UNDERWRITING AGREEMENT

Effective as of January 13, 2014

Surge Energy Inc.
#2100, 635 – 8th Avenue S.W.
Calgary, Alberta
T2P 3M3

Attention: **Mr. Paul Colborne**
President, Chief Executive Officer and Chairman

Dear Sirs:

Re: Offering of Subscription Receipts of Surge Energy Inc.

Macquarie Capital Markets Canada Ltd. ("**Macquarie Capital**") as lead underwriter, together with GMP Securities L.P., National Bank Financial Inc., CIBC World Markets Inc., Scotia Capital Inc., Dundee Securities Ltd., FirstEnergy Capital Corp., Cormark Securities Inc., TD Securities Inc. and Raymond James Ltd. (collectively, the "**Underwriters**" and each, an "**Underwriter**") understand that Surge Energy Inc. (the "**Corporation**" or "**Surge**") proposes to issue and sell an aggregate of 11,112,000 subscription receipts (the "**Subscription Receipts**") of the Corporation (the "**Firm Receipts**") at a price of $6.30 per Firm Receipt (the "**Offering Price**"). The Firm Receipts, the Option Receipts (as defined herein) and any Underlying Shares (as defined herein) issuable pursuant to the conversion of the Offered Receipts (as defined herein) are hereinafter referred to collectively as the "**Offered Securities**".

We also understand that the Corporation will prepare and file, in accordance with the terms hereof, the Preliminary Prospectus (as defined herein) and the Prospectus (as defined herein) and all other necessary documents in order to qualify for distribution the Offered Securities in each of the Qualifying Provinces (as defined herein).

Upon and subject to the terms and conditions contained in this Agreement, the Underwriters hereby severally, and not jointly, agree to purchase from the Corporation on the Closing Date (as defined herein), in the respective percentages set forth in Section 18, and the Corporation hereby agrees to sell to the Underwriters, all but not less than all of the Subscription Receipts, at a price of $6.30 per Subscription Receipt for an aggregate purchase price of $70,005,600 (the "**Offering**").

The Corporation hereby grants to the Underwriters an option (the "**Over-Allotment Option**"), which may be exercised in the Underwriters' sole discretion and without obligation, exercisable in whole or in part and in one or more tranches at any time and from time to time commencing on the Closing Date (as defined herein) and prior to 5:00 p.m. (Calgary time) on the date that is 30 days after the Closing Date, by written notice delivered to the Corporation by Macquarie Capital on behalf of the Underwriters, to purchase up to an additional 1,666,800 Subscription Receipts (the "**Option Receipts**") on the same terms and conditions as the Firm Receipts. The Firm Receipts together with any Option Receipts are collectively referred to herein as the "**Offered Receipts**". If the Over-Allotment Option is exercised in whole or in part following the completion of the Acquisition (as defined herein), an equal number of Underlying Shares shall be issued in lieu of the Option Receipts and any reference herein to the Option Receipts shall be deemed to be a reference to such Underlying Shares. In the event and to the extent that the Underwriters exercise the Over-Allotment Option, subject to the terms and conditions hereof, the Underwriters hereby severally, and not jointly, agree to purchase from the Corporation the number of Option Receipts as to which Over-Allotment Option shall have been exercised in the respective percentages set forth in Section 18 hereof, and the Corporation hereby agrees to issue and sell such number of Option Receipts to the Underwriters at the purchase price of $6.30 per Option Receipt.

Each Subscription Receipt will entitle the holder either:

(a) if the closing of the Acquisition (as defined herein) takes place by 5:00 p.m. (Calgary time) on April 30, 2014 (the "**Deadline**"), to receive one Underlying Share, without payment of additional consideration or further action on the part of the holder, forthwith upon the closing of the Acquisition; or

(b) if at or before the Deadline: (i) the Release Notice (as defined herein) has not been delivered to the Escrow Agent (as defined herein); (ii) the Corporation advises the Underwriters or announces to the public that it does not intend to proceed with the Acquisition; or (iii) the Acquisition Agreement (as defined herein) has been terminated in accordance with its terms (the time of occurrence of any such event being "**Termination Time**"), to receive forthwith, from the gross proceeds (the "**Escrowed Funds**") of the issuance of the Offered Receipts being held by the Escrow Agent under the Subscription Receipt Agreement (as defined herein), the full purchase price of such holder's Subscription Receipt, plus the *pro rata* portion of the interest earned thereon, calculated from the Closing Date to and including the Termination Time, and upon the occurrence of the Termination Time, the Offered Receipts will only represent the holder's right to receive such payment from the Escrow Agent.

The Escrowed Funds will be held by the Escrow Agent and invested in short-term interest bearing obligations of, or guaranteed by, the Government of Canada (and other approved instruments as set forth in the Subscription Receipt Agreement) pending delivery of the Release Notice. Provided that the Release Notice is delivered to the Escrow Agent prior to the Termination Time: (i) the Underlying Shares will be issued to the holders of the Offered Receipts; (ii) the applicable portion of the Underwriting Fee (as defined herein) payable to the Underwriters in accordance with Section 2 hereof and the interest accrued thereon shall be released by the Escrow Agent to Macquarie Capital, on behalf of the Underwriters; and (iii) the balance of the Escrowed Funds and the interest accrued thereon shall be released to the Corporation or as it otherwise directs.

In connection with the offering and sale of the Subscription Receipts, the Underwriters shall be entitled to retain as sub-agents other registered securities dealers and may receive (for delivery to the Corporation at the Closing Time (as defined herein)) subscriptions for Subscription Receipts from other registered securities dealers. The fee payable to such sub-agents shall be for the account of the Underwriters and shall not exceed the fee payable to the Underwriters hereunder.

The Corporation understands that the Underwriters will have the right to solicit orders and obtain substituted purchasers (the "**Substituted Purchasers**") for the Offered Receipts on behalf of the Corporation and the obligation of the Underwriters to purchase the Offered Receipts shall be reduced by the number of Offered Receipts purchased by the Substituted Purchasers. Notwithstanding anything to the contrary contained herein, all offers and sales of Offered Receipts, including, without limitation, all offers and sales of Offered Receipts in the United States, were made and will be made in accordance with Schedule "A" hereto, which forms part of this Agreement. In particular, all Offered Receipts sold in the United States or to persons offered Offered Receipts in the United States shall first be purchased by the Underwriters, acting as principal, and resold in transactions in accordance with the exemption from the registration requirements of the U.S. Securities Act (as defined herein) provided by Rule 144A (as defined herein) thereunder.

1. Definitions and Interpretation.

In this Agreement, the following terms shall have the following meanings:

"**ABCA**" means the *Business Corporations Act* (Alberta), R.S.A. 2000, c.B-9, as amended, including the regulations promulgated thereunder.

"**Acquisition**" means the proposed acquisition by the Corporation of the Assets from the Vendor pursuant to the terms of the Acquisition Agreement.

"**Acquisition Agreement**" means the agreement of purchase and sale dated January 13, 2014 between the Vendor, as vendor, and the Corporation, as purchaser, pursuant to which the Corporation has agreed to purchase the Assets from the Vendor.

"**Agreement**" means this underwriting agreement as it may be amended from time to time and not any particular Article or Section or portion except as may be specified, and words such as "**hereto**", "**herein**" and "**hereby**" refer to this Agreement as the context requires.

"**AIF**" means the annual information form of the Corporation dated March 19, 2013 for the year ended December 31, 2012.

"**Applicable Securities Laws**" means all applicable Canadian securities, corporate and other laws, rules, regulations, notices and policies in the Qualifying Provinces.

"**ASC**" means the Alberta Securities Commission.

"**Asset Operating Statements**" means unaudited and unreviewed financial information prepared by the Vendor setting forth the production, gross revenues, royalties and production taxes and operating expenses related to the Assets for the year ended December 31, 2012 and for the nine month period ended September 30, 2013;

"**Assets**" means those petroleum and natural gas properties and related assets in southeast Saskatchewan to be acquired by the Corporation pursuant to the Acquisition Agreement.

"**Business Day**" means a day other than a Saturday, Sunday or any other day on which the principal chartered banks located in the City of Calgary, Alberta, are not open for business.

"**Closing Date**" means February 4, 2014 or such other date as the Corporation and the Underwriters may mutually agree upon, but in any event no later than February 28, 2014.

"**Closing Time**" means 6:00 a.m. (Calgary time) on the Closing Date or such other time as mutually agreed to by the Corporation and the Underwriters.

"**Common Shares**" means the common shares in the capital of the Corporation.

"**Corporation**" or "**Surge**" means Surge Energy Inc., a corporation duly amalgamated pursuant to the provisions of the ABCA and includes any successor corporation to or of the Corporation, and when the context requires or permits, includes its Subsidiaries.

"**Corporation's auditors**" means KMPG LLP, chartered accountants, Calgary, Alberta.

"**Corporation's counsel**" means McCarthy Tétrault LLP, or such other legal counsel as the Corporation may appoint.

