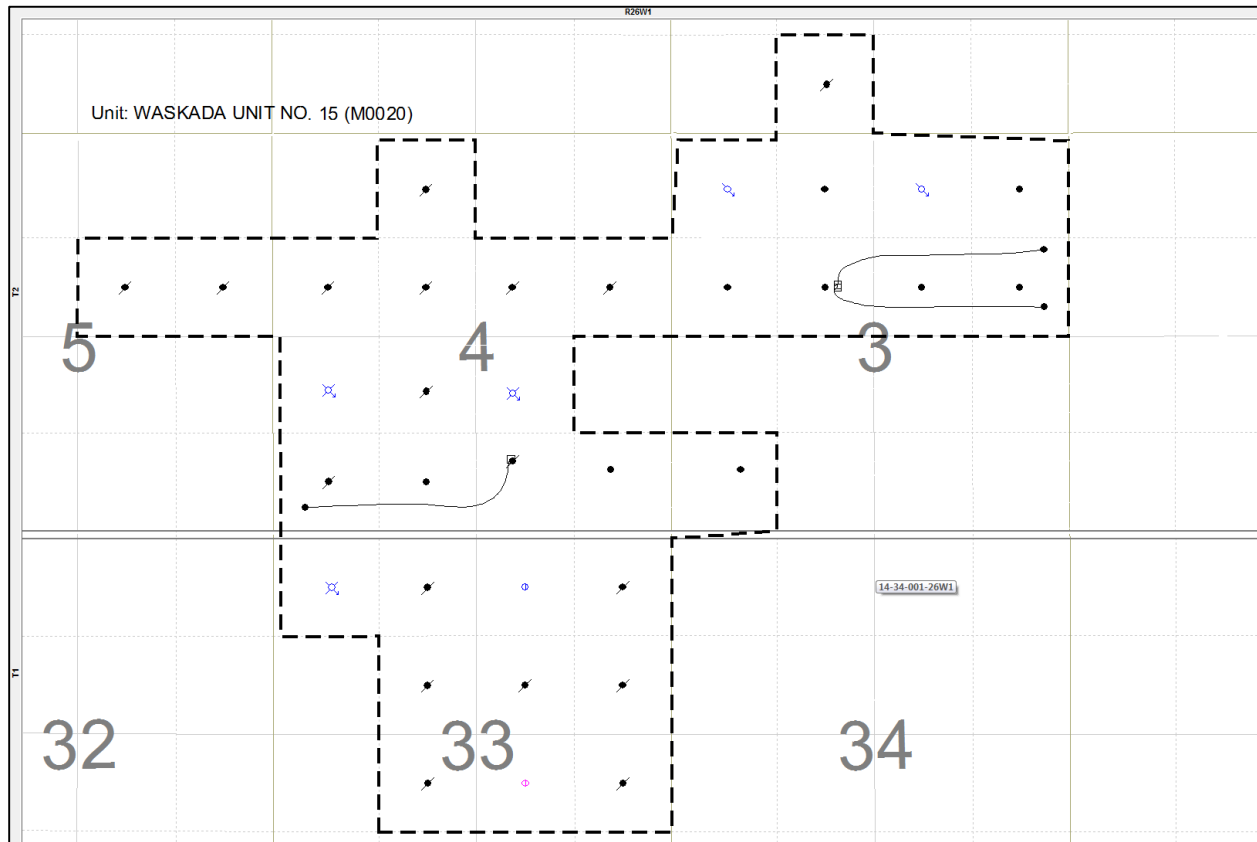


Figure 2: 3 Hz (2010 On Prod)

Table 3: 3 Hz (2010 On Prod)

3 Hz (2010 On Prod)
102/09-03-002-26W1/00
103/09-03-002-26W1/00
102/04-04-002-26W1/00

2011 Activity:

Nine more horizontal wells were drilled and came on production in 2011. Figure 3 shows the three horizontal wells from 2010 with the nine horizontal wells from 2011.

