

THIRD AMENDING AGREEMENT

THIS THIRD AMENDING AGREEMENT is made effective as of April 30, 2012

AMONG:

SURGE ENERGY INC.
(as “**Borrower**”)

- and -

NATIONAL BANK OF CANADA
(as “**Sole Lead Arranger**” and “**Sole Book Runner**”)

- and -

NATIONAL BANK OF CANADA
(as “**Operating Lender**”, “**Lender**” and “**Administrative Agent**”)

- and -

**THOSE OTHER FINANCIAL INSTITUTIONS
WHICH HEREAFTER BECOME LENDERS
UNDER THE CREDIT AGREEMENT, AS FURTHER
AMENDED HEREBY**

PREAMBLE:

- A. Pursuant to an amended and restated credit agreement dated May 5, 2011 among the Borrower, the Agent, the Operating Lender and the other Lenders, as amended by a First Amending Agreement made effective as of September 12, 2011 and as further amended by a Second Amending Agreement made effective as of January 6, 2012 (collectively the “**Credit Agreement**”), the Operating Lender and the other Lenders agreed to provide to the Borrower, *inter alia*, the Credit Facilities.
- B. The parties hereto wish to further amend the Credit Agreement on the terms and conditions herein provided.

AGREEMENT:

NOW THEREFORE in consideration of the premises, the covenants and the agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged between the parties, the parties hereto agree as follows:

1. Interpretation

- 1.1 Capitalized terms used in this Third Amending Agreement will, unless otherwise defined herein, have the meanings attributed to such terms in the Credit Agreement.
- 1.2 The division of this Third Amending Agreement into sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Third Amending Agreement. The terms “this Third Amending Agreement”, “hereof”, “hereunder” and similar expression refer to this Third Amending Agreement and not to any particular section or other portion thereof and include any agreements supplemental hereto.
- 1.3 This Third Amending Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada as applicable therein.

2. Amendment Date

The amendments contained herein shall, subject to Section 5.1 below, be effective as of the date of this Third Amending Agreement (the “**Third Amendment Date**”).

3. Amendments and Supplements

- 3.1 Effective as of the Third Amendment Date, the Credit Agreement is amended as follows:
 - (a) Recital B of the Credit Agreement is amended by deleting the reference to \$175,000,000 and replacing it with \$250,000,000.
 - (b) Section 3.11(a) of the Credit Agreement is amended by deleting the reference to \$175,000,000 and replacing it with \$250,000,000.
 - (c) The definition of “**Operating Loan Commitment Amount**” found in Schedule A to the Credit Agreement is deleted in its entirety and replaced with the following:

““**Operating Loan Commitment Amount**” means \$25,000,000 as it may be increased or decreased from time to time in accordance with this Agreement.”
 - (d) The definition of “**Revolving Term Commitment Amount**” found in Schedule A to the Credit Agreement is deleted in its entirety and replaced with the following:

““**Revolving Term Commitment Amount**” means \$225,000,000 as such amount may be reduced in accordance with this Agreement or as otherwise increased or decreased with the unanimous consent of the Committed Lenders.”
 - (e) The definition of “**Total Commitment**” found in Schedule A to the Credit Agreement is deleted in its entirety and replaced with the following:

““**Total Commitment**” means, \$250,000,000, being the aggregate of the Revolving Term Commitment Amount and the Operating Loan Commitment Amount, as such amounts may be reduced in accordance with this Agreement or as otherwise increased or decreased with the unanimous consent of the Lenders.”

- (f) Subsection 4.1(g) is amended by deleting the reference to “\$200,000,000” and replacing it with “\$500,000,000”.
- (g) The definition of “**Term Date**” found in Schedule A to the Credit Agreement is deleted in its entirety and placed with the following: ““Term Date” means May 31, 2013”.
- (h) Schedule B of the Credit Agreement is deleted in its entirety and replaced with Exhibit I attached hereto.
- (i) Schedule C of the Credit Agreement is deleted in its entirety and replaced with Exhibit II attached hereto.
- (j) Schedule K of the Credit Agreement is amended by deleting the words “Surge Energy USA Inc.” in the heading thereof and replacing them with “Surge Energy Inc.”.
- (k) Schedule M of the Credit Agreement is amended by deleting the reference to “\$200,000,000” and replacing it with “\$500,000,000”.
- (l) Schedule Q of the Credit Agreement is amended by deleting the reference to 771129 Alberta Ltd. in Part 1 thereof and replacing it with “Surge Oil Inc.”.