"**Deadline**" has the meaning ascribed to such term in the fifth paragraph of this Agreement.

"**Designated Underwriter**" means Macquarie Capital.

"**Disclosure Record**" means all information filed by or on behalf of the Corporation with the Securities Commissions subsequent to January 1, 2012, including without limitation, the Documents, the Prospectuses, any Supplementary Material and any other information filed with any Securities Commission in compliance, or intended compliance, with any Applicable Securities Laws.

"**distribution**" means "**distribution**" or "**distribution to the public**", as the case may be, as defined under Applicable Securities Laws and "**distribute**" has a corresponding meaning.

"**Documents**" means, collectively, the documents incorporated by reference in the Prospectuses and any Supplementary Material including, without limitation:

(a) the AIF;

(b) the Surge Financial Statements;

(c) the Corporation’s management’s discussion and analysis of financial condition and results of operations as at and for the years ended December 31, 2012 and 2011;

(d) the Corporation’s management’s discussion and analysis of financial condition and results of operations as at and for the three and nine months ended September 30, 2013 and 2012;

(e) the material change report dated June 13, 2013 concerning: (i) the entering into by the Corporation of the Shaunavon Acquisition Agreement in respect of the Shaunavon Asset Acquisition; (ii) the entering into by the Corporation of an agreement with a syndicate of underwriters to raise, on a bought deal basis, $225,000,000 through a short form prospectus offering (the "**Shaunavon Financing**"); and (iii) the announcement by the Corporation of its transition to a sustainable, moderate growth, dividend paying oil and gas company, an increase to its projected 2013 production exit rate and a higher dividend than previously anticipated;

(f) the material change report dated July 3, 2013 concerning: (i) the completion of the Shaunavon Financing; (ii) the completion of the Shaunavon Asset Acquisition; (iii) an increase to the Corporation’s existing credit facility; and (iv) and the timing of its first monthly dividend;

(g) the material change report dated November 1, 2013 concerning: (i) the entering into by the Corporation of the Manitoba Acquisition Agreement and the Saskatchewan Acquisition Agreement in respect of the Manitoba Asset Acquisition and the Saskatchewan Acquisition, respectively; and (ii) the announcement of an upward revision to 2013 and 2014 guidance, and a 19 percent increase in the Corporation’s dividend;

(h) the material change report dated November 12, 2013 concerning: (i) the entering into by the Corporation of the Wainwright Acquisition Agreement in respect of the Wainwright Asset Acquisition; (ii) the entering into by the Corporation of an agreement with a syndicate of underwriters to raise, on a bought deal basis, $55,020,000 through a short form prospectus offering; and (iii) the announcement of an upward revision to 2013 and 2014 guidance, and a four percent increase in the Corporation’s dividend;

(i) the business acquisition report dated July 4, 2013 with respect to the Shaunavon Asset Acquisition;

(j) the material change report dated January 15, 2014 with respect to the Offering and the Acquisition;

(k) the management information circular and proxy statement of Surge dated April 10, 2013 for the annual general meeting of Surge held on May 15, 2013;

(l) the management information circular dated March 12, 2012 in respect of the annual general and special meeting of shareholders of the Corporation held on May 10, 2012;

(m) any template version of marketing materials provided to potential investors in connection with the distribution of the Offered Receipts; and

(n) any documents of the type required by NI 44-101 to be incorporated by reference in a short form prospectus, including any annual information form, annual financial statements and the auditors' report thereon, interim financial statements, management's discussion and analysis of financial condition and results of operations, material change report (except a confidential material change report), business acquisition report and information circular, filed by the Corporation after the date of this Agreement and during the period of distribution.

"**Due Diligence Responses**" means the written and verbal responses provided by the Corporation together with all materials provided to the Underwriters' counsel during the Due Diligence Session, as given by any director or senior officer of the Corporation, at a Due Diligence Session, including the portion of such responses which relate to the properties and resources of the Corporation including the Assets.

"**Due Diligence Session**" shall have the meaning set forth in subsection 3(d) hereof.

"**Escrow Agent**" means Olympia Trust Company in its capacity as escrow agent under the Subscription Receipt Agreement.

"**Escrowed Funds**" means the gross proceeds from the sale of the Offered Receipts to be held by the Escrow Agent pursuant to the terms of the Subscription Receipt Agreement.

"**Exchange**" means the Toronto Stock Exchange.

"**Final Passport System Decision Document**" means a receipt for the Prospectus issued in accordance with the Passport System.

"**Firm Receipts**" has the meaning ascribed to such term in the first paragraph of this Agreement.

"**Flagstone**" means Flagstone Energy Inc.

"**Fort Calgary**" means Fort Calgary Resources Ltd.

"**GLJ**" means GLJ Petroleum Consultants Ltd.

"**IFRS**" means International Financial Reporting Standards, as adopted by the Canadian Accounting Standards Board, for publicly accountable enterprises.

"**Indemnified Persons**" means the Underwriters, their affiliates and their respective directors, officers, managers, members, partners, agents, employees, advisors, shareholders and each other person controlling an Underwriter or any of their respective affiliates.

"**Macquarie Capital**" means Macquarie Capital Markets Canada Ltd.

"**Manitoba Acquisition Agreement**" means the share purchase and sale agreement dated

October 22, 2013 between 1779275 Alberta Ltd., Fort Calgary, as vendor, and the Corporation, as purchaser, pursuant to which the Corporation purchased the Manitoba Assets from Fort Calgary.

"**Manitoba Asset Acquisition**" means the acquisition by the Corporation of the Manitoba Assets from Fort Calgary and 1779275 Alberta Ltd. pursuant to the terms of the Manitoba Acquisition Agreement, which closed on November 13, 2013.

"**Manitoba Assets**" means those petroleum and natural gas properties and related assets in the Southwest area of Manitoba acquired by the Corporation pursuant to the Manitoba Acquisition Agreement.

"**Manitoba Report**" means the independent engineering evaluation of the crude oil, natural gas liquids and natural gas reserves associated with the Manitoba Asset Acquisition prepared by GLJ effective December 31, 2012.

"**Marketing Documents**" means, collectively, all (i) standard term sheets, and (ii) marketing materials (including any template version, revised template version or limited use version thereof), in both the English and French languages, as applicable, and in either case provided to a potential investor in connection with the distribution of Offered Securities;

"**marketing materials**" has the meaning ascribed thereto under NI 41-101;

"**material change**", "**material fact**" and "**misrepresentation**" shall have the meanings ascribed thereto under the Applicable Securities Laws.

"**McDaniel**" means McDaniel & Associates Consultants Ltd., independent petroleum consultants of Calgary, Alberta.

"**NI 44-101**" means National Instrument 44-101 – *Short Form Prospectus Distributions*, as amended.

"**NP 11-202**" means National Policy 11-202 – *Process for Prospectus Reviews in Multiple Jurisdictions*, as amended.

"**Offered Securities**" has the meaning ascribed to such term in the first paragraph of this Agreement.

"**Option Receipts**" means up to 1,666,800 Subscription Receipts issuable by the Corporation upon exercise of the Over-Allotment Option.

"**Over-Allotment Option**" has the meaning ascribed to such term in the fourth paragraph of this Agreement.

"**Passport System**" means the system and procedures for prospectus filing and review under Multilateral Instrument 11-102, entitled "Passport System" and NP 11-202.

"**Preliminary Passport System Decision Document**" means a receipt for the Preliminary

Prospectus issued in accordance with the Passport System.

"**Preliminary Prospectus**" means the preliminary short form prospectus of the Corporation to be dated January 17, 2014 and any amendments thereto, in respect of the distribution of the Subscription Receipts, including the documents incorporated by reference therein.

"**Preliminary U.S. Placement Memorandum**" means the preliminary U.S. Placement Memorandum, including the English language Preliminary Prospectus, in the form agreed to by the Corporation and the Underwriters, as supplemented or amended.

"**Prospectus**" means the (final) short form prospectus of the Corporation and any amendments thereto, in respect of the distribution of the Subscription Receipts, including the documents incorporated by reference therein.

"**Prospectuses**" means, collectively, the Preliminary Prospectus and the Prospectus.

"**provide**" in the context of sending or making available Marketing Documents to a potential investor of Offered Securities has the meaning ascribed thereto under Applicable Securities Laws, whether in the context of a “road show” (as defined in NI 41-101) or otherwise;

"**Qualified Institutional Buyer**" means "qualified institutional buyer" as such term is defined in Rule 144A;

"**Qualifying Provinces**" means each of the Provinces of Canada.

"**Regulation S**" means Regulation S adopted by the SEC under the U.S. Securities Act.

"**Release Notice**" means the notice to be provided by the Corporation to the Escrow Agent in connection with the completion of the Acquisition, which notice shall have been acknowledged by Macquarie Capital, on behalf of the Underwriters, pursuant to the Subscription Receipt Agreement.

"**Rule 144A**" means Rule 144A promulgated under the U.S. Securities Act;

"**SEC**" means the United States Securities and Exchange Commission.