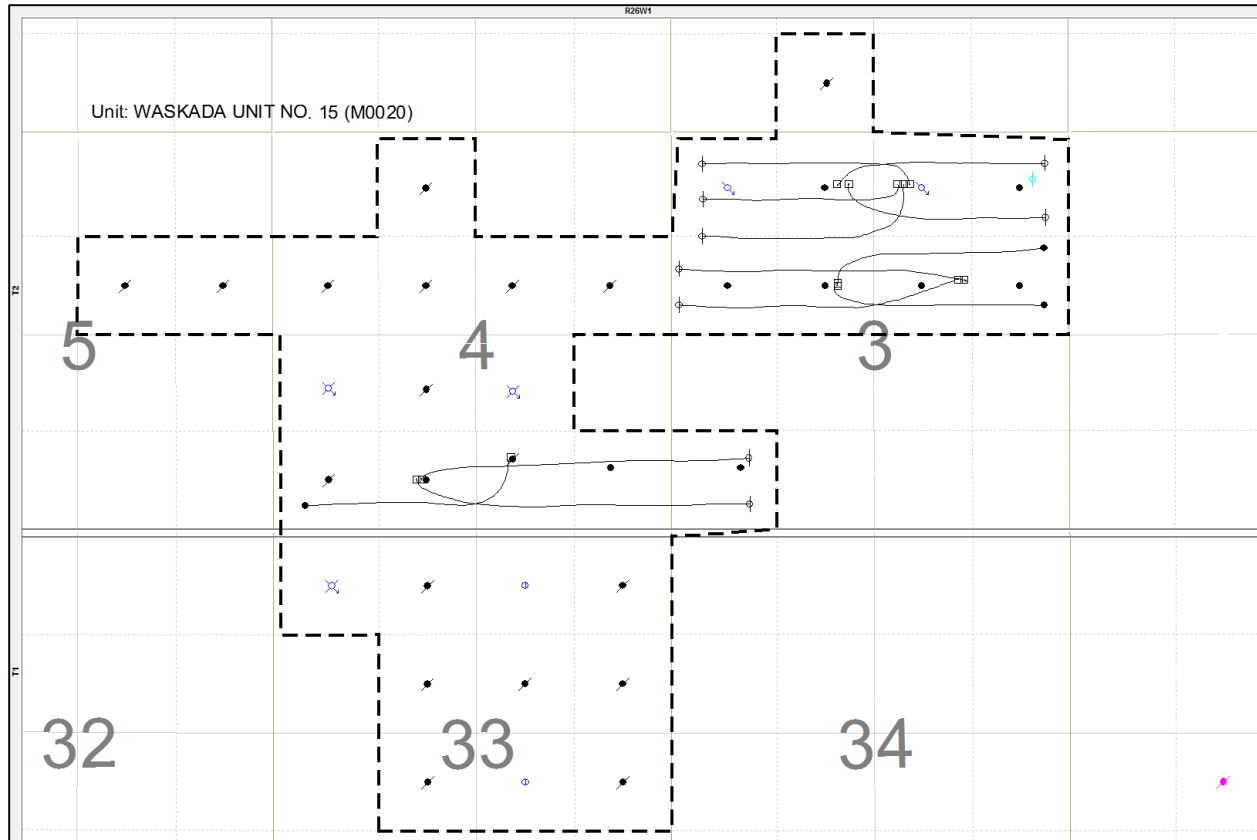


Figure 3: 9 Hz (2011 On Prod) and 1 Vert Disposal

The two horizontal wells in 16-03 came on production Q3 of 2011, and the other 7 horizontal wells came on production through Q4 of 2011. The planned battery facility at 16-03-002-26W1 received approval and was commissioned Q4 2011.

Table 4: 2011 Activity

2011 Activity	
9 Hz (2011 On Prod)	1 Vert Disposal
102/04-03-002-26W1/00	105/16-03-002-26W1/00
103/04-03-002-26W1/00	
102/12-03-002-26W1/00	
103/12-03-002-26W1/00	
104/12-03-002-26W1/00	
102/13-03-002-26W1/00	
103/13-03-002-26W1/00	
102/16-03-002-26W1/00	
103/16-03-002-26W1/00	

