

## Management

**Paul Colborne**, President & CEO  
**Jared Ducs**, Chief Financial Officer  
**Murray Bye**, Chief Operating Officer  
**Derek Christie**, SVP, Exploration  
**Margaret Elekes**, SVP, Land & Bus. Dev.

[www.surgeenergy.ca](http://www.surgeenergy.ca)

## EPG Commentary by Dan Steffens

**Surge Energy (SGY.TO and ZPTAF)** is a mid-cap Canadian upstream company in our Small-Cap Growth Portfolio. Their production increased by 20.5% year-over-year in 2022 and another 14.9% in 2023. Surge pays monthly dividends of \$0.04Cdn for yield of ~6.2%. I expect them to increase the dividend when they meet their mid-year debt reduction goal.

*The Company's Q4 2023 results beat my forecast and their guidance is for 29 gross (28.5 net) wells to be completed in their two core areas by March 31, 2024.*

**Quality "Running Room" is key to my valuation:** Surge continues to report outstanding well results in its two core areas (Sparky & SE Saskatchewan). The EnerPlus Acquisition that closed in December, 2022 added 45 low-risk development drilling locations to a deep inventory of more than 1,000 development drilling locations.

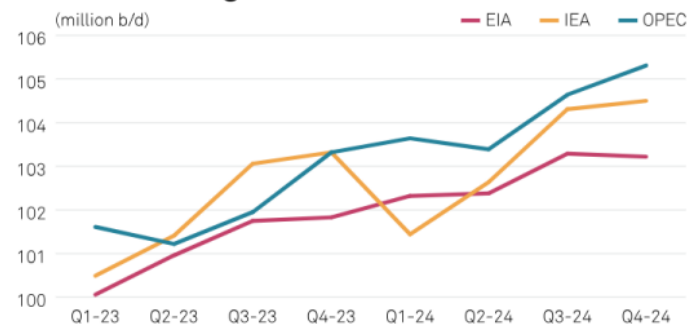
## Compelling opportunity for energy investors

While upstream investment is recovering from the 2020-2021 downturn, annual investment will need to increase by a cumulative \$4.9 trillion between 2023 and 2030 to meet demand and stave off a worldwide supply shortfall this decade.

This investment imbalance will continue to have serious implications for the global economy and energy security.

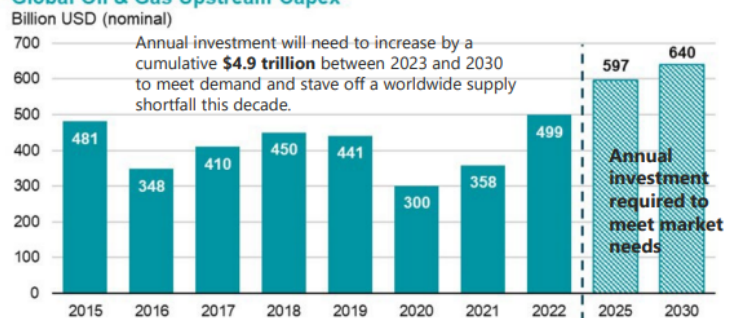
## Energy will continue to offer investors a highly attractive value proposition in 2024 and beyond

### 2024 oil demand growth



Source: OPEC, IEA, EIA

### Global Oil & Gas Upstream Capex



**On March 20, 2024 TipRanks reported that Surge Energy (SGY on TSX) had received a new Buy rating, initiated by BMO Capital analyst, Jeremy Mccrea (rated 5-Star by TipRanks). His price target is \$10.00Cdn**

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“Jeremy Mccrea has given his Buy rating due to a combination of factors that suggest Surge Energy is poised for strong performance. These factors include a significant improvement in the performance of their underlying assets, an attractive valuation that suggests the stock is currently undervalued, and the fact that the company is not on most investors’ radars, offering a potentially advantageous entry point for those who take notice. Mccrea’s analysis points to recent advancements in drilling techniques and promising well results as indicators of Surge Energy’s potential for growth and increased valuation.

Additionally, Mccrea’s assessment is built upon a 4-point checklist that evaluates the quality and longevity of the company’s inventory, the valuation relative to future growth, the asymmetric risks associated with the operator, and the market sentiment and timing regarding the sub-sector. He notes the change in drilling mud systems that has led to significantly better results in recent wells and is closely watching the outcome of an innovative multi-lateral drilling project that could lead to surprising and positive results for the market. These technical improvements, along with the strategic operational moves, signal that Surge Energy is on a trajectory that could lead to outsized gains, particularly if the WTI prices see an upward trend.

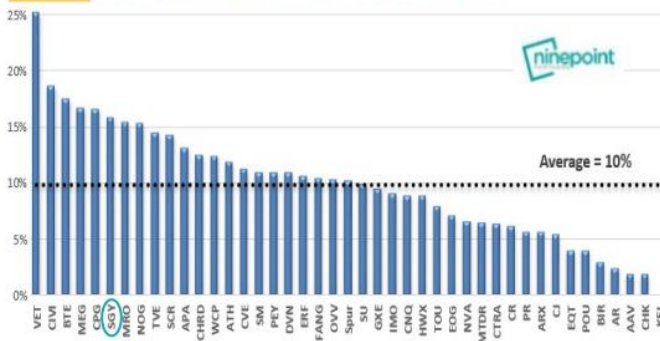
In another report released on March 8, Stifel Nicolaus also assigned a Buy rating to the stock with a C\$10.00 price target.”