"**Securities Commissions**" means, collectively, the securities commissions or similar regulatory authorities in the Qualifying Provinces and "**Securities Commission**" means any of them.

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval of the Canadian Securities Administrators.

"**Selling Dealer Group**" means the dealers and brokers other than the Underwriters who participate in the offer and sale of the Offered Receipts pursuant to this Agreement.

"**Saskatchewan Acquisition**" means the acquisition by the Corporation of all of the shares of Flagstone pursuant to the terms of the Saskatchewan Acquisition Agreement, which closed on November 13, 2013.

"**Saskatchewan Acquisition Agreement**" means the pre-acquisition agreement dated October 22, 2013 between Flagstone and the Corporation pursuant to which the Corporation purchased all of the shares of Flagstone.

"**Saskatchewan Assets**" means the petroleum and natural gas properties and related assets of Flagstone acquired by the Corporation pursuant to the Saskatchewan Acquisition Agreement.

"**Saskatchewan Report**" means the independent engineering evaluation of the crude oil, natural gas liquids and natural gas reserves associated with the Saskatchewan Acquisition prepared by McDaniel effective December 31, 2012.

"**Shaunavon Acquisition Agreement**" means the asset sale agreement dated June 11, 2013 between Cenovus Energy Inc., as vendor, and the Corporation, as purchaser, pursuant to which the Corporation agreed to purchase the Shaunavon Assets from Cenovus Energy Inc.

"**Shaunavon Asset Acquisition**" means the acquisition by the Corporation of the Shaunavon Assets from Cenovus Energy Inc. pursuant to the terms of the Shaunavon Asset Agreement.

"**Shaunavon Assets**" means the petroleum and natural gas properties and related assets in southwest Saskatchewan acquired by the Corporation pursuant to the Shaunavon Acquisition Agreement.

"**Shaunavon Report**" means the independent engineering evaluation of the oil, natural gas liquids and natural gas reserves attributable to the Shaunavon Assets prepared by McDaniel effective April 1, 2013.

"**Sproule**" means Sproule Associates Limited, independent oil and gas reservoir engineers.

"**Subscription Receipt Agreement**" means the agreement to be dated the Closing Date among the Corporation, Macquarie Capital and the Escrow Agent governing the terms and conditions of the Subscription Receipts.

"**Subscription Receipts**" means the subscription receipts having the rights and entitlements set forth in this Agreement and the Subscription Receipt Agreement.

"**Subsidiary**" means a subsidiary in respect of the Corporation within the meaning of the ABCA.

"**Supplementary Material**" means, collectively, any amendment to the Preliminary Prospectus or Prospectus, any amended or supplemental Preliminary Prospectus or Prospectus or any ancillary material, information, evidence, return, report, application, statement or document which may be filed by or on behalf of the Corporation under Applicable Securities Laws.

"**Surge Annual Financial Statements**" means the audited consolidated financial statements of Surge as at and for the years ended December 31, 2012 and 2011, together with the notes thereto and the report of the auditors thereon.

"**Surge Financial Statements**" means, collectively, the Surge Annual Financial Statements and the Surge Interim Financial Statements.

"**Surge Interim Financial Statements**" means the unaudited consolidated financial statements of Surge for the three and nine months ended September 30, 2013 and 2012, together with the notes thereto.

"**Surge Reserves Report**" means the independent engineering evaluation of the oil, natural gas liquids and natural gas reserves attributable to the Corporation prepared by Sproule effective December 31, 2012 and dated February 5, 2013.

"**Swaps**" means any transaction which is a rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option, forward sale, exchange traded futures contract or any other similar transaction (including any option with respect to any of these transactions or any combination of these transactions).

"**template version**" has the meaning ascribed thereto under NI 41-101 and includes any revised template version of marketing materials as contemplated by NI 41-101;

"**Termination Time**" has the meaning ascribed to such term in the fifth paragraph of this Agreement.

"**Transfer Agent**" means Olympia Trust Company in its capacity as transfer agent and registrar of the Corporation at its principal offices in the City of Calgary, Alberta.

"**Underlying Shares**" means the Common Shares issuable upon exercise of the Offered Receipts.

"**Underwriters**" means, collectively, Macquarie Capital, GMP Securities L.P., National Bank Financial Inc., CIBC World Markets Inc., Scotia Capital Inc., Dundee Securities Ltd., FirstEnergy Capital Corp., Cormark Securities Inc., TD Securities Inc. and Raymond James Ltd.

"**Underwriter's counsel**" means Bennett Jones LLP, or such other legal counsel as the Underwriters may appoint.

"**United States**" means the United States of America, its territories and possessions, any State of the United States and the District of Columbia.

"**U.S. Affiliate**" means a United States registered broker-dealer affiliate of any Underwriter.

"**U.S. Exchange Act**" means the United States Securities Exchange Act of 1934, as amended.

"**U.S. Placement Memorandum**" means the U.S. placement memorandum for the offering of the Subscription Receipts in the United States, including the English language Prospectus, in the form agreed to by the Corporation and the Underwriters, as supplemented or amended.

"**U.S. Securities Act**" means the United States Securities Act of 1933, as amended.

"**Vendor**" means Renegade Petroleum Ltd., the vendor of the Assets, an oil and gas company based in Calgary, Alberta.

"**Wainwright Acquisition Agreement**" means the asset sale agreement dated November 5, 2013 between Penn West Petroleum Ltd. and Penn West Petroleum, as vendors, and the Corporation, as purchaser, pursuant to which the Corporation acquired the Wainwright Assets.

"**Wainwright Asset Acquisition**" means the acquisition by the Corporation of the Wainwright Assets from Penn West Petroleum Ltd. and Penn West Petroleum pursuant to the terms of the Wainwright Acquisition Agreement.

"**Wainwright Assets**" means those petroleum and natural gas properties and related assets located in the Wainwright area of Alberta acquired by the Corporation pursuant to the Wainwright Acquisition Agreement.

In this Agreement, "to the best of the Corporation's knowledge, information and belief", or an equivalent statement, means a statement as to the knowledge of each of the senior officers of the Corporation about the facts or circumstances to which such phrase relates, after having made due and applicable inquiries and investigations in connection with such facts and circumstances that would ordinarily be made by senior officers of junior exploration and production companies in the discharge of their duties, without special inquiry for the purpose of this Offering. In this Agreement, "to the knowledge of the Corporation", or an equivalent statement, means a statement as to the actual knowledge of each of the senior officers of the Corporation about the facts or circumstances to which such phrase relates.

In addition, unless otherwise defined herein capitalized terms shall have the meanings ascribed thereto in the Prospectuses.

2. Underwriting Fee

In consideration for their services in underwriting the distribution of and purchasing the Offered Receipts, the Corporation agrees to pay the Underwriters a cash fee equal to 5% of the gross proceeds of the Offering (including any proceeds received in respect of the Over-Allotment Option) (the "**Underwriting Fee**") payable as follows:

(a) at the Closing Time, a fee of $0.1575 per Firm Receipt;

(b) at any Additional Closing Time, a fee of $0.1575 per Option Receipt purchased; and

(c) at the time of release of the funds held by the Escrow Agent to the Corporation pursuant to the Subscription Receipt Agreement, if applicable, a fee of $0.1575 per Firm Receipt and, if applicable, a fee of $0.1575 per Option Receipt purchased, plus earned interest on the amount of the underwriting fee held in escrow until the date of release, payable from the funds held by the Escrow Agent pursuant to the Subscription Receipt Agreement.

For greater certainty, the services provided by the Underwriters in connection herewith will not be subject to the Goods and Services Tax or Harmonized Sales Tax ("**GST**") provided for in the *Excise Tax Act* (Canada) and taxable supplies provided will be incidental to the exempt financial services provided. However, in the event that the Canada Revenue Agency determines that GST provided for in the *Excise Tax Act* (Canada) is exigible on the Underwriting Fee, the Corporation agrees to pay the amount of GST forthwith upon the request of the Underwriters. The Corporation also agrees to pay the Underwriters' expenses as set forth in Section 10 hereof.

3. Qualification for Sale

(a) The Corporation represents and warrants to the Underwriters that it is eligible to use the short form prospectus offering qualification system described in NI 44-101 for the distribution of the Offered Receipts.