2012 Activity:

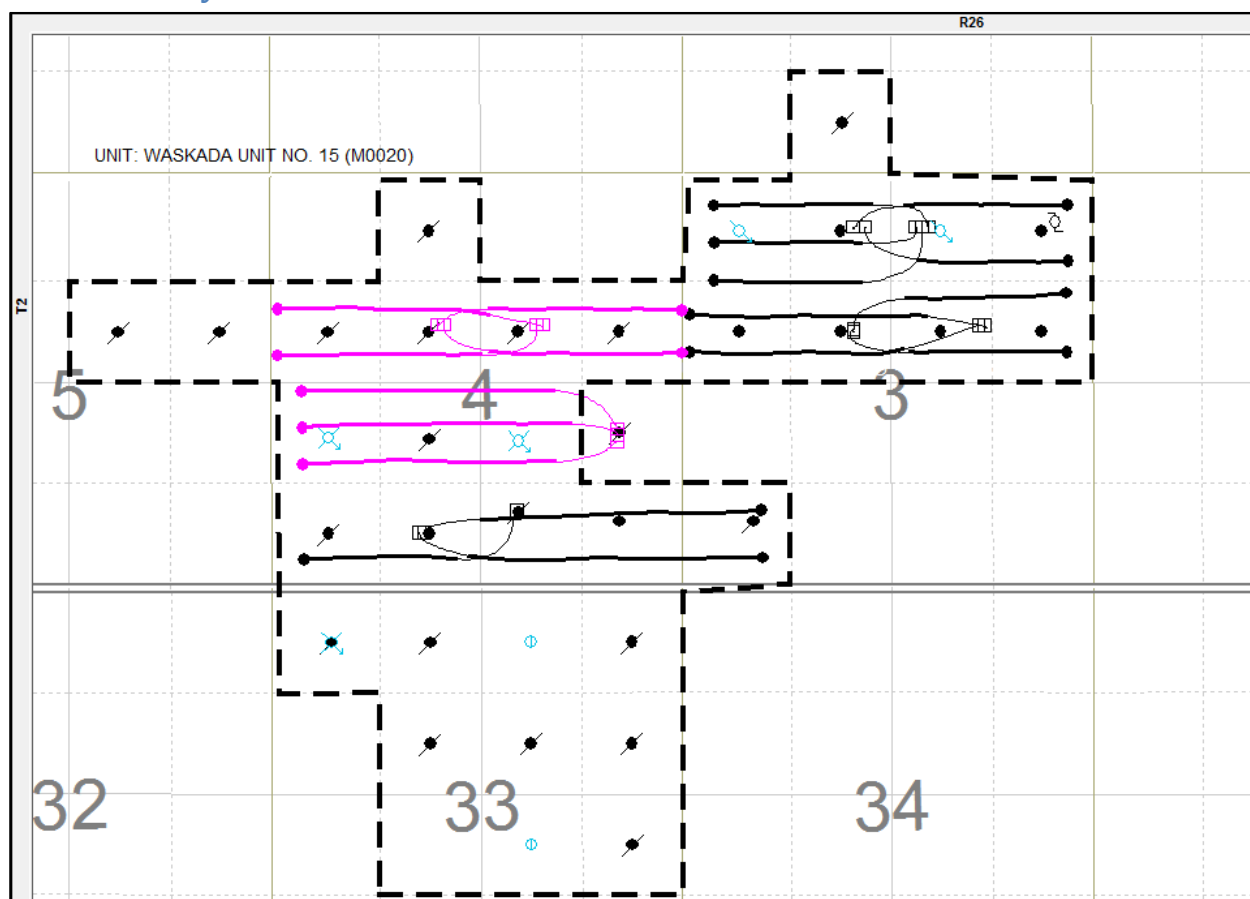


Figure 4: 7 Hz (2012 On Prod)

Figure 4 shows the same wells as figure 3 with the addition of the 7 horizontal wells (in pink) that came on in 2012 (Table 5). Four of these wells were rig released in Q4 of 2011 – the two wells in 09-04 and the two wells in 12-04. Current average pool production up until October 2012 is about 300 bbls/d of oil and 700 bbls/d of water.

Table 5: 2012 Activity

2012 Activity
7 Hz (2012 On Prod)
102/09-04-002-26W1
103/09-04-002-26W1
103/12-04-002-26W1
102/12-04-002-26W1
102/05-04-002-26W1
103/05-04-002-26W1
104/05-04-002-26W1

Surge has obtained pressures in the Lower Amaranth A Pool from wells: 105/16-03-002-002-26W1, 103/09-04-002-26W1 and 103/12-04-002-26W1 that range between 8,300 to 10,300 kPa. These pressures are at or near the original pool pressure of 8,650 kPa and well above the estimated bubble point pressure of 4,200 kPa. Surge believes these higher pressures may be due to regional aquifer expansion combined with the lower permeability and limited drainage of the pool itself.

2013 Activity:

Surge had plans to restart the injection of water into the Lower Amaranth A Pool through a small scale pilot or test using existing horizontal wells. The pilot was planned to start in Q1 of 2013 in section 3 pending results of the existing flood.

In Q1, Surge started field installation of the fiberglass water injection pipeline and did some facility modifications for water injection. Surge also received approval to convert the 103/13-03-002-26W1/00 and 102/12-03-002-26W1/00 into water injectors.

Surge's go forward plan for the rest of 2013 was to extend the waterflood to include 102/09-03-002-26W1/00 in Q3.