## Positioned To Be A Top Performer

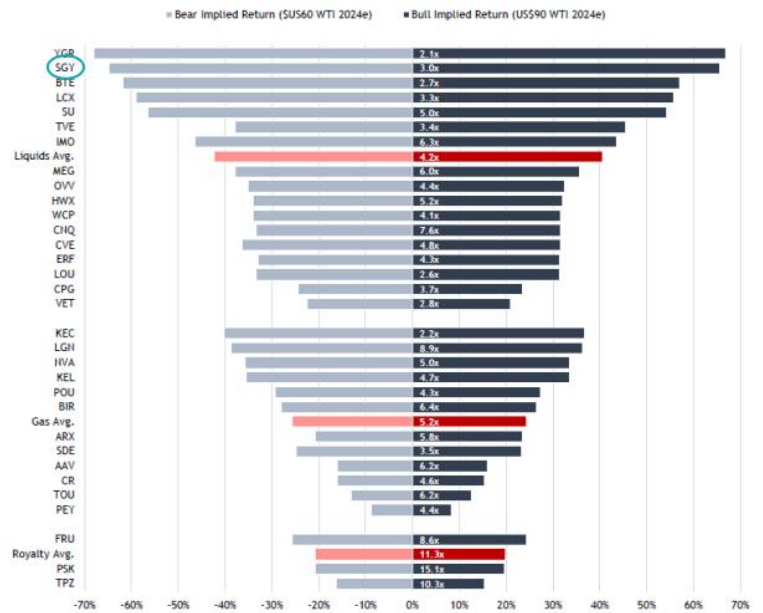
Surge has been independently recognized as having one of the best FCF yields in its intermediate peer group while trading at a very attractive NAV valuation.

Surge's top tier FCF yield takes into account its high netbacks (>\$40/boe), low annual corporate production decline (25%), and quick well payouts (<10 months) at Sparky and SE Saskatchewan.

### 2024 Free Cash Flow Yield at \$75 WTI



### 2024e Implied Share Price (US\$90 WTI & US\$60 WTI)



## My Fair Value Estimate for ZPTAF is \$10.25US/share

Compare to First Call’s Price Target of \$11.25Cdn

**Disclosure:** I have a long position in ZPTAF. I do not intend on buying or selling any shales in the next 72 hours. I wrote this profile myself, and it expresses my own opinions. I am not receiving compensation for it from the company. I have no business relationship with any company whose stock is mentioned in this article.

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## Company Overview

**Surge Energy Inc. (SGY and ZPTAF)** is an independent oil and gas company based in Calgary, Alberta and operating in Alberta, Saskatchewan, and Manitoba. The Common Shares are listed on the TSX under the symbol “SGY.” Surge Energy is an oil focused energy company with a sustainable strategy to enhance returns and free cash flow. Their simple, repeatable business strategy is based on developing high-quality, conventional oil reservoirs using proven technology to enhance recovery through waterflood.

The Surge strategy is based on three core pillars:

- **Disciplined Capital Allocation** – The Company undertakes low cost, high impact projects that support long-term sustainability
- **Financial Flexibility** – By focusing on high return strategic opportunities, the Company seeks to maximize free cash flow and enhance liquidity < 2024 free cash flow should exceed \$125Cdn million.
- **Responsible ESG Principles** – Surge deploys ongoing abandonment programs to reduce corporate decommissioning liability

## The Surge Value Proposition

High quality assets and strategic capital allocation maximize shareholder value and returns



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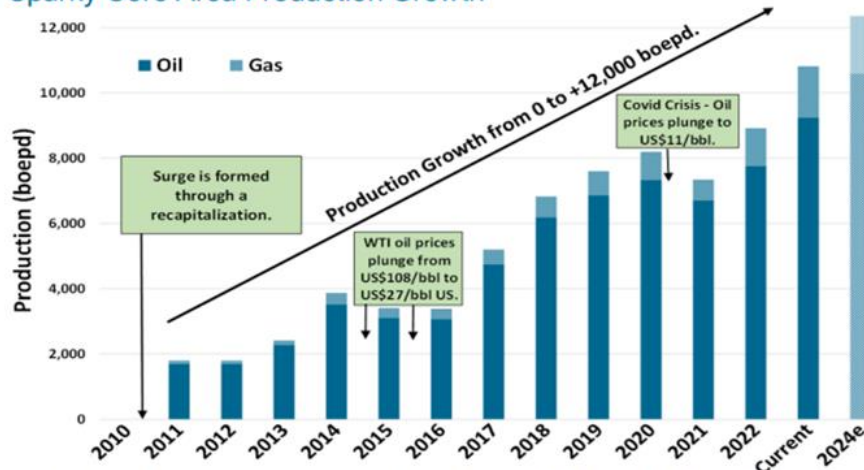
## 2023 Highlights

- Achieved record annual production of 24,438 Boepd (86% liquids), an increase of 15% over 2022
- Delivered \$94 million of free cash flow (before dividends), representing 35% of cash flow from operating activities
- Reduced net debt by \$62 million (18%) and net operating expenses by \$2.36 per boe (11%) while distributing \$46.8 million in dividends to shareholders
- Executed a successful drilling program of 70 gross (64.5 net) wells in its Sparky and SE Saskatchewan core areas
- Repaid in full its \$47.9 million first lien term loan facility
- Delivered a Total Proved Finding, Development & Acquisition cost of \$21.59/boe, resulting in a 1.8x Recycle Ratio on a 2023 operating netback of \$39.07/boe (before realized losses on financial contracts)
- Generated free cash flow before dividends of \$94 million in 2023, representing 35 percent of 2023 cash flow from operating activities
- Total proved PV10 net asset value is \$11.27Cdn per basic share. This new value, which is approximately 46% higher than Surge's current trading price of \$7.71Cdn per share as of March 28, 2024, includes only 397 net booked locations of Surge's more than 1,000 net internally identified drilling locations.
- Total proved + probable (2P) PV10 net asset value is \$17.63Cdn per basic share.