3.2 **Outstanding Bankers’ Acceptances**

- (a) The parties hereby acknowledge that, on the date hereof, Bankers’ Acceptances having terms to maturity ending after the date hereof are outstanding (the “**Outstanding BA’s**”). Notwithstanding any provision of the Credit Agreement or this Third Amending Agreement to the contrary, each of the Lenders shall not, with respect to the increased amounts of their respective Committed Revolving Term Facility Commitment, have any right, title, benefit or interest in or to any Outstanding BA’s nor any obligation or liability to the other Lenders in respect thereof, it being acknowledged and agreed by the parties hereto that any obligation of the Borrower to pay or reimburse the Lenders in respect of the Outstanding BA’s is solely a risk and for the account of the Lenders based upon their respective Rateable Portions as in effect prior to and without regard to the provisions of this Third Amending Agreement, provided that the Agent in its sole discretion shall grant increased or decreased participation amounts in the Outstanding BA’s to such Lenders whose Rateable Portions have increased or decreased when applicable (the “**Re-apportionment**”). When such Re-apportionment cannot be evenly made, the Agent shall round allocations among such applicable Lenders consistent with the Agent’s normal money market practices. The Lenders agree that the Agent shall be entitled to the benefit of any Indemnification granted under the Credit Agreement, including Section 20.9 thereof, with respect to any such Re-allocation.
- (b) Notwithstanding the foregoing, from time to time, as the Outstanding BA’s mature and Rollovers and Conversions are made by the Borrower in respect thereof, each of the Lenders shall participate in the Advances effecting such Rollovers and Conversions to the full extent of its Committed Revolving Term Facility Commitment and Rateable Portion therein after giving effect to the provisions of the Third Amending Agreement.

4. Fees

4.1 The Borrower agrees to pay to the Agent, for the account of the Lenders, an amendment fee in the amount of **[REDACTED]**.

5. Conditions Precedent

5.1 The effectiveness of the amendments to the Credit Agreement contained herein shall be subject to the satisfaction of all of the following conditions precedent:

- (a) The Borrower shall have paid to the Agent the fee in Section 4 above.
- (b) The conditions precedent set forth in Section 6.1 of the Credit Agreement shall have been satisfied.
- (c) The Borrower shall deliver, or cause to be delivered to the Agent, the following items:
 - (i) a fully executed copy of this Third Amending Agreement;
 - (ii) a \$500,000,000 first supplemental debenture from the Borrower substantially in the form attached as Exhibit III hereto;
 - (iii) a \$500,000,000 first supplemental debenture from each of the Guarantors, except the USA Subsidiary, substantially in the form attached as Exhibit IV hereto;
 - (iv) a partnership search or a certificate of status, as applicable, in respect of the Borrower, and each of the Guarantors issued by the Registrar of Corporations for the Province of Alberta and the equivalent office for the USA Subsidiary in the state of Delaware;
 - (v) a fully executed updated Closing Officer's Certificate from the Borrower and each of the Guarantors, except the USA Subsidiary, in respect of general corporate matters in a form satisfactory to the Agent, acting reasonably;
 - (vi) a fully executed updated Oil and Gas Ownership Certificate from the Borrower in a form satisfactory to the Agent, acting reasonably;
 - (vii) an opinion of counsel to the Borrower and each of the Guarantors, except the USA Subsidiary, which opinion shall be in a form satisfactory to the Agent, acting reasonably; and
 - (viii) such other documents, consents, acknowledgements and agreements as may be reasonable required by the Agent or its counsel.

6. Representations And Warranties

6.1 The Borrower represents and warrants to the Agent, the Operating Lender and the other Lenders as of the Third Amendment Date that:

- (a) The Borrower and the Guarantors are each validly existing and in good standing under the laws of their governing jurisdiction; the Borrower and the Guarantors are each duly registered in all other jurisdictions where the nature of their properties or characters of their business requires registrations, except for such jurisdictions where the failure to be so registered or qualified would not reasonably be expected to have a Material Adverse Effect, and each have all necessary power and authority to own their property and carry on their business as presently carried on or as contemplated by this Third Amending Agreement.
- (b) The Borrower has the full power, legal right and authority to enter into this Third Amending Agreement and to do all such acts and things that are required by this Third Amending Agreement to be done, observed or performed in accordance with the terms hereof.
- (c) The Borrower has taken all necessary corporate action to authorize the execution, delivery and performance of this Third Amending Agreement and to observe and perform the provisions hereof in accordance with the terms and conditions herein contained.
- (d) None of the authorization, execution or delivery of this Third Amending Agreement by the Borrower or its performance of any obligations hereunder will require, pursuant to applicable Laws now in effect, any authorization from a Governmental Authority (except such as has already been obtained and are in full force and effect) nor is such authorization, execution, delivery or performance in conflict or contravention of the Borrower's articles, by-laws or resolutions as applicable, or the provisions of any other indenture, instrument, undertaking or other agreement to which it is a party or by which it or its property or assets are bound, the contravention of which would reasonably be expected to have a Material Adverse Effect. This Third Amending Agreement constitutes validly and legally binding obligations of the Borrower, enforceable against the Borrower in accordance with its terms subject to applicable bankruptcy, reorganization, winding up, insolvency, moratorium and other laws of general application affecting the enforcement of creditor's rights generally.
- (e) The Borrower agrees with and confirms to the Agent, the Operating Lender and the other Lenders that as of the Third Amendment Date each of the representations and warranties listed in Section 14.1 of the Credit Agreement are true and accurate in all material respects.

6.2 The representations and warranties set out in this Third Amending Agreement shall survive the execution and delivery of this Third Amending Agreement and the making of each Advance, notwithstanding any investigation or examination which may be made by or on behalf of the Agent, the Operating Lender, the other Lenders or the Lenders' counsel. Such representations and warranties in connection with the Credit Agreement shall survive until the Credit Agreement has been terminated in accordance with its terms.

7. Confirmation of Documents

The Credit Agreement, the other Documents and all covenants, terms and provisions thereof, are hereby ratified and confirmed and shall from and after the date hereof continue in full force and effect as herein amended and supplemented, with such amendments and supplements being affected from and as of the date hereof upon satisfaction of the conditions precedent set forth in Section 5.1 hereof. In particular, the Borrower acknowledges that the Security previously granted to the Agent by it under or in connection with the Credit Agreement continues in full force and effect without in any way impairing or derogating from any of the mortgages, pledges, charges, assignments, security interests and covenants therein contained or thereby constituted, as continuing security for the payment of Indebtedness in connection with the Credit Agreement, as amended herein, or otherwise.

8. Further Assurances

The Borrower will from time to time forthwith at the Agent's reasonable request and at the Borrower's own cost and expense make, execute and deliver, or cause to be done, made, executed and delivered, all such further documents, financing statements, assignments, acts, matters and things which may be reasonably required by the Agent and as are consistent with the intention of the parties as evidenced herein, with respect to all matters arising under this Third Amending Agreement.

9. Expenses

The Borrower will pay for all reasonable expenses of the Agent, the Operating Lender and the Lenders, including, without limitation, reasonable legal fees (on a solicitor and his own client full indemnity basis) and other out-of-pocket expenses in connection with the negotiation, preparation, establishment, operation or enforcement of the additional Documents referenced herein, including this Third Amending Agreement (whether or not consummated by the Agent, the Operating Lender and the Lenders).

10. Enurement

This Third Amending Agreement shall enure to the benefit of, and shall be binding upon, the parties hereto and their respective successors and permitted assigns.

11. Counterparts

This Third Amending Agreement may be executed in any number of counterparts (including by facsimile or electronic PDF transmission), each of which when executed and delivered will be deemed to be an original, but all of which when taken together shall constitute one and the same instrument.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Third Amending Agreement to be duly executed by their respective authorized officers as of the date first above written.

SURGE ENERGY INC.,
as Borrower

By: _____ *“signed”*
Name: **[REDACTED]**
Title:

By: _____
Name: _____ c/s
Title:

NATIONAL BANK OF CANADA,
as the Agent

By: _____ *“signed”*
Name: **[REDACTED]**
Title:

By: _____ *“signed”*
Name: **[REDACTED]**
Title:

NATIONAL BANK OF CANADA,
as Lender

By: _____ *“signed”*
Name: **[REDACTED]**
Title:

By: _____ *“signed”*
Name: **[REDACTED]**
Title:

NATIONAL BANK OF CANADA,
as Operating Lender

By: _____ *“signed”*
Name: **[REDACTED]**
Title:

