FORM 51-102F3
Material Change Report

Item 1 Name and Address of Company

Surge Energy Inc. (“**Surge**”)
2100, 635, 8th Ave. SW
Calgary, Alberta T2P 3M3

Item 2 Date of Material Change

December 15, 2011

Item 3 News Releases

A news release was issued by Surge prior on December 15, 2011 and disseminated through the facilities of CNW Group.

Item 4 Summary of Material Changes

Surge entered into an agreement providing for the acquisition of all of a private company.

Item 5 Full Description of Material Changes

Surge has entered into an agreement (the "**Acquisition Agreement**") with a private company dated effective December 15, 2011 to acquire a 1,200 bbl/d (100 percent light oil) private oil and gas company (“**PrivateCo**”) for consideration of approximately $106 million, consisting of $18.5 million in cash, 7.9 million Surge common shares and assumed net debt at closing of approximately $14.5 million (the “**Acquisition**”).

The Acquisition is expected to close on or about January 6, 2012. Holders of approximately 67% of the common shares of PrivateCo have agreed to enter into lock-up agreements with Surge, pursuant to which they have agreed to tender their shares to Surge. The Board of Directors of PrivateCo unanimously approved the Acquisition and recommended that the shareholders of PrivateCo tender their shares to Surge.

The Agreement, among other things, provides for a mutual non-completion fee of up to $2.5 million in the event the Acquisition is not completed in certain circumstances. Completion of the Acquisition is subject to certain conditions and the receipt of all regulatory approvals, including the approval of the Toronto Stock Exchange (“**TSX**”).

Through the Acquisition, Surge will acquire high quality, high netback and high working interest light oil production in its early stage of primary development. Current production is 99 percent operated, has an average working interest of approximately 96 percent and consists of approximately 900 bbls/d from the Slave Point Formation and 300 bbls/d from the Gilwood Formation. As of October 31, 2011, PrivateCo’s independent reserves report, as prepared by Sproule Associates Limited (“**Sproule**”), recognized Total Proved Plus Probable Reserves of 4.57 million barrels (100 percent light oil) which did not include any potential incremental oil recover from waterflood opportunities.

The Acquisition has the following characteristics:

Current Production:	1,200 bbl/d (100% light oil)
Proved plus Probable Reserves:[1]	4.57 MMBoe (100% light oil)
Proved plus Probable RLI:	10.4 years
Net Undeveloped Land:	approximately 14,800 acres
Total Slave Point drilling locations:	16 gross (15.7 net)
Operating Netback:[2]	approximately $69/bbl
Assumed Net Debt:	$14.5 million

[1] Reserves evaluated by ("**Sproule**") as at October 31, 2011. Gross Company Reserves means the Company's working interest reserves before the calculation of royalties, and before the consideration of the Company's royalty interests.
[2] Based on US$93/Bbl WTI, $3.25/GL AECO, US$/CDN$ exchange rate of 0.97 and calculated by subtracting royalties and operating costs from revenues.

FirstEnergy Capital Corp. acted as exclusive financial advisor to Surge, and Scotia Capital Inc. and Dundee Securities Ltd. acted as strategic advisors to Surge with respect to the Acquisition.

National Bank Financial Inc. acted as exclusive financial advisor to PrivateCo with respect to the Acquisition.

Item 6 Reliance on subsection 7.1(2) or (3) of National Instrument 51-102

Not applicable.

Item 7 Omitted Information

No information has been omitted from this report on the basis that such information is confidential.

Item 8 Executive Officer

Dan O'Neil, the President and Chief Executive Officer of Surge, is knowledgeable about the material change and may be reached at (403) 930-1020.

Item 9 Date of Report

December 19, 2011

Forward-Looking Statements

This document contains forward-looking statements. More particularly, this document contains statements concerning the anticipated dates for the closing of the disclosed transaction.

The forward-looking statements contained in this document are based on certain key expectations and assumptions made by Surge, including expectations and assumptions concerning regulatory approvals and third party consents and the satisfaction of other conditions to the completion of the transactions.

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, the failure to obtain necessary regulatory approvals or satisfy the conditions to closing the transactions..

The forward-looking statements contained in this document 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.

MEANING OF BOE

When used in this document, boe means a barrel of oil equivalent on the basis of 1 boe to 6 thousand cubic feet of natural gas. Boe/d means a barrel of oil equivalent per day.

Boe's may be misleading, particularly if used in isolation. A boe conversion ratio of 1 boe for 6 thousand cubic feet of natural gas is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

In this material change report: (1) bbls means barrels; (2) bbls/d means barrels per day; and (3) mmboe means million barrels of oil equivalent