## Long-Term Growth Potential

Pad drilling, advanced horizontal multi-stage fracturing technology, and multi-lateral horizontal success has unlocked the potential of the Sparky play

### Sparky Core Area Production Growth



- Production has grown by >500% from 1,800 boepd in 2011 to ~11,500 boepd today
- Low-cost drilling (DCET of ~\$1.6MM per well)
- Focus on lighter WCS oil gravity (18-31° API) = higher operating netbacks
- Proven waterflood potential (Wainwright pool at >30% recovery factor)

**>1 billion bbls**

OOIP net to SGY (internally estimated)

**>470 net**

>85 Multi-Lateral Locations

\* As of Jan. 1, 2024

**>11,500 boepd**

Production (>85% liquids)

**>\$190 million**

Field level cash flow (at US\$80/bbl WTI)

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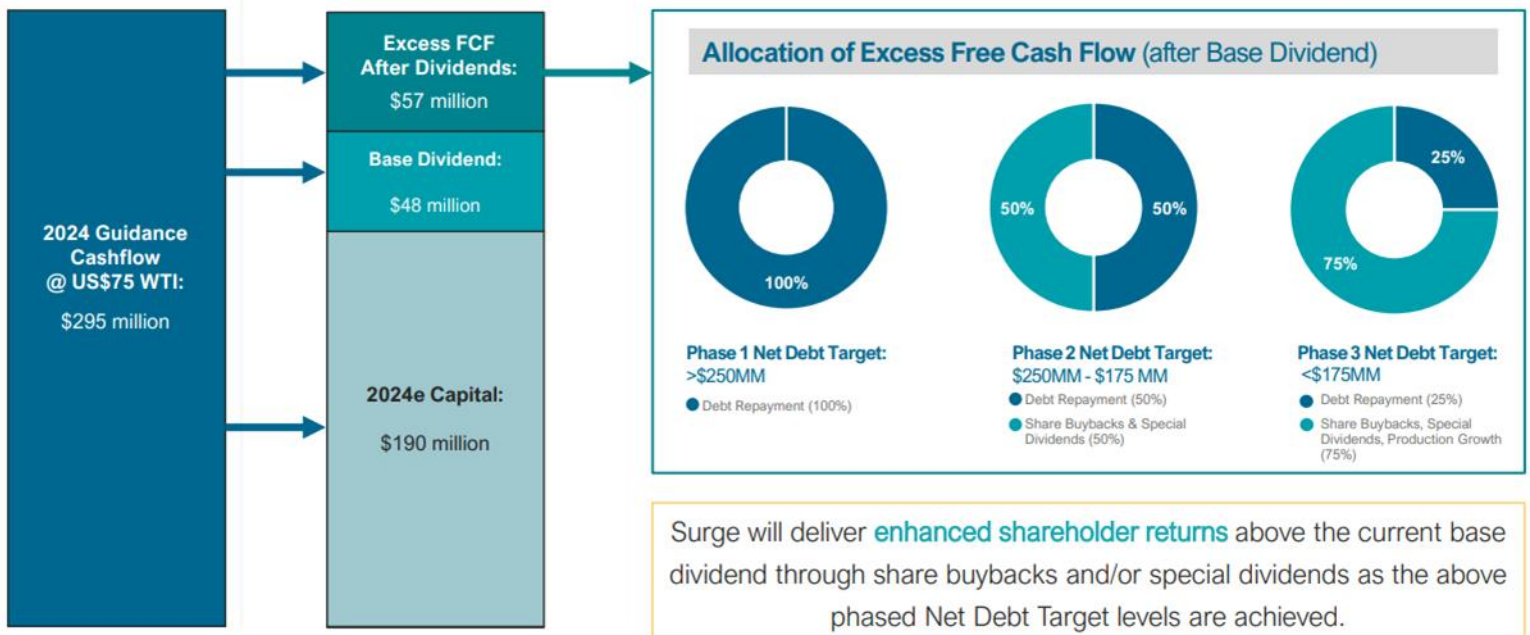
## Financial and Operational 2023 Highlights in \$Cdn

- Generated cash flow from operating activities of \$79.7 million in Q4 of 2023
- Reduced net debt by over \$62 million in 2023 to \$290.1 million, a decrease of 18%
- Distributed cash dividends to shareholders in the amount of \$46.8 million in 2023
- Reduced net operating expenses by \$2.36 per boe over the course of 2023, from \$22.26 per boe in Q1 of 2023 to \$19.90 per boe in Q4 of 2023. This represents an 11% decrease in net operating expenses over the year
- Repaid in full Surge's \$47.9 million first lien term loan facility that was set to mature in December 2024
- Completed a new, oversubscribed, \$48.3 million unsecured convertible debenture financing, with an attractive 8.50% interest rate
- Finalized the early redemption of \$34.5 million of previously issued unsecured convertible debentures that were set to mature on June 30, 2024 with no pre-payment penalty
- Executed a successful 2023 drilling program of 70 gross (64.5 net) wells, strategically focused on light and medium gravity crude oil in the Company's conventional SE Saskatchewan and Sparky core areas
- Continued the Company's focus on ESG efforts, highlighted by spending a total of \$15.6 million on abandonment activities during the year. This resulted in Surge abandoning 132 gross wells during 2023, representing 1.9 wells abandoned for each new gross well drilled in 2023.

## Return of Capital Framework

— SURGE

Surge is well positioned to deliver returns to shareholders through its base dividend and excess Free Cash Flow



*"My forecast attached to this report is based on WTI oil averaging \$80US/bbl in 2024." - Dan Steffens*

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## 2023 Year End Reserves Highlights (\$Cdn)

- 117 million boe of Total Proved & Probable ("TPP") reserves
- High oil weighting, with Proved Developed Producing ("PDP") reserves comprised of 88% light and medium oil and natural gas liquids, and TPP reserves comprised of 86% light and medium oil and natural gas liquids;
- 543 gross (489 net) booked TPP drilling locations;
- 70% of these locations are located in the Company's Sparky and SE Saskatchewan core areas;
- Reported a TPP NAV of \$17.63 per basic share;
- Generated a TP NAV of \$11.27 per basic share; Confirmed a PDP NAV of \$5.66 per basic share;
- Delivered a TP Finding, Development & Acquisition ("FD&A") cost of \$21.59/boe;
  - 1.8x Recycle Ratio on a 2023 operating netback of \$39.07/boe (before realized losses on financial contracts);
- Reported a strong reserve life index of 12.8 years on TPP reserves, 9.3 years on TP reserves, and 4.7 years on PDP reserves;
- Replaced 102% of production on a TP basis, and 80% of production on a PDP basis;
- Total Proved Undeveloped ("PUD") reserve net locations increased to 397 net, an increase of 31 locations over last year. All additional PUD locations were added in the Sparky and SE Saskatchewan core areas.