Examining the production performance in the existing waterflood area Surge has decided to hold off on the expansion of the flood for the time being. While the production is currently at Jan 2013 numbers the dip in production during the middle of 2013 has made Surge cautious about aggressive expansion. Surge has decreased injection rates in late 2013 and will examine the effect this has on production going forward.

The approved horizontal water injection converts are outlined in dark blue in figure 5.

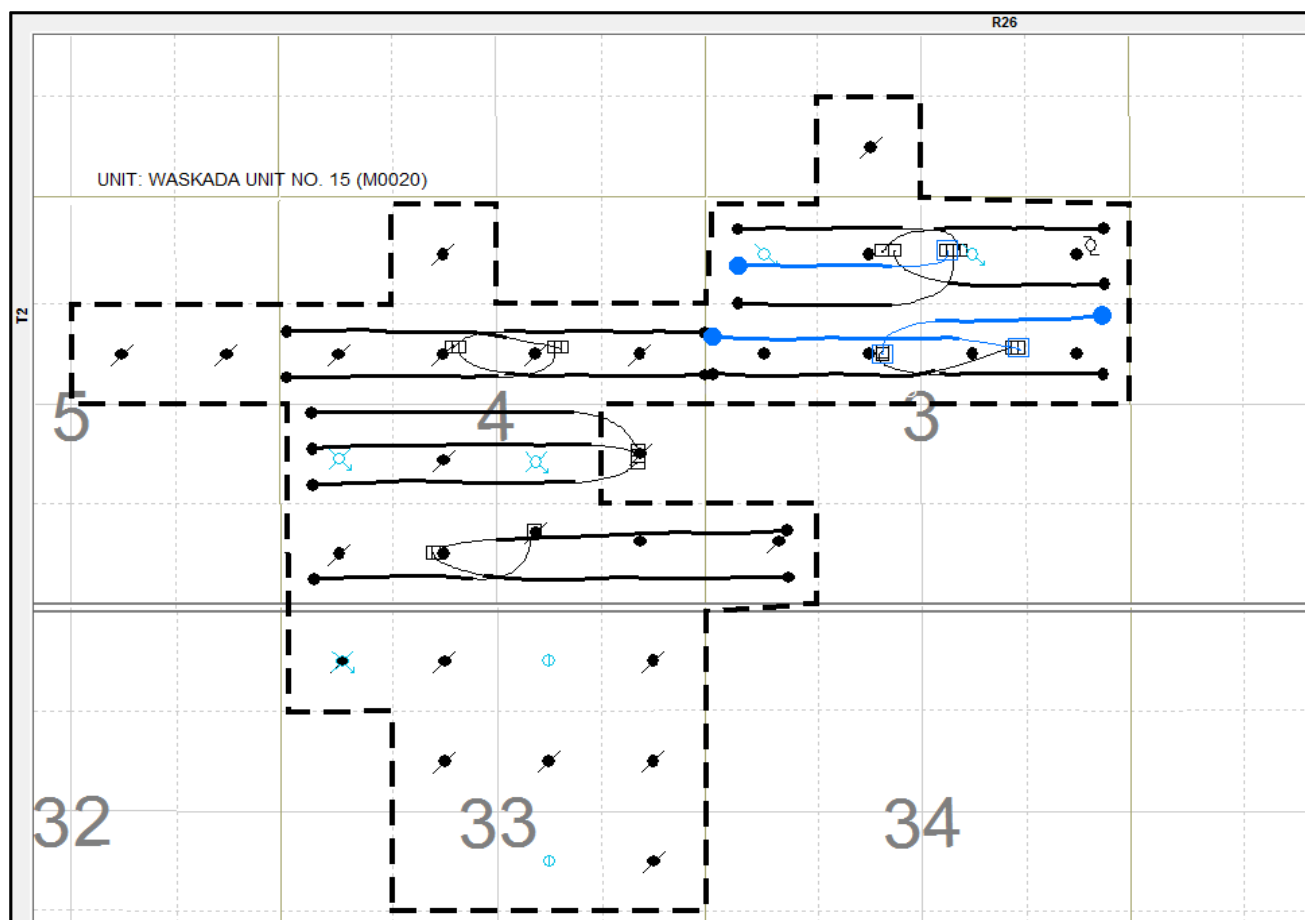


Figure 5: 2013 Planned Activity

Planned 2014 Activity:

Surge will continue to examine the waterflood performance and deploy capital to expand the flood when appropriate.