(b) The Corporation shall elect and comply with the Passport System and shall:

(i) not later than 5:00 p.m. (Calgary time) on January 17, 2014, have prepared and filed the Preliminary Prospectus and other documents required under the Applicable Securities Laws with the Securities Commissions and designated the ASC as the principal regulator under the Passport System;

(ii) obtained from the ASC a Preliminary Passport System Decision Document dated January 17, 2014, evidencing that a receipt for the Preliminary Prospectus has been issued or deemed to have been issued in each of the Qualifying Provinces;

(iii) forthwith after any comments with respect to the Preliminary Prospectus have been received and resolved from the Securities Commissions (or such later date as may be agreed to in writing by the Corporation and the Underwriters) have used all commercially reasonable efforts to have:

(A) prepared and filed the Prospectus and other documents required under the Applicable Securities Laws with the Securities Commissions by not later than 5:00 p.m. (Calgary time) on January 28, 2014 (or such later date as may be agreed to in writing by the Corporation and the Underwriters); and

(B) obtained from the ASC a Final Passport System Decision Document dated January 28, 2014 (or such later date as may be agreed to in writing by the Corporation and the Underwriters), evidencing that a receipt for the Prospectus has been issued in Alberta and Ontario and has been deemed to have been issued in each of the Qualifying Provinces other than Alberta and Ontario or otherwise obtained a receipt for the Prospectus from each of the Securities Commissions;

and otherwise fulfilled all legal requirements to enable the Offered Securities to be offered and sold to the public in each of the Qualifying

Provinces through the Underwriters or any other investment dealer or broker registered in the applicable Qualifying Province; and

(iv) until the completion of the distribution of the Offered Receipts, promptly take all additional steps and proceedings that from time to time may be required under the Applicable Securities Laws in each Qualifying Province to continue to qualify the Offered Securities for distribution or, in the event that the Offered Securities have, for any reason, ceased to so qualify, to again qualify the Offered Securities for distribution in each Qualifying Province and, to the extent within the control of the Corporation, to qualify the Offered Securities for sale in transactions exempt from registration under the U.S. Securities Act pursuant to Rule 144A and in reliance upon exemptions from registration under applicable state securities laws.

(c) Prior to the filing of the Prospectuses and, during the period of distribution of the Offered Receipts, prior to the filing with any Securities Commissions of any Supplementary Material or any documents incorporated by reference therein after the date hereof, the Corporation shall have allowed the Underwriters and the Underwriters' counsel to participate fully in the preparation of, and, acting reasonably, to approve the form of, such documents (including, without limitation, the Preliminary U.S. Placement Memorandum and the U.S. Placement Memorandum) and to have reviewed any documents incorporated by reference therein.

(d) During the period from the date hereof until completion of the distribution of the Offered Receipts, the Corporation shall allow the Underwriters to conduct all due diligence which they may reasonably require in order to fulfill their obligations as underwriters and in order to enable the Underwriters responsibly to execute the certificates required to be executed by them in the Prospectuses or in any Supplementary Material. Without limiting the generality of the foregoing, the Corporation shall make available its directors, senior management and audit committee, and shall use all commercially reasonable efforts to cause its auditors (including of any predecessor entity or business), independent engineers (including of any predecessor entity or business), legal counsel, and the independent engineers of Fort Calgary, Flagstone and/or the Vendor to be available, as applicable, to answer any questions which the Underwriters may have and to participate in one or more due diligence sessions to be held prior to the Closing Time (collectively, the "**Due Diligence Session**"). The Underwriters shall distribute a list of written questions to be answered in advance of such Due Diligence Session and the Corporation shall provide written responses to such questions in advance of the Due Diligence Session and shall use all commercially reasonable efforts to have the above-mentioned auditors, independent engineers, legal counsel and other experts provide written responses to such questions in advance of the Due Diligence Session.

(e) The Corporation will ensure that management of the Corporation will make themselves available to, and shall assist in the marketing of, the Offered Securities at such times and in such manner as the Underwriters may reasonably request, including, without limitation, to participate in meetings with institutional investors as reasonably requested by the Underwriters.

(f) The Corporation shall take or cause to be taken all such other steps and proceedings, including fulfilling all legal, regulatory and other requirements, as required under Applicable Securities Laws to qualify the Offered Securities for distribution to the public in the Qualifying Provinces, to ensure that the Offered Securities are freely tradeable in the Qualifying Provinces, save and except for a trade that is a control distribution, and to take such action within its control that is necessary to permit the Offered Securities to be offered and sold in the United States to Qualified Institutional Buyers in transactions exempt from registration under the U.S. Securities Act in reliance on Rule 144A and in transactions exempt from registration under applicable state securities laws in reliance on similar exemptions from registration therefrom (provided that all offers and sales of Offered Securities are made in compliance with Schedule "A" hereto) and for sale internationally on a "private placement" basis in such jurisdictions as the Corporation may agree as permitted by applicable laws and to qualify the distribution to the Underwriters of the Over-Allotment Option in the Qualifying Provinces.

(g) During the period from the date hereof until completion of the distribution of the Offered Receipts:

(i) the Corporation shall prepare, in consultation with the Designated Underwriter, and approve in writing, prior to such time any marketing materials are provided to potential investors in Offered Receipts, a template version of any marketing materials reasonably requested to be provided by the Underwriters to any such potential investor, such marketing materials to comply with Applicable Securities Laws and to be acceptable in form and substance to the Underwriters and their counsel, acting reasonably;

(ii) the Designated Underwriter shall, on behalf of the Underwriters, approve a template version of any such marketing materials in writing prior to such time such marketing materials are provided to potential investors in Offered Receipts;

(iii) the Corporation shall file a template version of the English version of any such marketing materials on SEDAR as soon as reasonably practical after such marketing materials are so approved in writing by the Corporation and the Designated Underwriter and in any event on or before the day the marketing materials are first provided to any potential investor in Offered Receipts, and any comparables shall be removed from the template version in accordance with NI 44-101 prior to filing such on SEDAR (provided that if any such comparables are removed, the Corporation shall deliver a complete template version of any such marketing materials to the Securities Commissions), and the Corporation shall provide a copy of such filed template version to the Underwriters as soon as practicable following such filing. The French language version of any such marketing materials shall be SEDAR filed prior to or concurrently with the filing of the Prospectus as contemplated herein and a copy thereof shall be delivered to the Underwriters as soon as practicable following such filing; and

(iv) following the approvals set forth in Section 3(g)(i) to 3(g)(iii), the Underwriters may provide a limited use version of such marketing materials to potential investors in Offered Receipts in accordance with Applicable Securities Laws.

(h) The Corporation and each Underwriter, on a several basis, covenants and agrees not to provide any potential investor of Offered Receipts with any marketing materials except for marketing materials which have been approved as contemplated in Section 3(g)(ii) hereof.

4. Delivery of Prospectus and Related Documents

The Corporation shall deliver or cause to be delivered without charge to the Underwriters and the Underwriters' counsel the documents set out below at the respective times indicated:

(a) prior to or contemporaneously, as nearly as practicable, with the filing with the Securities Commissions of each of the Preliminary Prospectus and the Prospectus:

(i) copies of the Preliminary Prospectus and the Prospectus, in each of the English and French languages, signed as required by Applicable Securities Laws;

(ii) copies of the Preliminary U.S. Placement Memorandum and the U.S. Placement Memorandum, respectively, if required by the Underwriters; and

(iii) copies of any documents incorporated by reference therein, which have not previously been delivered to the Underwriters or are otherwise available on SEDAR;

(b) as soon as they are available, copies of the English and French language versions, as applicable, of any Supplementary Material, signed as required by Applicable Securities Laws and including, in each case, copies of any documents incorporated by reference therein, which have not been previously delivered to the Underwriters;

(c) at the time of delivery to the Underwriters of the French language version of each of the Preliminary Prospectus and the Prospectus:

(i) an opinion of Québec counsel, addressed to the Corporation, the

Underwriters and their respective counsel and dated the date of the Preliminary Prospectus and Prospectus, as applicable, to the effect that the French language version of the Preliminary Prospectus and Prospectus, as applicable, (except for the financial statements and other financial information included or incorporated by reference therein which are the subject of the opinions of the auditors referred to below, as to which no opinion need be expressed by Québec counsel) is in all material respects a complete and proper translation of the English language version thereof; and

(ii) opinions of the Corporation's auditors, addressed to the Corporation, the Underwriters and their respective counsel and dated the date of the Preliminary Prospectus and Prospectus, as applicable, to the effect that the French language version of the financial statements and other financial information set forth or incorporated by reference in the Preliminary Prospectus and Prospectus, as applicable, is in all material respects a complete and proper translation of the English language version thereof; and

(d) prior to the filing of the Prospectus with the Securities Commissions, a "comfort letter" from the Corporation's auditors and any other auditors who have audited any of the financial statements included in or incorporated by reference in the Prospectus, dated the date of the Prospectus, addressed to the Underwriters and satisfactory in form and substance to the Underwriters and the Underwriters' counsel, acting reasonably, to the effect that they have carried out certain procedures performed for the purposes of comparing certain specified financial information and percentages appearing in the Prospectus and the documents incorporated therein by reference with indicated amounts in the financial statements or accounting records of the Corporation or other applicable entity or business and have found such information and percentages to be in agreement, which comfort letter shall be based on the applicable auditors' review having a cut-off date of not more than two Business Days prior to the date of the Prospectus.

Opinions or comfort letters similar to the foregoing shall be provided to the Underwriters with respect to any Supplementary Material and any other relevant document at the time the same is presented to the Underwriters for their signature or, if the Underwriters' signature is not required, at the time the same is filed. All such comfort letters shall be in form and substance acceptable to the Underwriters and the Underwriters' counsel, acting reasonably.