## Supporting Assets

### Production

Greater Sawn / Carbonates	~2,900 boepd
Valhalla	~2,000 boepd
Shaunavon	~1,150 boepd
Minors	~300 boepd
<b>TOTAL</b>	<b>~6,350 boepd</b>

### Greater Sawn

**Concentrated Light Oil**  
>600 MMbbls net OOIP in concentrated, conventional Slave Point reefs

### Valhalla

**Stacked pay multi-zone potential**

Light oil (~40° API) with extensive area infrastructure and access to multiple egress options = attractive operating netbacks

### Shaunavon

Producing low decline, medium gravity crude oil with high operating netbacks



## Reserves Summary and Net Present Value

Gross Reserves	Crude Oil and NGLs (Mbbbl)	Natural Gas (MMcf)	Oil Equivalent Total Reserves (Mboe)	Before Tax NPV of Future Net		
				Revenue 5% (\$MM)	Discounted at 10% (\$MM)	Discounted at 15% (\$MM)
Proved:						
Proved Producing	37,864	29,696	42,814	966	858	766
Proved Non-Producing	1,667	1,639	1,940	53	44	38
Proved Undeveloped	33,959	37,262	40,170	705	519	390
<b>Total Proved</b>	<b>73,491</b>	<b>68,597</b>	<b>84,924</b>	<b>1,724</b>	<b>1,421</b>	<b>1,193</b>
Probable	27,025	28,405	31,760	859	638	498
<b>Total Proved Plus Probable</b>	<b>100,516</b>	<b>97,002</b>	<b>116,683</b>	<b>2,583</b>	<b>2,059</b>	<b>1,691</b>

## Future Development Capita

	Total Proved (\$MM)	Total Proved Plus Probable (\$MM)
2024	130	138
2025	207	233
2026	208	237
2027	163	209
2028	117	171
Remaining	35	51
Total (Undiscounted)	860	1,039
Total (Discounted at 10%)	679	806

## F&D and FD&A Costs

	2023	3-Year Average
<u>F&amp;D Costs, including total change in FDC:</u>		
Proved Developed Producing	\$24.78	\$17.93
Total Proved	\$22.30	\$21.43
Total Proved + Probable	\$51.13	\$25.58
<u>FD&amp;A Costs, including total change in FDC:</u>		
Proved Developed Producing	\$23.75	\$20.31
Total Proved	\$21.59	\$23.12
Total Proved + Probable	\$50.00	\$23.94

## Net Asset Value

	PDP	TP	TPP
Reserve Value NPV10 BT (\$mm)	858	1,421	2,059
Net Debt (\$mm)	(290)	(290)	(290)
Total Net Assets (\$mm)	568	1,131	1,769
Basic Shares Outstanding (mm)	100.3	100.3	100.3
Estimated NAV per Basic Share (\$/share)	5.66	11.27	17.63

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## Summary of Pricing and Inflation Rate Assumptions

As at December 31, 2023

Forecast Year	WTI		Canadian Light Sweet Crude 40° API		Western Canada Select (WCS) Crude 20.5 API		Natural Gas AECO-C		Exchange Rate	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
2024	\$76.00	\$84.00	\$97.33	\$101.25	\$81.33	\$89.38	\$2.33	\$4.34	0.750	0.800
2025	\$76.00	\$80.00	\$97.25	\$96.18	\$84.67	\$84.06	\$3.64	\$4.00	0.750	0.800
2026	\$76.00	\$81.60	\$97.17	\$98.10	\$84.33	\$85.74	\$3.95	\$4.08	0.750	0.800
2027	\$77.52	\$83.23	\$99.12	\$100.06	\$86.02	\$87.46	\$4.03	\$4.16	0.750	0.800
2028	\$79.07	\$84.90	\$101.10	\$102.06	\$87.74	\$89.21	\$4.11	\$4.24	0.750	0.800
2029	\$80.65	\$86.59	\$103.12	\$104.10	\$89.50	\$90.99	\$4.19	\$4.33	0.750	0.800
2030	\$82.26	\$88.33	\$105.18	\$106.18	\$91.29	\$92.81	\$4.27	\$4.42	0.750	0.800
2031	\$83.91	\$90.09	\$107.29	\$108.31	\$93.11	\$94.67	\$4.36	\$4.50	0.750	0.800
2032	\$85.59	\$91.89	\$109.43	\$110.47	\$94.97	\$96.56	\$4.44	\$4.59	0.750	0.800
2033	\$87.30	\$93.73	\$111.62	\$112.68	\$96.87	\$98.49	\$4.53	\$4.68	0.750	0.800

## 2023 Reserves and Net Asset Value



### Dec. 31, 2023 Sproule Reserves

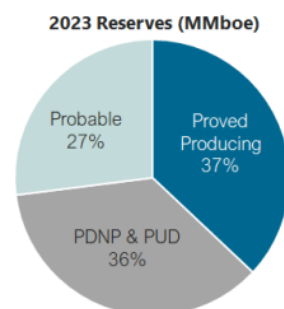
Gross Reserves	Oil Equivalent Total Reserves (Mboe)	Oil & Liquids (%)	BTax NPV10 (\$MM)
Proved Developed Producing (PDP)	42,814	88%	\$858
Total Proved (1P) (397 net locations)	84,924	87%	\$1,421
Total Proved Plus Probable (2P) (489 net locations)	116,683	86%	\$2,059

Surge provides an excellent value proposition, trading at just 39% of its 2P NAV per share, which includes only half of SGY's total drilling locations.