Production 2013

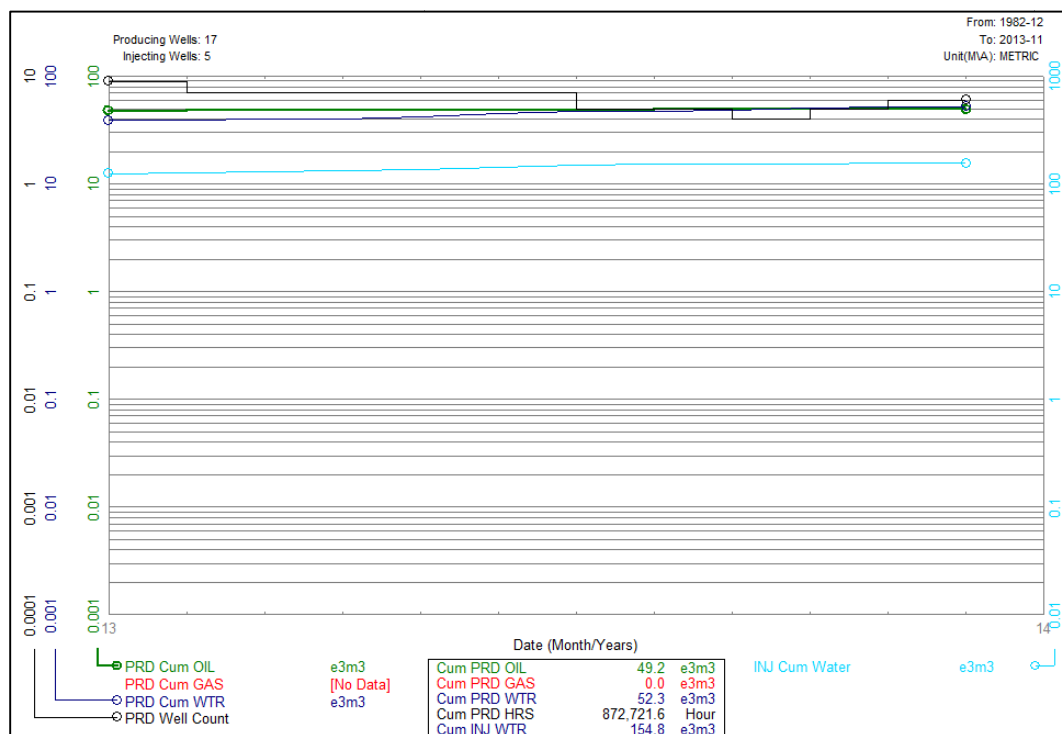
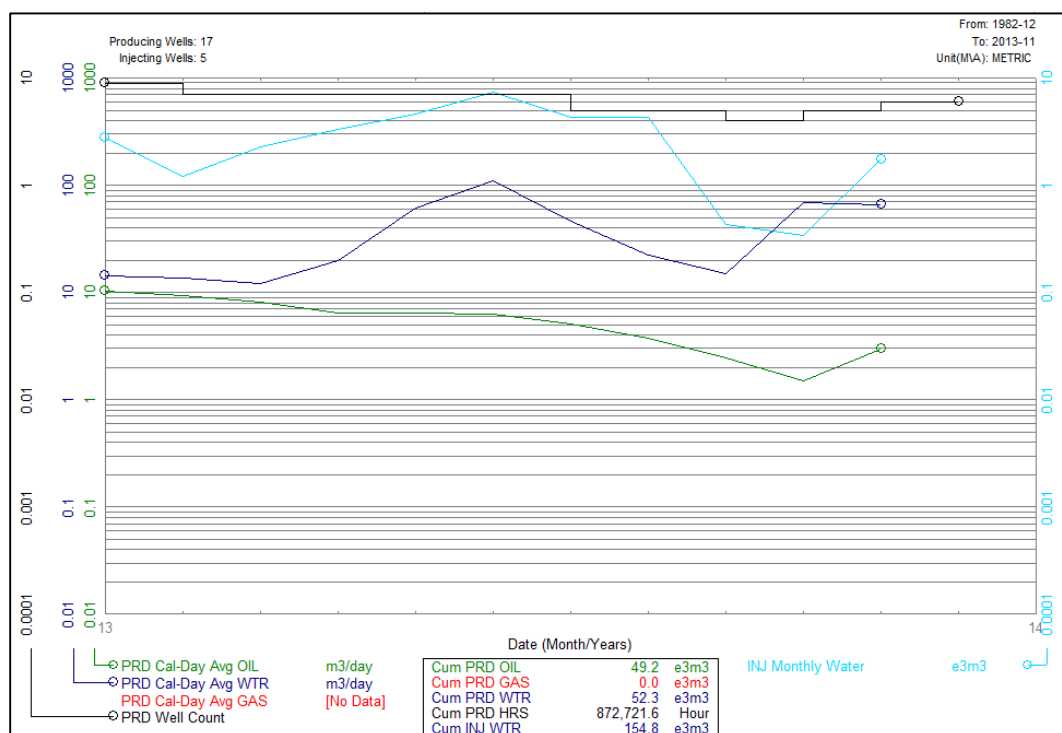