The deliveries referred to in subsections 4(a), and (b) shall also constitute the Corporation's consent to the use by the Underwriters and other members of the Selling Dealer Group of the Documents, the Prospectuses, the Preliminary U.S. Placement Memorandum, the U.S. Placement Memorandum, and any Supplementary Material in connection with the offering and sale of the Offered Receipts.

5. Commercial Copies

(a) The Corporation shall, as soon as possible, but in any event not later than 4:00 p.m. (local time at the place of delivery) on the Business Day following the date of receipt of the Preliminary Passport System Decision Document or the Final Passport Decision Document, as the case may be (or such other date or time as the Underwriters and the Corporation may agree), with the Securities Commissions and no later than noon (local time) on the first Business Day after the execution of any Supplementary Material in connection with the Prospectuses, cause to be delivered to the Underwriters, without charge, copies of all marketing materials, as required by Applicable Securities Laws, together with, in the case of any marketing materials proposed to be provided to potential investors of Offered Securities, commercial copies of the Preliminary Prospectus, the Prospectus or such Supplementary Material, in such numbers and in such cities as the Underwriters may reasonably request by oral or written instructions to the Corporation or the printer thereof given no later than the time when the Corporation authorizes the printing of the commercial copies of such documents.

(b) Opinions, comfort letters, studies and certificates similar to those set out in Section 4 shall be provided to the Underwriters with respect to any marketing materials filed pursuant to Section 3(f) on SEDAR and any Supplementary Material filed pursuant to Section 6(c) and any other relevant document at the time the same is presented to the Underwriters for their signature or, if the Underwriters' signatures are not required, at the time the same is filed. All such opinions, comfort letters, studies and certificates shall be in form and substance satisfactory to the Underwriters and their counsel, acting reasonably.

(c) The Corporation shall cause to be provided to the Underwriters such number of copies of any documents incorporated by reference in the Preliminary Prospectus, the Prospectus or any Supplementary Materials as the Underwriters may reasonably request.

(d) The Corporation will similarly cause to be delivered to the Underwriters, at those delivery points as the Underwriters may reasonably request, commercial copies of the Preliminary U.S. Placement Memorandum, the U.S. Placement Memorandum and any Supplementary Material required to be delivered to purchasers or prospective purchasers of the Offered Receipts. Each delivery of the Preliminary U.S. Placement Memorandum and the U.S. Placement Memorandum and any such Supplementary Material will constitute consent by the Corporation to the use of the Preliminary U.S. Placement Memorandum, the U.S. Placement Memorandum and any such Supplementary Material by the Underwriters and the U.S. Affiliates of the Underwriters and members of the Selling Dealer Group (if any) for the distribution of the Offered Receipts for sale in the United States in accordance with this Agreement, including Schedule "A" attached hereto.

(e) The Corporation will similarly cause to be delivered to the Underwriters, at those delivery points as the Underwriters may reasonably request, commercial copies of any Supplementary Material required to be delivered to purchasers or prospective purchasers of the Offered Receipts.

6. Material Change and Certain Other Covenants

(a) During the period commencing on the date hereof and ending on the completion of the distribution of the Offered Securities, the Corporation will promptly inform the Underwriters in writing of the full particulars of:

(i) any material change (actual, anticipated or threatened) in or affecting the business, operations, revenues, capital, properties, assets, liabilities (absolute, accrued, contingent or otherwise), condition (financial or otherwise) or results of operations of the Corporation, or in or affecting the Assets or the Acquisition;

(ii) any change in any material fact contained or referred to in the Preliminary Prospectus, the Prospectus, the Preliminary U.S. Placement Memorandum, the U.S. Placement Memorandum or any Supplementary Material; and

(iii) the occurrence or discovery of a material fact or event which, in any such case, is, or may be, of such a nature as to:

(A) render the Preliminary Prospectus, the Prospectus, the Preliminary U.S. Placement Memorandum, the U.S. Placement Memorandum or any Supplementary Material untrue, false or misleading in any material respect;

(B) result in a misrepresentation in the Preliminary Prospectus, the Prospectus, the Preliminary U.S. Placement Memorandum, the U.S. Placement Memorandum or any Supplementary Material; or

(C) result in the Preliminary Prospectus, the Prospectus, the Preliminary U.S. Placement Memorandum, the U.S. Placement Memorandum or any Supplementary Material not complying in any material respect with the Applicable Securities Laws,

provided that if the Corporation is uncertain as to whether a material change, change, occurrence or event of the nature referred to in this section has occurred or been discovered, the Corporation shall promptly inform the Underwriters of the full particulars of the occurrence giving rise to the uncertainty and shall consult with the Underwriters as to whether the occurrence is of such nature prior to making any filing referred to in paragraph 6(c).

(b) During the period commencing on the date hereof and ending on the completion of the distribution of the Offered Securities, the Corporation will promptly inform the Underwriters in writing of the full particulars of:

(i) any request of any Securities Commission, the SEC or similar regulatory authority for any amendment to, or to suspend or prevent the use of, the Preliminary Prospectus, the Prospectus, the Preliminary U.S. Placement Memorandum, the U.S. Placement Memorandum or any other part of the Disclosure Record or for any additional information of a material nature;

(ii) the issuance by any Securities Commission, the SEC or similar regulatory authority, the Exchange or any other competent authority of any order to cease or suspend trading of any securities of the Corporation or of the institution or threat of institution of any proceedings for that purpose; and

(iii) the receipt by the Corporation of any communication from any Securities Commission, the SEC or similar regulatory authority, the Exchange or any other competent authority relating to the Preliminary Prospectus, the Prospectus, the Preliminary U.S. Placement Memorandum, the U.S. Placement Memorandum, any part of the Disclosure Record or the distribution of the Offered Securities.

(c) The Corporation will promptly comply to the reasonable satisfaction of the Underwriters and the Underwriters' counsel with Applicable Securities Laws with respect to any material change, change, occurrence or event of the nature referred to in subsections 6(a) or 6(b) above and the Corporation will prepare and file promptly at the Underwriters' request, acting reasonably, and only during the distribution of the Offered Securities, any amendment to the Prospectus, the U.S. Placement Memorandum or Supplementary Material as may be required under Applicable Securities Laws or United States securities laws; provided that the Corporation shall have allowed the Underwriters and the Underwriters' counsel to participate fully in the preparation of any Supplementary Material, to have reviewed any other documents incorporated by reference therein and conduct all due diligence investigations which the Underwriters may reasonably require in order to fulfill their obligations as underwriters and in order to enable the Underwriters responsibly to execute the certificate required to be executed by them in, or in connection with, any Supplementary Material, such approval not to be unreasonably withheld and to be provided in a timely manner. The Corporation shall further promptly deliver to each of the Underwriters and the Underwriters' counsel a copy of each Supplementary Material as filed with the Securities Commissions and of comfort letters and opinions with respect to each such Supplementary Material substantially similar to those referred to in Section 4 above.

(d) During the period commencing on the date hereof and ending on the completion of the distribution of the Offered Securities, the Corporation will promptly provide to the Underwriters, for review by the Underwriters and the Underwriters' counsel, prior to filing or issuance:

(i) any financial statement of the Corporation;

(ii) any proposed document, including without limitation any amendment to the AIF, new annual information form, business acquisition report, material change report, interim report, or information circular, which may be incorporated, or deemed to be incorporated, by reference in the Prospectus;

(iii) any press release of the Corporation; and

(iv) any Supplementary Material, the Preliminary U.S. Placement Memorandum or the U.S. Placement Memorandum.

(e) During the period commencing on the date hereof and ending on the later of (i) the first to occur of the closing of the Acquisition and the Deadline and (ii) the distribution of the Offered Securities, the Corporation will promptly advise the Underwriters: (i) of any amendment or proposed amendment to the Acquisition Agreement or waiver or proposed waiver of any term, provision or condition thereof and shall not materially amend the Acquisition Agreement or waive any material term, provision or condition thereof without the prior approval of the Underwriters, acting reasonably; and (ii) if it becomes aware that any of the representations and warranties of any parties to the Acquisition Agreement cease to be true and correct in any material respects or if the Corporation becomes aware that there is any change of any material fact or event which is, or may become of such a nature as to, render any such representations and warranties, or any information provided to the Underwriters in respect of the Acquisition, untrue, false or misleading in any material respects; and (iii) if the Acquisition Agreement is terminated, or the Corporation determines it will not be proceeding with the Acquisition.

(f) The Corporation will use its reasonable commercial efforts to expeditiously pursue the satisfaction of all conditions to the completion, and the closing of the Acquisition prior to the Deadline, and to cause the issuance of the Underlying Shares.