Surge's peer group leading Free Cash Flow yield (~15%) and \$17.63 2P NAV per share provide a significant runway for continued shareholder value creation.

### Dec. 31, 2023 Net Asset Value on YE2023 Sproule Reserves

	Proved Producing	Total Proved (1P)	Proved + Probable (2P)
BTax NPV10 (\$MM)	\$858	\$1,421	\$2,059
Net Debt (\$MM)	(\$290)	(\$290)	(\$290)
Total Net Assets (\$MM)	\$568	\$1,131	\$1,769
Basic Shares Outstanding (MM)	100.3	100.3	100.3
Estimated NAV per Basic Share	\$5.66/share	\$11.27/share	\$17.63/share





## Operations Update

- During 2023, Surge successfully drilled a total of 70 gross (64.5 net) wells spending a total of \$181.6 million including expenditures on land, facilities, and equipment. The Company focused drilling operations primarily on its light and medium gravity crude oil assets in the Sparky and SE Saskatchewan core areas.
- The 2023 drilling program consisted of 35 gross (35.0 net) wells in the Sparky core area and 35 gross (29.5 net) wells in SE Saskatchewan. Included in the Sparky drilling program were 3 gross (3.0 net) multi-lateral wells in Betty Lake, Hope Valley and Provost. The SE Saskatchewan drilling program was focused in the Frobisher formation - with 31 gross (26.5 net) wells. 90% of the wells targeting the Frobisher formation (28 gross wells) were stacked multi-lateral wells.
- **In Q4 2023 Surge achieved an average production rate of 25,050 Boepd (86% liquids), exceeding the Company's 2023 public guidance production exit rate of 25,000 Boepd.** Additionally, Surge achieved record annual production in 2023 of 24,438 boe/d (86% liquids), an increase of 15% over 2022 average production of 21,262 Boepd.
- **The Company achieved record annual production volumes in both its Sparky and SE Saskatchewan core operating areas in 2023.** Sparky annual volumes grew 23% to average 2023 production of more than 10,900 Boepd, and SE Saskatchewan annual volumes increased 45% to an average 2023 production level of 7,750 Boepd.
- During 2023, Surge safely executed 8 operated gas plant and oil battery turnarounds at Valhalla, Provost, Betty Lake, Lakeview and Steelman. In addition, the Company experienced 4 additional turnarounds at facilities operated by third parties (including the Sexsmith, Keyera, Steel Reef and TCPL gas plant turnarounds). Although several of these turnarounds were budgeted for by the Company, the impact of the unscheduled turnarounds, in addition to non-core dispositions, reduced production for 2023 by approximately 450 Boepd.
- Surge has continued the Company's operational momentum into early 2024, with 4 drilling rigs active in its Sparky and SE Saskatchewan core areas. Surge plans to drill 70 gross (70.0 net) wells in 2024, comprised of 37 gross (37.0 net) Sparky wells and 33 gross (33.0 net) SE Saskatchewan wells, with total capital expenditures budgeted at \$190 million.
- In the Sparky core area, Surge's 2024 capital program will consist of 25 gross (25.0 net) net single-leg frac'ed Sparky horizontal wells, 8 gross (8.0 net) net multi-leg Sparky wells, and 4 gross (4.0 net) horizontal wells in the Lloydminster formation. In 2024, Management is focused on the continued growth of Surge's multi-lateral well footprint in the Mannville stack, with approximately 30% of drilling capital directed to multi-lateral development.
- The Company commenced Surge's winter drilling program in December of 2023, and has now completed the drilling of 14 gross (14.0 net) Sparky locations and 15 gross (14.5 net) wells in SE Saskatchewan. All wells from both the Q1 2024 Sparky and SE Saskatchewan drilling programs are anticipated to be completed and on production prior to March 31, 2024.

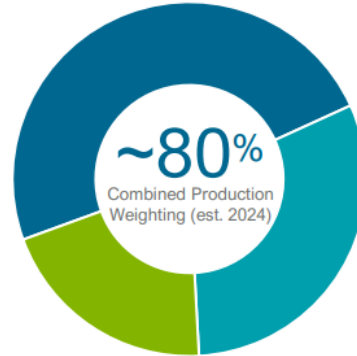
## Sparky and SE Saskatchewan provide exceptional economics and a depth of drilling inventory

### Sparky

Light/medium crude oil production with compelling returns. Low on-stream costs with extensive drilling and waterflood inventory provides excellent long term sustainable growth potential.

### SE Saskatchewan

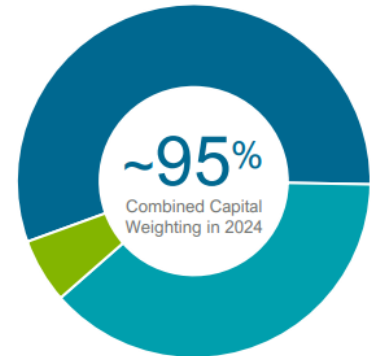
Highly focused, operated asset base with excellent light oil operating netbacks. Low-cost wells with short payouts. Potential for continued area consolidation.