By: _____ *“signed”*
Name: **[REDACTED]**
Title:

ALBERTA TREASURY BRANCHES,
as Lender

By: _____ *“signed”*
Name: **[REDACTED]**
Title:

By: _____ *“signed”*
Name: **[REDACTED]**
Title:

**CANADIAN IMPERIAL BANK OF
COMMERCE,** as Lender

By: _____ *“signed”*
Name: **[REDACTED]**
Title:

By: _____ *“signed”*
Name: **[REDACTED]**
Title:

THE BANK OF NOVA SCOTIA,
as Lender

By: _____ *“signed”*
Name: **[REDACTED]**
Title:

By: _____ *“signed”*
Name: **[REDACTED]**
Title:

EXHIBIT I

**TO THE THIRD AMENDING AGREEMENT MADE AMONG SURGE ENERGY INC. AS
BORROWER, NATIONAL BANK OF CANADA AS SOLE LEAD ARRANGER, SOLE BOOK
RUNNER, OPERATING LENDER, LENDER AND ADMINISTRATIVE AGENT, AND THOSE
OTHER FINANCIAL INSTITUTIONS WHICH THEREAFTER BECOME LENDERS UNDER
THE CREDIT AGREEMENT EFFECTIVE AS OF APRIL 30, 2012**

**SCHEDULE B
SURGE ENERGY INC. AMENDED AND RESTATED
CREDIT AGREEMENT DATED MAY 5, 2011**

COMMITMENTS

<u>Lender</u>	<u>Operating Loan Facility</u>	<u>Committed Revolving Term Facility</u>	<u>Total</u>
National Bank of Canada	[REDACTED]	[REDACTED]	[REDACTED]
Canadian Imperial Bank of Commerce	[REDACTED]	[REDACTED]	[REDACTED]
The Bank of Nova Scotia	[REDACTED]	[REDACTED]	[REDACTED]
Alberta Treasury Branches	[REDACTED]	[REDACTED]	[REDACTED]
<u>Total Commitment:</u>	\$25,000,000	\$225,000,000	\$250,000,000

Address of Lenders:

Canadian Imperial Bank of Commerce
Oil and Gas Group
9th Floor, Bankers Hall East Tower
855 - 2nd Street SW
Calgary, Alberta T2P 2P2
Facsimile: [REDACTED]
Attention: [REDACTED]

Alberta Treasury Branches
600, 444 - 7th Avenue SW
Calgary, Alberta T2P 0X8
Facsimile: [REDACTED]
Attention: [REDACTED]

The Bank of Nova Scotia
2000, 700 - 2nd Street SW
Calgary, Alberta T2P 2W1
Facsimile: [REDACTED]
Attention: [REDACTED]

National Bank of Canada
1800, 311 – 6th Avenue SW
Calgary, Alberta T2P 3H2
Facsimile: [REDACTED]
Attention: [REDACTED]

[END OF SCHEDULE]

EXHIBIT II

TO THE THIRD AMENDING AGREEMENT MADE AMONG SURGE ENERGY INC. AS BORROWER, NATIONAL BANK OF CANADA AS SOLE LEAD ARRANGER, SOLE BOOK RUNNER, OPERATING LENDER, LENDER AND ADMINISTRATIVE AGENT, AND THOSE OTHER FINANCIAL INSTITUTIONS WHICH THEREAFTER BECOME LENDERS UNDER THE CREDIT AGREEMENT EFFECTIVE AS OF APRIL 30, 2012

**SCHEDULE C
SURGE ENERGY INC.
AMENDED AND RESTATED CREDIT AGREEMENT
DATED MAY 5, 2011**

INTEREST RATES AND FEES

Margin Levels:

Level	Net Debt/Cash Flow Ratio of Borrower	Prime Rate Margin/USBR Margin	BA Stamping Fee/LIBOR Margin	Letter of Credit Fee (provided under the Operating Loan Facility)	Standby Fee
I	<1.00	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
II	1.00<1.50	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
III	1.50<2.00	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
IV	2.00<2.50	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
V	2.50<3.00	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
VI	≥ 3.00	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]

Provided that:

- (a) after an Event of Default occurs and continues for thirty (30) days or after the Agent has provided the Borrower with notice of a Borrowing Base Shortfall (each an “**Effective Increase Date**”), the applicable margin level shall, to the extent permitted by law, be the margins set forth in level VI until such Event of Default or Borrowing Base Shortfall has been remedied; and with respect to Bankers' Acceptances and Letters of Credit such increase will on the Effective Increase Date apply proportionately to such Bankers' Acceptances and Letters of Credit outstanding on the basis of the number of days remaining in the term to maturity of each such Bankers' Acceptance and Letter of Credit. The Borrower will pay to the Agent for the benefit of the Lenders any resulting increase in Bankers' Acceptance stamping fees under the Committed Revolving Term Facility and will pay the Operating Lender any resulting increase in the Letters of Credit fee under the Operating Loan Facility in each case in arrears on the maturity or expiry of the relevant Bankers' Acceptances and Letters of Credit; and
- (b) any change in the applicable margin level due to a change in the Net Debt/Cash Flow Ratio shall become effective on the first day of the calendar month immediately following the date on which the Borrower delivers the Compliance Certificate which

reflects such Net Debt/Cash Flow Ratio; **provided** that if the Borrower fails to deliver the applicable Compliance Certificate within the time period set forth in Section 15.1(i), then the applicable margin level shall be based upon level VI for the period from the latest date permitted in Section 15.1(i) for delivery of such Compliance Certificate until the date of delivery thereof.

[END OF SCHEDULE]

EXHIBIT III

TO THE THIRD AMENDING AGREEMENT MADE AMONG SURGE ENERGY INC. AS BORROWER, NATIONAL BANK OF CANADA AS SOLE LEAD ARRANGER, SOLE BOOK RUNNER, OPERATING LENDER, LENDER AND ADMINISTRATIVE AGENT, AND THOSE OTHER FINANCIAL INSTITUTIONS WHICH THEREAFTER BECOME LENDERS UNDER THE CREDIT AGREEMENT EFFECTIVE AS OF APRIL 30, 2012

FIRST SUPPLEMENTAL DEBENTURE

THIS FIRST SUPPLEMENTAL DEBENTURE dated the ____ day of April, 2012 is made by **SURGE ENERGY INC.**, (the “**Debtor**”) a corporation organized and existing under the laws of the Province of Alberta, with an office in the City of Calgary, Alberta in favour of National Bank of Canada in its capacity as administrative agent (the “**Administrative Agent**”) for and on behalf of National Bank of Canada and such other financial institutions as may become lenders (collectively, the “**Lenders**”) under the amended and restated credit agreement dated as of May 5, 2011 as amended by a first amending agreement made effective September 12, 2011, as further amended by a second amending agreement made effective as of January 6, 2012 and as further amended by a third amending agreement made effective as of April 30, 2012 (collectively, the “**Credit Agreement**”).

WHEREAS the Debtor issued and granted a debenture dated as of the 13th day of July, 2010 in favour of the Administrative Agent, the Lenders and the Swap Lenders, in the principal amount of **Two Hundred Million Dollars (\$200,000,000)** (the “**Debenture**”);

AND WHEREAS the Lenders have agreed to extend additional credit facilities to the Debtor and the Debtor has agreed to grant this first supplemental debenture (“**First Supplemental Debenture**”) to the Administrative Agent, the Lenders and the Swap Lenders to secure the increased credit facilities by the Lenders and the Swap Lenders to the Debtor;

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Debtor, the Debtor hereby covenants and agrees with the Administrative Agent as follows:

1. Terms and expressions defined in the Debenture, when used herein, have the same meanings as ascribed to them therein, except as defined herein.
2. Effective as of the date hereof, the Debenture is amended as follows:
 - (a) The Principal Sum of “\$200,000,000 Canadian Dollars” is deleted and replaced with “\$500,000,000 Canadian Dollars”.
 - (b) Clause 1.1 of the Debenture is hereby deleted with the following substituted in its place and stead:

“For value received, Surge Energy Inc. (the “**Debtor**”) hereby acknowledges itself indebted and promises to pay ON DEMAND to or to the order of National Bank of Canada in its capacity as administrative agent (the “**Administrative Agent**”) for and on behalf of (a) National Bank of Canada and such other financial institutions as may become lenders (collectively, the “**Lenders**” and, individually, a “**Lender**”) under the amended and restated credit agreement dated as of May 5, 2011 among the Debtor, as Debtor, the Lenders and the Administrative Agent, as amended by a first amending agreement made effective as of September 12, 2011, as further amended by a second amending agreement made effective as of January 6, 2012 and as further amended by a third amending agreement made effective as of April 30, 2012 (as the same may be further amended, modified, supplemented or restated from time to time, the “**Credit Agreement**”) and (b) all Lenders (as defined in such Credit Agreement)(the Administrative Agent and the Lenders are collectively referred to herein as the “**Beneficiaries**”), the principal sum herein stipulated on presentation and surrender of the debenture at the Administrative Agent’s offices at 1800, 311 6th Avenue SW, Calgary, Alberta, T2P 3H2 or at such other place as the Administrative Agent may designate by notice in writing to the Debtor, and to pay interest thereon from the date hereof at the rate per annum stipulated in the Credit Agreement in like money at the same place monthly on the last day of each month; and, if the Debtor should at any time make default in the payment of any principal or interest to pay interest on the amount in default both before and after demand, default and judgment at the rate per annum herein stipulated in lawful money of Canada at the same place.

The Administrative Agent, on behalf of the Beneficiaries, is the person entitled to receive the principal of and interest on this debenture and all other amounts payable hereunder.”

3. The Debtor hereby acknowledges and agrees that the mortgages and charges over the Debtor and its assets provided in the Debenture as amended hereby, for the due payment of the Principal Sum and interest secured by the Debenture, as created and set forth in the Debenture and amended and added to hereby, shall be and continue to be in effect, and all such mortgages and charges over the Debtor and its assets shall be applicable to and constitute security for the due payment of the Principal Sum owing under the Debenture, as amended hereby, and interest thereon as provided therein and as security for the performance of the covenants and agreements of the Debtor as set forth in the Debenture, as supplemented hereby.

4. This First Supplemental Debenture is supplemental to the Debenture, and is to form part of and shall have the same effect as though incorporated into the Debenture.

5. Save and except as amended pursuant to the terms hereof, the Debenture, is hereby ratified and confirmed.

6. The Debtor covenants and agrees, at its sole cost and expense, to execute and deliver to the Administrative Agent such further and other deeds, documents, instruments and assurances and do or cause to be done all such other acts and things as may be required by the Administrative Agent from time to time to give full force and effect to this First Supplemental Debenture.

7. The Debtor ratifies and confirms the Debenture Pledge Agreement dated July 13, 2010 as an effective pledge of the Debenture as modified, supplemented and amended by this First Supplemental Debenture.

8. This First Supplemental Debenture shall enure to the benefit of the Administrative Agent and its successors and assigns and shall be binding upon the Debtor and its successors and assigns.

[signature page follows]

IN WITNESS WHEREOF the Debtor has executed this First Supplemental Debenture by its duly authorized officers as of the date and year first above written.

SURGE ENERGY INC.

Per: _____
Name: _____ c/s
Title:

Per: _____
Name:
Title:

EXHIBIT IV

**TO THE THIRD AMENDING AGREEMENT MADE AMONG SURGE ENERGY INC. AS
BORROWER, NATIONAL BANK OF CANADA AS SOLE LEAD ARRANGER, SOLE BOOK
RUNNER, OPERATING LENDER, LENDER AND ADMINISTRATIVE AGENT, AND THOSE
OTHER FINANCIAL INSTITUTIONS WHICH THEREAFTER BECOME LENDERS UNDER
THE CREDIT AGREEMENT EFFECTIVE AS OF APRIL 30, 2012**

FIRST SUPPLEMENTAL DEBENTURE

THIS FIRST SUPPLEMENTAL DEBENTURE dated the ____ day of April, 2012 is made by _____, (the “**Debtor**”) a corporation organized and existing under the laws of the Province of Alberta, with an office in the City of Calgary, Alberta in favour of National Bank of Canada in its capacity as administrative agent (the “**Administrative Agent**”) for and on behalf of National Bank of Canada and such other financial institutions as may become lenders (collectively, the “**Lenders**”) under the amended and restated credit agreement dated as of May 5, 2011 as amended by a first amending agreement made effective September 12, 2011, as further amended by a second amending agreement made effective as of January 6, 2012 and as further amended by a third amending agreement made effective as of April 30, 2012 (collectively the “**Credit Agreement**”).