7. Representations and Warranties of the Corporation

(a) Each delivery of the Preliminary Prospectus, the Prospectus, the Preliminary U.S. Placement Memorandum, the U.S. Placement Memorandum and any Supplementary Material pursuant to Section 4 above shall constitute a representation and warranty to the Underwriters by the Corporation (and the Corporation hereby acknowledges that each of the Underwriters is relying on such representations and warranties in entering into this Agreement) that:

(i) all of the information and statements (except information and statements relating solely to the Underwriters and furnished by them in writing expressly for inclusion in the applicable document) contained in the Preliminary Prospectus, the Prospectus, the Preliminary U.S. Placement Memorandum, the U.S. Placement Memorandum or any Supplementary Material, as applicable, including, without limitation, the documents incorporated by reference, as the case may be:

(A) are at the respective dates of such documents, true and correct in all material respects;

(B) contain no misrepresentation; and

(C) constitute full, true and plain disclosure of all material facts relating to the Corporation, the Offered Securities, the Acquisition and, to the best of the Corporation's knowledge, information and belief, the Assets;

(ii) the Preliminary Prospectus, the Prospectus, or any Supplementary Material, as applicable, including, without limitation, the documents incorporated by reference, as the case may be, comply in all material respects with the Applicable Securities Laws, including without limitation NI 44-101, and the Preliminary U.S. Placement Memorandum and the U.S. Placement Memorandum and, to the extent applicable, any related Supplementary Material, complies as to form in all material respects with the U.S. Securities Act and applicable state securities laws; and

(iii) except as is disclosed in the Disclosure Record, there has been no intervening material change (actual, proposed or prospective, whether financial or otherwise), from the date of the Preliminary Prospectus, the Prospectus, the Preliminary U.S. Placement Memorandum, the U.S. Placement Memorandum and any Supplementary Material to the time of delivery thereof, in the business, operations, revenues, capital, properties, assets, liabilities (absolute, accrued, contingent or otherwise), condition (financial or otherwise) or results of operations of the Corporation or, to the best of the Corporation's knowledge, information and belief, the Assets.

(b) In addition to the representations and warranties contained in subsection 7(a) hereof, the Corporation represents and warrants to, and covenants with, the Underwriters, and acknowledges that each of the Underwriters is relying upon such representations, warranties and covenants in entering into this Agreement, that:

(i) the Corporation is a corporation duly amalgamated and validly subsisting under the ABCA, and has all requisite corporate capacity, power and authority to carry on its business as it is now being conducted and as presently proposed to be conducted by it and as described in the Prospectuses and to own its properties and assets;

(ii) other than Surge General Partnership and 1413942 Alberta Ltd, the Corporation has no Subsidiaries, is not "affiliated" with or a "holding corporation" of any other body corporate (within the meaning of the ABCA), and is not a partner of any partnerships or limited partnerships and each of the Subsidiaries has been duly incorporated, formed or organized, as applicable, and is a valid and subsisting corporation, general partnership (in the case of Surge General Partnership) in good standing under the laws of the jurisdiction in which it was incorporated, formed or organized, and has all requisite power, authority and capacity to carry on its business and to own, lease and operate its properties and assets;

(iii) all of the ownership interests in each of Surge General Partnership and 1413942 Alberta Ltd. are legally and beneficially owned by the Corporation and the Corporation is the legal and beneficial owner in each case free and clear of any liens, pledges, charges, encumbrances, security interests or other adverse claims whatsoever;

(iv) the Corporation and each of its Subsidiaries is duly registered to do business and is in good standing in each jurisdiction in which the character of their properties, owned or leased, or the nature of their activities make such registration necessary except where the failure to be so registered or in good standing would not have a material adverse effect on the Corporation;

(v) the Corporation and each of its Subsidiaries has conducted and is conducting and will conduct its business in compliance in all material respects with all applicable laws, rules and regulations and, in particular, all applicable licensing and environmental legislation, regulations or by-laws or other lawful requirements of any governmental or regulatory bodies applicable to it of each jurisdiction in which it carries on business and holds all licences, registrations and qualifications in all jurisdictions in which it carries on business which are necessary or desirable to carry on the business of the Corporation and each of its Subsidiaries, respectively, as now conducted and as contemplated to be conducted in the Prospectuses (except where the failure to so conduct its business or to hold such licences, registrations or qualifications would not, individually or in the aggregate, have a material adverse effect on the business, operation, capital or condition (financial or otherwise) of the Corporation or the Corporation's properties or assets and each of its Subsidiaries (taken as a whole)), all such licences, registrations or qualifications are valid and existing and in good standing (except where the lack of such valid or existing license would not have any material adverse effect on the business of the Corporation and each of its Subsidiaries (taken as a whole)) and none of such licences, registrations or qualifications contains any burdensome term, provision, condition or limitation which has or is likely to have any material adverse effect on the business of the Corporation or its Subsidiaries as now conducted or as proposed to be conducted, and the Corporation is not aware of any legislation, regulation, rule or lawful requirements presently in force or proposed to be brought into force which the Corporation anticipates the Corporation or any of its Subsidiaries will be unable to comply with without materially adversely affecting the Corporation or its Subsidiaries (taken as a whole);

(vi) the minute books of the Corporation and its Subsidiaries are, in all material respects, true and correct and contain copies of all minutes of all meetings and all resolutions of the directors, committees of directors and shareholders of the Corporation and the Subsidiaries, respectively, and all such meetings were duly called and properly held and all consent resolutions were properly adopted;

(vii) the books of account and other records of the Corporation and its Subsidiaries, whether of a financial or accounting nature or otherwise, have been maintained in accordance with prudent business practices;

(viii) the Corporation and each of its Subsidiaries has duly and on a timely basis, filed all tax returns required to be filed by it, has paid all taxes due and payable by it and has paid all assessments and reassessments and all other taxes, governmental charges, penalties, interest and other fines due and payable by it and which were claimed by any governmental authority to be due and owing and adequate provision has been made for taxes payable for any completed fiscal period for which tax returns are not yet required and there are no agreements, waivers, or other arrangements providing for an extension of time with respect to the filing of any tax return or payment of any tax, governmental charge or deficiency by the Corporation or its Subsidiaries and to the best of the knowledge, information and belief of the Corporation there are no actions, suits, proceedings, investigations or claims threatened or pending against the Corporation or its Subsidiaries in respect of taxes, governmental charges or assessments or any matters under discussion with any governmental authority relating to taxes, governmental charges or assessments asserted by any such authority. The Corporation and each of its Subsidiaries has duly and timely withheld from any amount paid or credited by it to or for the account or benefit of any person, including any employee, officer, director, or non-resident person, the amount of all taxes and other deductions required by applicable law to be withheld and has duly and timely remitted the withheld amount to the appropriate taxing or other authority and has duly and timely issued tax reporting slips or returns in respect of any amount so paid or credited by it as required by applicable law;

(ix) all filings made by the Corporation and its Subsidiaries under which the Corporation or any of its Subsidiaries has received or is entitled to government incentives, have been made in accordance, in all material respects, with all applicable legislation and contain no misrepresentations of material fact or omit to state any material fact which could cause any material amount previously paid to the Corporation or its Subsidiaries or previously accrued on the accounts thereof to be recovered or disallowed;

(x) except to the extent that any violation or other matter referred to in this subsection does not have a material adverse effect on the Corporation:

(A) the Corporation and each of its Subsidiaries, is not in violation of any applicable federal, provincial, municipal or local laws, regulations, orders, government decrees or ordinances with respect to environmental, health or safety matters (collectively, "**Environmental Laws**");

(B) the Corporation and each of its Subsidiaries, has operated its business at all times and have received, handled, used, stored, treated, shipped and disposed of all contaminants without violation of Environmental Laws;

(C) there have been no spills, releases, deposits or discharges of hazardous or toxic substances, contaminants or wastes into the earth, air or into any body of water or any municipal or other sewer or drain water systems by the Corporation or any of its Subsidiaries or their respective properties that have not been remedied or that are not presently being remedied;

(D) no orders, directions or notices have been issued and remain outstanding pursuant to any Environmental Laws relating to the business or assets of the Corporation or its Subsidiaries;

(E) the Corporation and each of its Subsidiaries, has not failed to report to the proper federal, provincial, municipal or other political subdivision, government, department, commission, board, bureau, agency or instrumentality, domestic or foreign ("**Government Authority**") the occurrence of any event which is required to be so reported by any Environmental Law; and

(F) the Corporation and each of its Subsidiaries, holds all licences, permits and approvals required under any Environmental Laws in connection with the operation of its business and the ownership and use of its assets, all such licences, permits and approvals are in full force and effect, and except for (1) notifications and conditions of general application to assets of the type owned by the Corporation or its Subsidiaries, and (2) notifications relating to reclamation obligations under the *Environmental Protection and Enhancement Act* (Alberta) or equivalent legislation in other provinces, the Corporation and each of its Subsidiaries has not received any notification pursuant to any Environmental Laws that any work, repairs, constructions or capital expenditures are required to be made by it as a condition of continued compliance with any Environmental Laws, or any licence, permit or approval issued pursuant thereto, or that any licence, permit or approval referred to above is about to be reviewed, made subject to limitation or conditions, revoked, withdrawn or terminated;