### 2024 Production Weighting by Area

- Sparky
- SE Saskatchewan
- Other Surge Assets

### 2024 Capital Weighting by Area



- Sparky
- SE Saskatchewan
- Other Surge Assets

## Key Growth Driver

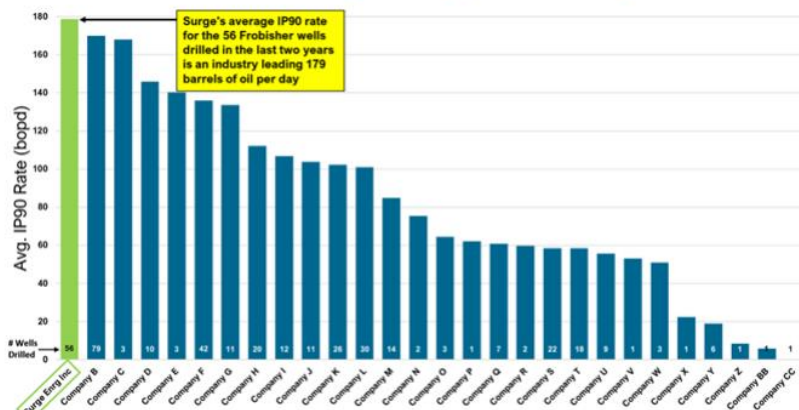
High operating netback light oil production and reserves from low risk, proven conventional reservoirs

### Key Operational Areas

SE Saskatchewan	~7,600 boepd (>90% light oil)
Manitoba	~400 boepd (~99% light oil)



SE Saskatchewan Frobisher Average IP90 By Operator (January 2022 - December 2023)



>400 million bbls

OOIP net to SGY (internally estimated)

>290 net

SE Saskatchewan drilling locations

\* Internally estimated as of Jan. 1, 2024

~8,000 boepd

Production (90% liquids)

>\$150 million

Of field level cash flow (at US\$80/bbl WTI)

## Sparky

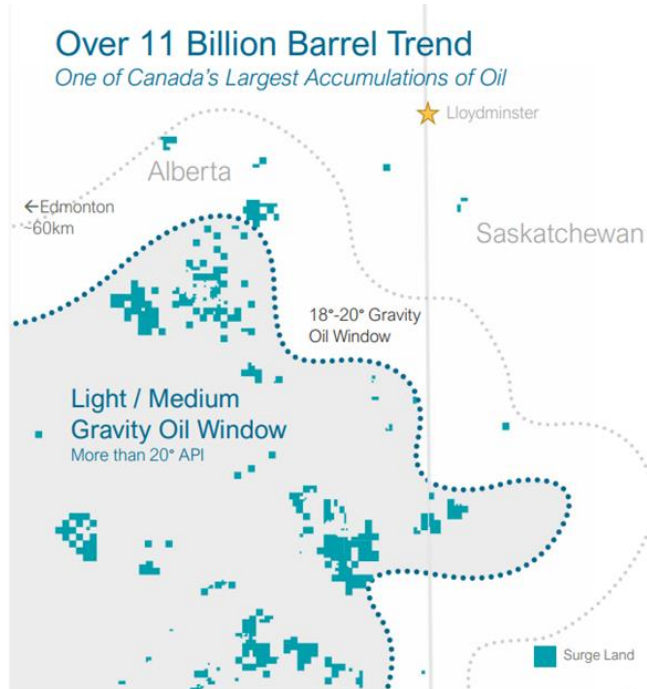
### A One-of-a-Kind Position

Surge holds a dominant land position and is drilling a mix of horizontal multi-frac and horizontal multi-lateral wells in the Sparky

#### Sparky Formation Facts

First Production	May 1922
Original Oil in Place	>11 Bbbls
Cum Production	~1.32 Bbbls
Recovery Factor to date	~12%
Producing Wells	~23,000
Hz Wells	~1,300
Multi-Frac Hz Wells	~420
Surge Drilled Multi-Frac Hz	>225
Multi-Leg Hz Wells	~475
Surge Drilled Multi-Leg Hz	18

- Large, well established oil producing fairway in Western Canada
- Increased market focus with operators implementing multi-lateral horizontals in areas of higher oil viscosity; being compared to the Clearwater
- Per well economics with quick payouts and excellent rates
- Conventional sandstone reservoirs support top-tier capital efficiencies
- Shallow depth (700-900m)
- Low geological risk due to 3D seismic and thousands of vertical penetrations



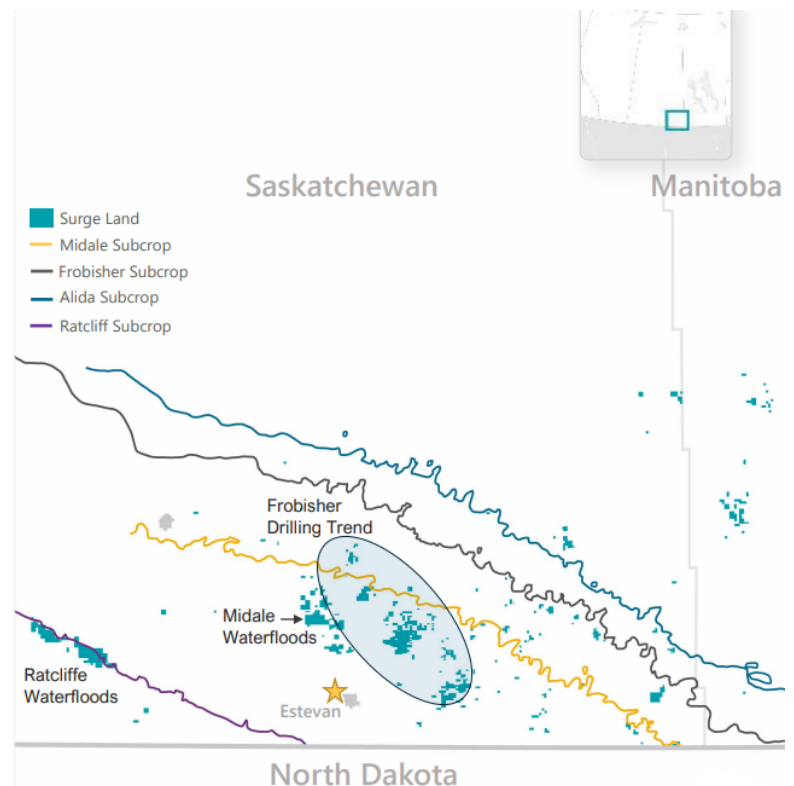
## SE Saskatchewan

### A Light Oil Balance

Surge's operational track record of success in SE Saskatchewan make this an exciting growth area