WHEREAS the Debtor issued and granted a debenture dated as of the 13th day of July, 2010 in favour of the Administrative Agent, the Lenders and the Swap Lenders, in the principal amount of **Two Hundred Million Dollars (\$200,000,000)** (the “**Debenture**”);

AND WHEREAS the Lenders have agreed to extend additional credit facilities to Surge Energy Inc. and the Debtor has agreed to provide an unlimited liability guarantee with respect to same (the “**Guarantee**”) and to grant this first supplemental debenture (“**First Supplemental Debenture**”) to the Administrative Agent, the Lenders and the Swap Lenders to secure its obligations under the Guarantee.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Debtor, the Debtor hereby covenants and agrees with the Administrative Agent as follows:

1. Terms and expressions defined in the Debenture, when used herein, have the same meanings as ascribed to them therein, except as defined herein.
2. Effective as of the date hereof, the Debenture is amended as follows:
 - (a) The Principal Sum of “\$200,000,000 Canadian Dollars” is deleted and replaced with “\$500,000,000 Canadian Dollars”.
 - (b) Clause 1.1 of the Debenture is hereby deleted with the following substituted in its place and stead:

“For value received, the undersigned (the “**Debtor**”) hereby acknowledges itself indebted and promises to pay ON DEMAND to or to the order of National Bank of Canada in its capacity as administrative agent (the “**Administrative Agent**”) for and on behalf of (a) National Bank of Canada and such other financial institutions as may become lenders (collectively, the “**Lenders**” and, individually, a “**Lender**”) as a guarantor of all of the obligations of Surge Energy Inc. (“**Surge**”) under the amended and restated credit agreement dated as of May 5, 2011 among Surge as Borrower, the Lenders and the Administrative Agent, as amended by a first amending agreement made effective as of September 12, 2011, as further amended by a second amending agreement made effective as of January 6, 2012 and as further amended by a third amending agreement made effective as of April 30, 2012 (as the same may be further amended, modified, supplemented or restated from time to time, the “**Credit Agreement**”) and (b) all Lenders (as defined in such Credit Agreement)(the Administrative Agent and the Lenders are collectively referred to herein as the “**Beneficiaries**”), the principal sum herein stipulated on presentation and surrender of the debenture at the Administrative Agent’s offices at 1800, 311 6th Avenue SW, Calgary, Alberta, T2P 3H2 or at such other place as the Administrative Agent may designate by notice in writing to the Debtor, and to pay interest thereon from the date hereof at the rate per annum stipulated in the Credit Agreement in like money at the same place monthly on the last day of each month; and, if the Debtor should at any time make default in the payment of any principal or interest to pay interest on the amount in default both before and after demand, default and judgment at the rate per annum herein stipulated in lawful money of Canada at the same place.

The Administrative Agent, on behalf of the Beneficiaries, is the person entitled to receive the principal of and interest on this debenture and all other amounts payable hereunder.”

3. The Debtor hereby acknowledges and agrees that the mortgages and charges over the Debtor and its assets provided in the Debenture as amended hereby, for the due payment of the Principal Sum and interest secured by the Debenture, as created and set forth in the Debenture and amended and added to hereby, shall be and continue to be in effect, and all such mortgages and charges over the Debtor and its assets shall be applicable to and constitute security for the due payment of the Principal Sum owing under the Debenture, as amended hereby, and interest thereon as provided therein and as security for the performance of the covenants and agreements of the Debtor as set forth in the Debenture, as supplemented hereby.

4. This First Supplemental Debenture is supplemental to the Debenture, and is to form part of and shall have the same effect as though incorporated into the Debenture.

5. Save and except as amended pursuant to the terms hereof, the Debenture, is hereby ratified and confirmed.

6. The Debtor covenants and agrees, at its sole cost and expense, to execute and deliver to the Administrative Agent such further and other deeds, documents, instruments and assurances and do or cause to be done all such other acts and things as may be required by the Administrative Agent from time to time to give full force and effect to this First Supplemental Debenture.

7. The Debtor ratifies and confirms the Debenture Pledge Agreement dated July 13, 2010 as an effective pledge of the Debenture as modified, supplemented and amended by this First Supplemental Debenture.

8. This First Supplemental Debenture shall enure to the benefit of the Administrative Agent and its successors and assigns and shall be binding upon the Debtor and its successors and assigns.

[signature page follows]

IN WITNESS WHEREOF the Debtor has executed this First Supplemental Debenture by its duly authorized officers as of the date and year first above written.

[GUARANTOR NAME]

Per: _____
Name: _____ c/s
Title:

Per: _____
Name:
Title:

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