Figure 6: Waskada Unit 15 Production for 2013

Table 6: Waskada Unit 15 Injection & Production Figures

Month	Oil Rate (m ³ /d)	Gas Rate (e ³ m ³ /d)	Water Rate (m ³ /d)	Water Inj. Rate (m ³ /d)	Water Inj. Press (kPa)	Cum Oil (m ³)	Cum Gas (e ³ m ³)	Cum Water (m ³)	Cum Water In (m ³)	GOR (m ³ /m ³)	WOR (m ³ /m ³)
Jan-13	10.4	0.5	14.4	89.6	3500-3700	47584.3	2474.4	39018.9	124938.7	52	1.39
Feb-13	9.3	0.5	13.5	43.6	3500-3700	47845.3	2488.0	39397.7	126159.7	52	1.45
Mar-13	8.1	0.4	12.1	73.6	3500-3700	48095.4	2501.0	39772.8	128440.8	52	1.5
Apr-13	6.4	0.3	20.0	110.6	3500-3700	48286.9	2510.9	40373.9	131758.8	52	3.14
May-13	6.4	0.3	61.3	150.0	3500-3700	48484.4	2521.2	42273.4	136408.8	52	9.62
Jun-13	6.2	0.3	109.7	244.5	3500-3700	48670.9	2530.9	45564.2	143742.8	52	17.65
Jul-13	5.1	0.3	46.7	137.4	3500-3700	48829.0	2539.1	47010.9	148000.8	52	9.15
Aug-13	3.8	0.2	22.2	137.8	3500-3700	48946.0	2545.2	47698.6	152273.8	52	5.88
Sep-13	2.4	0.1	15.0	14.2	3500-3700	49019.2	2549.0	48147.7	152700.3	52	6.14
Oct-13	1.5	0.1	69.7	10.9	3500-3700	49065.9	2551.4	50308.2	153039.6	52	46.26
Nov-13	3.0	0.2	66.0	58.6	3500-3700	49155.6	2556.1	52287.5	154796.6	52	22.07