(xi) any and all operations of the Corporation and each of its Subsidiaries and, to the knowledge of the Corporation, any and all operations by third parties on or in respect of the assets and properties of the Corporation, have been conducted in accordance with good oil and gas industry practices and in material compliance with applicable laws, rules, regulations, orders and directions of governmental and other competent authorities, except where the failure to so operate would not have a material adverse effect on the business of the Corporation or its ability to complete the Acquisition;

(xii) except for any post-closing notice filings required under applicable United States federal and state securities laws, no consent, approval, permit, authorization, order or filing with any court or governmental agency, the securities authorities or any other jurisdiction or agency is required by the Corporation or necessary for the execution, delivery and the performance by the Corporation of its obligations under this Agreement, other than such consents, approvals, authorizations, registrations or qualifications as may be required under Applicable Securities Laws or by the Exchange, all of which will be obtained by the Corporation prior to the Closing Time;

(xiii) the Corporation has full corporate capacity, power and authority to enter into this Agreement, the Subscription Receipt Agreement and the Acquisition Agreement and to perform its obligations set out herein and therein (including, without limitation, to complete the Acquisition and to issue the Offered Securities), and this Agreement and the Acquisition Agreement have been, and the Subscription Receipt Agreement will, on the Closing Date, be, duly authorized, executed and delivered by the Corporation and this Agreement and the Acquisition Agreement are, and the Subscription Receipt Agreement will, on the Closing Date, be, legal, valid and binding obligations of the Corporation enforceable against the Corporation in accordance with their terms except that the validity, binding effect and enforceability of the terms of agreements and documents are subject to the qualification that such validity, binding effect and enforceability may be limited by: (i) applicable bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights generally; (ii) equitable remedies, including the remedies of specific performance and injunctive relief, being available only in the discretion of the applicable court; (iii) the statutory and inherent powers of a court to grant relief from forfeiture, to stay execution of proceedings before it and to stay executions on judgments; (iv) the applicable laws regarding limitations of actions; (v) enforceability of provisions which purport to sever any provision which is prohibited or unenforceable under applicable law without affecting the enforceability or validity of the remainder of such document would be determined only in the discretion of the court;

(vi) enforceability of the provisions exculpating a party from liability or duty otherwise owed by it may be limited under applicable law; and (vii) that rights to indemnity, contribution and waiver under the documents may be limited or unavailable under applicable law;

(xiv) no action, approval, consent or vote on the part of the shareholders of the Corporation is or shall be necessary to consummate the transactions contemplated by this Agreement or the Acquisition Agreement;

(xv) the Corporation has full corporate capacity, power and authority to issue the Offered Securities issuable pursuant thereto and to grant the Over-Allotment Option and, at the Closing Time, the Firm Receipts and the Underlying Shares issuable pursuant to the Firm Receipts and, if applicable, the Option Receipts and the Underlying Shares issuable pursuant to the Option Receipts will be duly and validly authorized, allotted and reserved for issuance in accordance with the Subscription Receipt Agreement and, upon receipt of the purchase price therefor, the Offered Receipts will be duly and validly issued, as fully paid and non-assessable and upon the issuance of the Underlying Shares pursuant to the Offered Receipts in accordance with the terms of the Subscription Receipt Agreement, such Underlying Shares will be duly and validly issued as fully paid and non-assessable;

(xvi) the Corporation has the necessary corporate power and authority to execute, deliver and file the Prospectuses and, prior to the filing of the Prospectuses, all requisite action will have been taken by the Corporation to authorize the execution, delivery and filing of the Prospectuses;

(xvii) the attributes and characteristics of the Offered Securities will conform in all material respects to the attributes and characteristics thereof described in the Prospectuses;

(xviii) the Corporation is not in default or breach of, and the execution and delivery of, and the performance of and compliance with the terms of, this Agreement, the Subscription Receipt Agreement and the Acquisition Agreement by the Corporation or any of the transactions contemplated hereby or thereby, does not and will not result in any breach of, or constitute a default under, and does not and will not create a state of facts which, after notice or lapse of time or both, would result in a breach of or constitute a default under, (i) any term or provision of the articles, by-laws or constating documents of the Corporation, as applicable, (ii) and resolutions of shareholders or directors (or any committee thereof) of the Corporation, (iii) any indenture, mortgage, note, contract, agreement (written or oral), instrument, lease or other document to which the Corporation is a party or by which it is bound, or (iv) any law, judgment, decree, order, statute, rule or regulation applicable to the Corporation, which default or breach might reasonably be expected to materially adversely affect the business, operations, capital, properties, assets, liabilities (absolute, accrued, contingent or otherwise), ownership or condition (financial or otherwise) or results of operations of the Corporation or its properties or assets or would impair the ability of the Corporation to consummate the transactions contemplated hereby or to duly observe and perform any of its covenants or obligations contained in this Agreement, the Subscription Receipt Agreement and the Acquisition Agreement;

(xix) the Surge Financial Statements are complete and correct in all material respects and fairly present, in accordance with generally accepted accounting principles in Canada, consistently applied, the financial position and condition of the Corporation at the dates thereof and the results of the operations of the Corporation for the periods then ended and reflect in accordance with generally accepted accounting principles in Canada, consistently applied, all material assets, liabilities or obligations (absolute, accrued, contingent or otherwise) of the Corporation as at the dates thereof;

(xx) to the best of the Corporation's knowledge, information and belief, the Asset Operating Statements are complete and correct in all material respects and present fairly, in all material respects, the gross revenues, royalties and production taxes and operating expenses of the Assets for the periods ended on the dates indicated; and have been prepared in all respects using accounting policies that are permitted by IFRS applicable to publicly accountable enterprises, with such accounting policies applying to those line items as if such line items were presented as part of a complete set of financial statements; the line items comprising the Asset Operating Statements are presented in accordance with a reporting framework prescribed by Applicable Securities Laws that requires the presentation of a schedule of gross revenues, royalties and production taxes and operating expenses;

(xxi) the Corporation has no liabilities, obligations, indebtedness or commitments, whether accrued, absolute, contingent or otherwise, which are not disclosed or referred to in the Surge Financial Statements or referred to or disclosed in the Prospectuses, other than liabilities, obligations, or indebtedness or commitments (i) incurred in the normal course of business; or (ii) which would not have a material adverse effect on the Corporation;

(xxii) the Corporation and its Subsidiaries do not have any outstanding obligations to incur and/or renounce any Canadian exploration expenses or Canadian development expenses to any purchaser of the shares of the Corporation that have not yet been fully expended and renounced;

(xxiii) no director, officer, insider or other non-arm's length party to the

Corporation (or any associate or affiliate thereof) has any right, title or interest in (or the right to acquire any right, title or interest in) any royalty interest, carried interest, participation interest or any other interest whatsoever which is based on production from or in respect of any properties of the Corporation;

(xxiv) there has not been any material change in the capital, assets, liabilities or obligations (absolute, accrued, contingent or otherwise) of the Corporation from the position set forth in the Documents except as disclosed in the Prospectuses and there has not been any adverse material change in the business, operations, capital, properties, assets, liabilities (absolute, accrued, contingent or otherwise), condition (financial or otherwise) or results of operations of the Corporation since December 31, 2012) except as disclosed in the Prospectuses; and since that date there have been no material facts, transactions, events or occurrences which could materially adversely affect the business, operations, capital, properties, assets, liabilities (absolute, accrued, contingent or otherwise), condition (financial or otherwise) or results of operations of the Corporation which have not been disclosed in the Prospectuses;

(xxv) based upon representations made by the Corporation's auditors, KPMG LLP are independent chartered accountants with respect to the Corporation as required by Applicable Securities Laws;

(xxvi) there has not been any reportable disagreement (within the meaning of Section 4.11 of National Instrument 51-102 – *Continuous Disclosure Obligations* of the Canadian Securities Administrators) with the Corporation's auditors and the Corporation has no current intention to change auditors;

(xxvii) the Corporation maintains a system of "internal control over financial reporting" (as defined in National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("**NI 52-109**")) that provides reasonable assurance regarding the reliability of financial reporting and the preparation of the Corporation's consolidated financial statements for external purposes in accordance with IFRS;

(xxviii) the Corporation maintains "disclosure controls and procedures" (as defined in NI 52-109) that provide reasonable assurance that: (A) material information relating to the Corporation is made known to the Corporation's president and chief executive officer and chief financial officer by others within the Corporation; and (B) information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by it under Applicable Securities Laws is recorded, processed, summarized and reported within the time periods specified in Applicable Securities Laws.