#### Area Benefits

- Organic growth opportunities
- Strategic acquisitions or tuck-in consolidation opportunities
- Cost-efficient drilling (DCET of \$1.45MM per well)
- Extremely quick turnaround from spud to on production (under two weeks)
- High operating netback light oil production and reserves
- Mix of low decline waterfloods & highly economic drilling
- Assets have low liabilities; minimal inactive ARO
- Year-round access



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## Hedging Details

### WTI Crude Oil Derivative Contracts

Period	Swaps		Puts		Collars		
	Volumes	Avg. Price	Volumes	Average Bought Put	Volumes	Average Bought Put	Average Sold Call
Qtr. 1 2024	681	\$85.03	-	\$-	5,336	\$63.91	\$92.66
Qtr. 2 2024	-	\$ -	2,600	\$62.71	2,600	\$62.71	\$87.50
Qtr. 3 2024	-	\$ -	2,766	\$61.69	2,433	\$61.71	\$91.71
Qtr. 4 2024	-	\$ -	2,500	\$65.00	2,750	\$65.00	\$100.00
Qtr. 1 2025	-	\$ -	4,204	\$65.00	947	\$65.00	\$82.73

### Natural Gas Derivative Contracts

Period	Swaps		Collars		
	Vol.	Avg. Price	Vol	Average Bought Put	Average Sold Call
Q1 2024	-	\$ -	4,500	\$ 3.34	\$ 11.01
Q2 2024	-	\$ -	5,000	\$ 2.47	\$ 5.13
Q3 2024	-	\$ -	5,000	\$ 2.47	\$ 5.13
Q4 2024	1,326	\$ 4.01	3,674	\$ 2.87	\$ 5.63
Q1 2025	2,000	\$ 4.01	3,000	\$ 3.19	\$ 6.04
Q1 2025	1,700	\$ 2.97	-	\$ -	\$ -
Q2 2025	1,700	\$ 2.97	-	\$ -	\$ -
Q3 2025	573	\$ 2.97	-	\$ -	\$ -

### WCS and MSW Derivative Contracts

Period	WCS: Swaps		WCS: Collars			MSW: Swaps	
	Volumes	Avg. Price	Volumes	Average Bought Put	Average Sold Call	Volumes	Avg. Price
Qtr. 1 2024	1,000	-\$ 13.85	1,000	-\$ 11.00	-\$ 17.80	-	\$ -
Qtr. 2 2024	3,400	-\$ 14.35	1,000	-\$ 11.00	-\$ 17.80	4,000	-\$ 4.07
Qtr. 3 2024	2,400	-\$ 14.16	1,000	-\$ 11.00	-\$ 17.80	4,000	-\$ 4.07
Qtr. 4 2024	1,000	-\$ 13.85	1,000	-\$ 11.00	-\$ 17.80	4,000	-\$ 4.07

## Outlook: Premium Asset Quality Drives Superior Returns

- Ownership of more than 3.1 billion of net (internally estimated) original oil in place ("OOIP"); with an estimated 7.7 percent recovery factor;
- Estimated 2024 average production of 25,000 Boepd (87% liquids);
- Estimated 24% annual corporate decline;
- Estimated 2024 cash flow from operating activities of \$295 million; < *Based on \$75US/bbl WTI*
- \$48 million annual cash dividend (\$0.48 per share annual dividend, paid monthly);
- More than 1,000 (net) internally estimated drilling locations providing a 13-year drilling inventory;
- \$1.2 billion in tax pools (approximate 4 year tax horizon at US\$75 WTI pricing);
- Total Proved plus Probable net asset value ("NAV") of \$17.63 per share and Total Proved NAV of \$11.27 per share.

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## Corporate Guidance for 2024

### Key Guidance & Assumptions

US\$75 WTI

2024 Annualized cash flow from operating activities	\$295 MM
2024 Annualized free cash flow before dividends	\$105 MM
2024 All-in payout ratio (including \$0.48/share annual dividend)	81%
2024 Exit net debt to exit cash flow from operating activities	0.7x

### Market Snapshot

Basic Shares Outstanding	100.3 MM
Average Daily Volume	0.5 MM Shares
Market Capitalization / Debt / Enterprise Value	\$700MM / \$290MM / \$990 MM

**25,000** BOEPD

2024 Production Forecast (est.)

**\$190** MILLION

Sustainably-Oriented 2024 Capital Budget (est.)