Table 7: Waskada Unit 15 VRR

Waskada Waterflood - GeoScout Production up to July 2013

Month	Days	Monthly Oil Prod (m ³)	Monthly Gas Prod (E3m ³)	Monthly H2O Prod (m ³)	Monthly H2O Inj (m ³)	Oil Prod (m ³ /d)	Gas Prod (E3m ³ /d)	H2O Prod (m ³ /d)	H2O Inj (m ³ /d)	Cum Oil (m ³)	Cum Gas (E3m ³)	Cum H2O (m ³)	Cum H2O Inj (m ³)	Well Count	GOR (m ³ /m ³)	H2OCut (%)	Voldage (m ³ /m ³)	Monthly VRR	Cum GOR (m ³ /m ³)	H2OCut (%)	Cum Void (m ³)	Cum VRR
Dec-09	31	71.8	3.7	33.6	156	2.3	0.1	1.1	5.0	25289.4	1315.0	11171.1	60414.3	3	52	31.9%	4	1.33	52.0	30.6%	40759.7	1.482
Jan-10	31	74.1	3.9	33.6	196	2.4	0.1	1.1	6.3	25363.5	1318.9	11204.7	60610.3	3	52	31.2%	4	1.63	52.0	30.6%	40880.0	1.483
Feb-10	28	24.3	1.3	0	89.8	0.9	0.0	0.0	3.2	25387.8	1320.2	11204.7	60700.1	2	52	0.0%	1	3.16	52.0	30.6%	40908.4	1.484
Mar-10	31	0	0.0	0	0	0.0	0.0	0.0	0.0	25387.8	1320.2	11204.7	60700.1	0	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	52.0	30.6%	40908.4	1.484
Apr-10	30	0	0.0	0	0	0.0	0.0	0.0	0.0	25387.8	1320.2	11204.7	60700.1	0	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	52.0	30.6%	40908.4	1.484
May-10	31	0	0.0	0	0	0.0	0.0	0.0	0.0	25387.8	1320.2	11204.7	60700.1	0	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	52.0	30.6%	40908.4	1.484
Jun-10	30	0	0.0	0	0	0.0	0.0	0.0	0.0	25387.8	1320.2	11204.7	60700.1	0	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	52.0	30.6%	40908.4	1.484
Jul-10	31	0	0.0	0	0	0.0	0.0	0.0	0.0	25387.8	1320.2	11204.7	60700.1	0	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	52.0	30.6%	40908.4	1.484
Aug-10	31	0	0.0	0	0	0.0	0.0	0.0	0.0	25387.8	1320.2	11204.7	60700.1	0	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	52.0	30.6%	40908.4	1.484
Sep-10	30	30.1	1.6	22.1	0	1.0	0.1	0.7	0.0	25417.9	1321.7	11226.8	60700.1	1	52	42.3%	2	0.00	52.0	30.6%	40965.7	1.482
Oct-10	31	34.6	1.8	13	0	1.1	0.1	0.4	0.0	25452.5	1323.5	11239.8	60700.1	1	52	27.3%	2	0.00	52.0	30.6%	41019.2	1.480
Nov-10	30	71.9	3.7	0	0	2.4	0.1	0.0	0.0	25524.4	1327.3	11239.8	60700.1	4	52	0.0%	3	0.00	52.0	30.6%	41103.3	1.477
Dec-10	31	295.8	15.4	4.2	0	9.5	0.5	0.1	0.0	25820.2	1342.7	11244.0	60700.1	6	52	1.4%	11	0.00	52.0	30.3%	41453.6	1.464
Jan-11	31	638	33.2	136.8	0	20.6	1.1	4.4	0.0	26458.2	1375.8	11380.8	60700.1	6	52	17.7%	28	0.00	52.0	30.1%	42336.9	1.434
Feb-11	28	946.1	49.2	845.9	0	33.8	1.8	30.2	0.0	27404.3	1425.0	12226.7	60700.1	6	52	47.2%	70	0.00	52.0	30.9%	44289.7	1.371
Mar-11	31	701.7	36.5	800.3	0	22.6	1.2	25.8	0.0	28106.0	1461.5	13027.0	60700.1	5	52	53.3%	52	0.00	52.0	31.7%	45911.0	1.322
Apr-11	30	188.5	9.8	300	0	6.3	0.3	10.0	0.0	28294.5	1471.3	13327.0	60700.1	5	52	61.4%	17	0.00	52.0	32.0%	46431.6	1.307
May-11	31	0	0.0	0	0	0.0	0.0	0.0	0.0	28294.5	1471.3	13327.0	60700.1	0	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	52.0	32.0%	46431.6	1.307
Jun-11	30	185.2	9.6	293	0	6.2	0.3	9.8	0.0	28479.7	1480.9	13620.0	60700.1	5	52	61.3%	17	0.00	52.0	32.4%	46941.2	1.293
Jul-11	31	625.7	32.5	497.2	0	20.2	1.0	16.0	0.0	29105.4	1513.5	14117.2	60700.1	7	52	44.3%	40	0.00	52.0	32.7%	48170.5	1.260
Aug-11	31	555.9	28.9	556.7	0	17.9	0.9	18.0	0.0	29661.3	1542.4	14673.9	60700.1	7	52	50.0%	39	0.00	52.0	33.1%	49377.6	1.229
Sep-11	30	437.3	22.7	468.4	0	14.6	0.8	15.6	0.0	30098.6	1565.1	15142.3	60700.1	6	52	51.7%	33	0.00	52.0	33.5%	50357.7	1.205