**\$0.48**

Annual per share dividend



## Net Income and Cash Flow Forecast Model

Surge Energy Inc. (SGY.TO and ZPTAF)		Enerplus Asset Acq closed on 12-19-2022					Canadian Dollars								
Net Income and Cash Flow 2021 - 2024 (last updated 3/30/2024)															
(\$Thousands)		Canadian Dollars					Canadian Dollars								
	Actual 2022	Actual Qtr1 2023	Actual Qtr2 2023	Actual Qtr3 2023	Actual Qtr4 2023	Actual Year 2023	Forecast Qtr1 2024	Forecast Qtr2 2024	Forecast Qtr3 2024	Forecast Qtr4 2024	Forecast Year 2024	Forecast 2025			
<b>REVENUES:</b>															
Oil, NGL and natural gas sales	\$727,228	\$161,970	\$155,477	\$184,475	\$168,453	\$670,375	\$166,746	\$172,996	\$189,364	\$204,334	\$733,440	\$809,588	< Forecast Revenues include effect of hedges		
Processing and other income	7,242	2,534	1,700	1,812	1,734	7,780	2,500	2,000	2,000	2,500	9,000	10,000	which are broken out below when actuals are reported		
Less: Royalties	(127,548)	(29,042)	(25,852)	(33,384)	(31,235)	(119,513)	(31,682)	(32,869)	(35,979)	(38,823)	(139,354)	(153,822)	< 19% in 2024 and 2025		
Commodity derivatives - cash settlements	(98,145)	(1,995)	(1,985)	(1,535)	2,351	(3,164)	0	0	0	0	0	0			
Commodity derivatives - Non-cash MTM	27,913	3,606	(846)	(8,445)	10,941	5,256	0	0	0	0	0	0			
<b>Total Revenues</b>	<b>536,690</b>	<b>137,073</b>	<b>128,494</b>	<b>142,923</b>	<b>152,244</b>	<b>560,734</b>	<b>137,565</b>	<b>142,127</b>	<b>155,385</b>	<b>168,010</b>	<b>603,086</b>	<b>665,766</b>			
<b>EXPENSES:</b>															
Operating expenses	160,133	52,892	47,774	47,988	47,602	196,256	45,864	46,820	46,460	48,300	187,444	202,028	< \$20.50 / boe		
Gathering, processing & transportation	11,272	4,047	3,395	2,902	3,411	13,755	3,276	3,344	3,485	3,623	13,727	14,783	< \$1.50 / boe		
G&A	16,626	4,610	4,791	4,716	5,041	19,158	5,000	5,000	5,000	5,500	20,500	21,500			
Bad debt provision	0	0	0	0	0	0	0	0	0	0	0	0			
Transaction and other costs	3,679	352	324	310	437	1,423	250	250	250	250	1,000	1,000			
Share based compensation	4,925	1,815	2,740	2,302	1,916	8,773	2,000	2,000	2,500	2,500	9,000	10,000			
DD&A	142,316	44,357	44,740	50,658	57,719	197,474	54,600	55,738	58,075	60,375	228,788	224,201	< \$25.00 / boe		
Impairment	0	0	0	0	59,150	59,150	0	0	0	0	0	0			
Financing expense	35,097	11,903	11,369	12,247	12,633	48,152	12,500	12,300	12,100	11,800	48,700	45,000	< Debt increased for Enerplus Acq in Dec, 2022		
(Gain) loss on disposal of assets	3,240	0	(3,883)	0	(145)	(4,028)	0	0	0	0	0	0	Total debt going down but interest rate increased		
<b>TOTAL EXPENSES</b>	<b>377,288</b>	<b>119,976</b>	<b>111,250</b>	<b>121,123</b>	<b>187,764</b>	<b>540,113</b>	<b>123,490</b>	<b>125,451</b>	<b>127,870</b>	<b>132,348</b>	<b>509,158</b>	<b>518,511</b>			
<b>NET INCOME BEFORE TAXES</b>	<b>159,402</b>	<b>17,097</b>	<b>17,244</b>	<b>21,800</b>	<b>(35,520)</b>	<b>20,621</b>	<b>14,075</b>	<b>16,676</b>	<b>27,515</b>	<b>35,663</b>	<b>93,928</b>	<b>147,255</b>			
<b>INCOME TAXES</b>															
Current	0	0	0	0	0	0	0	0	0	0	0	0	< Large "Tax Pools" eliminate all current taxes		
Deferred	(72,316)	2,308	3,189	5,217	(5,844)	4,870	3,237	3,835	6,328	8,202	21,603	33,869	< 23%		
<b>NET INCOME</b>	<b>\$231,718</b>	<b>\$14,789</b>	<b>\$14,055</b>	<b>\$16,583</b>	<b>(\$29,676)</b>	<b>\$15,751</b>	<b>\$10,837</b>	<b>\$12,840</b>	<b>\$21,187</b>	<b>\$27,460</b>	<b>\$72,325</b>	<b>\$113,387</b>			
Common Stock outstanding (thousands)	96,477	100,314	100,314	100,314	100,314	100,314	101,000	101,000	101,000	101,000	101,000	102,000	< 2023 is stock o/s on 12/31/2023		
<b>Earnings per share</b>	<b>\$2.40</b>	<b>\$0.15</b>	<b>\$0.14</b>	<b>\$0.17</b>	<b>(\$0.30)</b>	<b>\$0.16</b>	<b>\$0.11</b>	<b>\$0.13</b>	<b>\$0.21</b>	<b>\$0.27</b>	<b>\$0.72</b>	<b>\$1.11</b>			
<i>NOTE: Current First Call Estimated EPS</i>															
	\$ 280,396	\$ 59,951	\$ 62,801	\$ 84,288	\$ 68,451	\$ 275,491	\$ 68,675	\$ 71,413	\$ 83,090	\$ 91,038	\$ 314,216	\$ 341,456	< First Call's EPS forecasts in Cdn dollars		
Cashflow per share (before CapEx)	\$2.91	\$0.60	\$0.63	\$0.84	\$0.68	\$2.75	\$0.68	\$0.71	\$0.82	\$0.90	\$3.11	\$3.35	< 2024 CapEx should be \$190Cdn million		
											N/A	N/A	< Valuation of 4.5 X 2023 to 2025 CFPS = \$ 13.86 < Cdn		
													< Raymond James EPG PT in US dollars \$ 10.25 < US @74%		
													First Call Price Target \$ 11.25 < \$Cdn		
													BMO Capital 3/20/2024 \$ 10.00 < \$Cdn		
													Stifel Nicolaus 3/8/2024 \$ 10.00 < \$Cdn		
													Nat'l Bank of C 1/10/24 \$ 11.00 < \$Cdn		
													< Guidance for 2024 is 25,000 Boepd		
													< YOY production growth		
													< See impact of hedges below-\$12 Differential		
													\$ 95.00		
													\$ 50.00		
													\$ 2.25		
													< See impact of hedges below-\$1.00 Differential		
Gross Revenue check (prod * ave price)	629,051	159,975	153,492	182,940	170,804	674,926	166,746	172,996	189,364	204,334	730,161	809,588	< First Call's Revenue Estimates in \$Cdn		
							154,900	159,500	169,600	197,000	681,000	823,000			

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