Oct-11	31	2297.5	119.5	3326.4	0	74.1	3.9	107.3	0.0	32396.1	1684.6	18468.7	60700.1	8	52	59.1%	194	0.00	52.0	36.3%	56372.1	1.077
Nov-11	30	3051.7	158.7	5641.9	0	101.7	5.3	188.1	0.0	33447.8	1843.3	24110.6	60700.1	10	52	64.9%	307	0.00	52.0	40.5%	65584.5	0.926
Dec-11	31	0	0.0	0	2800	0.0	0.0	0.0	90.3	35447.8	1843.3	24110.6	63500.1	0	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	52.0	40.5%	65584.5	0.968
Jan-12	31	2106.7	109.5	2360.9	4569	68.0	3.5	76.2	147.4	37554.5	1952.8	26471.5	68069.1	10	52	52.8%	156	0.95	52.0	41.3%	70410.3	0.967
Feb-12	29	1404.8	73.0	1544.1	5504	48.4	2.5	53.2	189.8	38959.3	2025.9	28015.6	73573.1	9	52	52.4%	110	1.73	52.0	41.8%	73598.0	1.000
Mar-12	31	1352.4	70.3	1393.7	7757	43.6	2.3	45.0	250.2	40311.7	2096.2	29409.3	81330.1	9	52	50.8%	96	2.61	52.0	42.3%	76574.0	1.062
Apr-12	30	829.6	43.1	783.4	7019	27.7	1.4	26.1	234.0	41141.3	2139.3	30192.7	88349.1	8	52	48.6%	58	4.00	52.0	42.3%	78328.0	1.128
May-12	31	1182.4	61.5	927.6	6111	38.1	2.0	29.9	197.1	42323.7	2200.8	31120.3	94460.1	9	52	44.0%	75	2.64	52.0	42.4%	80639.0	1.171
Jun-12	30	1007.8	52.4	1097.9	4944	33.6	1.7	36.6	164.8	43331.5	2253.2	32218.2	99404.1	9	52	52.1%	76	2.17	52.0	42.6%	82916.1	1.199
Jul-12	31	792.9	41.2	1289.2	4318.6	25.6	1.3	41.6	139.3	44124.4	2294.5	33507.4	103722.7	8	52	61.9%	72	1.95	52.0	43.2%	85132.9	1.218
Aug-12	31	878	45.7	1343.4	3335	28.3	1.5	43.3	107.6	45002.4	2340.1	34850.8	107057.7	9	52	60.5%	76	1.41	52.0	43.6%	87503.6	1.223
Sep-12	30	606.4	31.5	1330.2	4488	20.2	1.1	44.3	149.6	45608.8	2371.7	36181.0	111545.7	9	52	68.7%	68	2.20	52.0	44.2%	89543.3	1.246
Oct-12	31	627.2	32.6	1032.2	4061	20.2	1.1	33.3	131.0	46236.0	2404.3	37213.2	115606.7	9	52	62.2%	57	2.30	52.0	44.6%	91309.3	1.266
Nov-12	30	549	28.5	766.4	3418	18.3	1.0	25.5	113.9	46785.0	2432.8	37979.6	119024.7	9	52	58.3%	47	2.43	52.0	44.8%	92718.1	1.284
Dec-12	31	477.4	24.8	593.3	3137	15.4	0.8	19.1	101.2	47262.4	2457.6	38572.9	122161.7	9	52	55.4%	37	2.72	52.0	44.9%	93869.9	1.301
Jan-13	31	321.9	16.7	446	2777	10.4	0.5	14.4	89.6	47584.3	2474.4	39018.9	124938.7	9	52	58.1%	27	3.38	52.0	45.1%	94692.5	1.319
Feb-13	28	261	13.6	378.8	1221	9.3	0.5	13.5	43.6	47845.3	2488.0	39397.7	126159.7	7	52	59.2%	24	1.78	52.0	45.2%	95376.7	1.323
Mar-13	31	250.1	13.0	375.1	2281.1	8.1	0.4	12.1	73.6	48095.4	2501.0	39772.8	128440.8	7	52	60.0%	22	3.42	52.0	45.3%	96044.4	1.337
Apr-13	30	191.5	10.0	601.1	3318	6.4	0.3	20.0	110.6	48286.9	2510.9	40373.9	131758.8	7	52	75.8%	28	4.02	52.0	45.5%	96969.6	1.360
May-13	31	197.5	10.3	1899.5	4650	6.4	0.3	61.3	150.0	48484.4	2521.2	42273.4	136408.8	7	52	90.6%	69	2.18	52.0	46.6%	99000.1	1.378
Jun-13	30	186.5	9.7	3290.8	7334	6.2	0.3	109.7	244.5	48670.9	2530.9	45564.2	143742.8	7	52	94.6%	117	2.09	52.0	48.4%	102509.2	1.402
Jul-13	31	158.1	8.2	1446.7	4258	5.1	0.3	46.7	137.4	48829.0	2539.1	47010.9	148000.8	5	52	90.1%	53	2.61	52.0	49.1%	104140.8	1.421
Aug-13	31	117	6.1	687.7	4273	3.8	0.2	22.2	137.8	48946.0	2545.2	47698.6	152273.8	5	52	85.5%	27	5.18	52.0	49.4%	104965.4	1.451
Sep-13	30	73.2	3.8	449.1	426.5	2.4	0.1	15.0	14.2	49019.2	2549.0	48147.7	152700.3	4	52	86.0%	18	0.80	52.0	49.6%	105500.2	1.447
Oct-13	31	46.7	2.4	2160.5	339.3	1.5	0.1	69.7	10.9	49065.9	2551.4	50308.2	153039.6	5	52	97.9%	71	0.15	52.0	50.6%	107715.3	1.421