(xxix) the Corporation and each of its Subsidiaries has its properties and assets insured against loss or damage by insurable hazards or risks consistent with standard industry practice. Such insurance coverage is of a type and in an amount typical to the business in which the Corporation and its Subsidiaries operate as conducted by a reasonably prudent person based on the advice of reputable insurance brokers consulted by such person. In the last twelve months the Corporation and its Subsidiaries have not made any material claim on any policy of insurance or been refused any insurance coverage sought or applied for. The Corporation does not have any reason to believe that it will not be able to renew the existing insurance coverage of the Corporation and its Subsidiaries as and when such coverage expires or obtain similar coverage from similar insurers as may be necessary to continue with its businesses at a cost that would not have a material adverse effect on the Corporation or any of its Subsidiaries;

(xxx) to the best of the Corporation's knowledge, information and belief, all material accounts receivables recorded on the books of the Corporation are bona fide and are good and collectible without set off or counterclaim;

(xxxi) all bonuses, commissions, salaries and other amounts owing to employees are reflected and have been accrued in the books of account of the Corporation;

(xxxii) the Corporation is not a party to or bound by any agreement of guarantee, indemnification (other than an indemnification of directors and officers in accordance with the by-laws of the Corporation and applicable laws, indemnification agreements or covenants that are entered into arising in the ordinary course of business, including operating and similar agreements, indemnification and contribution provisions in agency and underwriting agreements, transfer agency agreements and credit borrowing agreements) or any other like commitment of the obligations, liabilities (contingent or otherwise) of indebtedness of any other person;

(xxxiii) the Corporation does not have any loans or other indebtedness which have been made to or from any of its shareholders, officers, directors or employees or any other person not dealing at arm's length with the Corporation that are currently outstanding;

(xxxiv) there are no actions, suits, proceedings or inquiries in existence or, to the knowledge of the Corporation, pending or threatened against or affecting the Corporation or its Subsidiaries at law or in equity or before or by any federal, provincial, municipal or other governmental department, commission, board, bureau, agency or instrumentality which in any way materially adversely affects, or may in any way materially adversely affect, the business, operations, capital, properties, assets, liabilities (absolute, accrued, contingent or otherwise), condition (financial or otherwise) or results of operations of the Corporation, its Subsidiaries or their properties or assets (taken as a whole) or which affects or may affect the distribution of the Offered Securities or which would impair the ability of the Corporation to consummate the transactions contemplated by this Agreement, the Subscription Receipt Agreement or the Acquisition Agreement or to duly observe and perform any of its covenants or obligations contained in this Agreement or the Acquisition Agreement, and to be contained in the Subscription Receipt Agreement, and the Corporation is not aware of any existing ground on which such action, suit, proceeding or inquiry might be commenced with any reasonable likelihood of success;

(xxxv) the information and statements set forth in the Documents and Disclosure Record were true, correct, and complete and did not contain any misrepresentation, as of the date of such information or statement, and the Corporation has not filed any confidential material change report still maintained on a confidential basis;

(xxxvi) the authorized capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of preferred shares, issuable in series of which only 166,543,309 Common Shares and nil preferred shares are currently issued and outstanding, all of which shares are validly issued, fully paid and non assessable;

(xxxvii) no person, firm, corporation or other entity holds any securities convertible or exchangeable into securities of the Corporation or has any agreement, warrant, option, right or privilege (whether pre-emptive or contractual) being or capable of becoming an agreement, warrant, option or right (whether or not on condition(s)) for the purchase or other acquisition of any unissued securities of the Corporation except (i) 245,783 Common Shares issuable pursuant to options granted by the Corporation pursuant to its stock option plan at exercise prices ranging from $3.40 to $9.53; (ii) 1,400,560 Common Shares issuable pursuant to performance warrants at an exercise price of $4.46 less accrued dividends; (iii) 1,091,833 Common Shares issuable pursuant to performance warrants at an exercise price of $5.17; and (iv) up to 2,659,475 Common Shares issuable pursuant to restricted share awards ("**RSA's**") and performance share awards ("**PSA's**") under the Corporation's Stock Incentive Plan;

(xxxviii) none of the directors, officers or employees of the Corporation, any person who owns, directly or indirectly, more than 10% of any class of securities of the Corporation, or any associate or affiliate of any of the foregoing, had or has any material interest, direct or indirect, in any material transaction or any proposed material transaction with the Corporation which, as the case may be, materially affects, is material to or will materially affect the Corporation other than as set out in the Documents;

(xxxix) Olympia Trust Company, at its principal offices in the cities of Calgary, Alberta and Toronto, Ontario has been duly appointed registrar and transfer agent of the Common Shares;

(xl) Olympia Trust Company will, on the Closing Date, be the duly appointed transfer agent of the Subscription Receipts and escrow agent under the Subscription Receipt Agreement;

(xli) no Securities Commission, other securities commission or similar regulatory authority, the Exchange or other exchange in Canada or the United States has issued any order which is currently outstanding, preventing or suspending trading in any securities of the Corporation, no such proceeding is, to the knowledge of the Corporation, pending, contemplated or threatened and the Corporation is not in default of any material requirement of Applicable Securities Laws;

(xlii) the issued and outstanding Common Shares are listed and posted for trading on the Exchange and the Corporation is in compliance in all material respects with the by-laws, rules and regulations of the Exchange;

(xliii) the Corporation is a reporting issuer in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland, and is in compliance in all material respects with Applicable Securities Laws;

(xliv) to the knowledge of the Corporation, no insider of the Corporation has a present intention to sell any securities of the Corporation other than as disclosed to the Underwriters;

(xlv) other than as provided for in this Agreement, the Acquisition Agreement and as disclosed in the Prospectuses, the Corporation has not incurred any obligation or liability, contingent or otherwise, for brokerage fees, finder's fees, underwriter's or agent's commission or other similar forms of compensation with respect to the transactions contemplated hereby and thereby;

(xlvi) the definitive form of certificate for the Common Shares has been, and the definitive form of certificate for the Offered Receipts will, on the Closing Date, be, duly approved and adopted by the Corporation and comply with all legal requirements relating thereto;

(xlvii) the Corporation had made available to Sproule, prior to the issuance of the Surge Reserves Report, for the purpose of preparing the Surge Reserves Report, all information requested by Sproule, which information did not contain any misrepresentation at the time such information was provided. Except with respect to changes in commodity prices and royalties and as otherwise disclosed in the Documents, there has been no material adverse change in any production, cost, reserves or other relevant information provided to Sproule since the dates that such information was so provided. The Corporation believes that the Surge Reserves Report reasonably presents the quantity and pre-tax present worth values on an aggregate basis of the oil and gas reserves attributable to the crude oil, natural gas liquids and natural gas properties evaluated in such report as at December 31, 2012 based upon information available at the time the Surge Reserves Report was prepared, and the Corporation believes that at the date of such report it did not (and as of the date hereof, except as may be attributable to changes in commodity prices and production since the date of such report does not) overstate the aggregate quantity or pre-tax present worth values of such reserves or the estimated monthly production volumes therefrom;

(xlviii) to the knowledge, information and belief of the Corporation, Cenovus Energy Inc. had made available to McDaniel, prior to the issuance of the Shaunavon Report, for the purpose of preparing the Shaunavon Report, all information requested by McDaniel, which information did not contain any material misrepresentation at the time such information was provided. Except with respect to changes in the prices of oil and gas, the Corporation has no knowledge of a material adverse change in any production, cost price, reserves or other relevant information provided to McDaniel by Cenovus Energy Inc. since the date that such information was so provided. The Corporation believes that the Shaunavon Report reasonably presents the quantity and pre-tax present worth values of the natural gas reserves attributable to the crude oil, natural gas liquids and natural gas properties evaluated in such report as at April 1, 2013 based upon information available at the time such reserves information was prepared, and the assumptions as to commodity prices and costs contained therein and the Corporation believes that at the date of such report it did not (and as of the date hereof, except as may be attributable to production or pricing changes since the date of such report does not) overstate the aggregate quantity or pre-tax present worth values of such reserves or the estimated monthly production volumes therefrom;

(xlix) to the knowledge, information and belief of the Corporation, Fort Calgary had made available to GLJ, prior to the issuance of the Manitoba Report, for the purpose of preparing the Manitoba Report, all information requested by GLJ, which information did not contain any material misrepresentation at the time such information was provided. Except with respect to changes in the prices of oil and gas, the Corporation has no knowledge of a material adverse change in any production, cost price, reserves or other relevant information provided to GLJ by Fort Calgary since the date that such information was so provided. The Corporation believes that the Manitoba Report reasonably presents the quantity and pre-tax present worth values of the natural gas reserves attributable to the crude oil, natural gas liquids and natural gas properties evaluated in such report as at December 31, 2012 based upon information available at the time such reserves information was prepared, and the assumptions as to commodity prices and costs contained therein and the Corporation believes that at the date of such report it did not (and as of the date hereof, except as may be attributable to production or pricing changes since the date of such report does not) overstate the aggregate quantity or pre-tax present worth values of such reserves or the estimated monthly production volumes therefrom;

(l) to the knowledge, information and belief of the Corporation, Flagstone had made available to McDaniel, prior to the issuance of the Saskatchewan Report, for the purpose of preparing the Saskatchewan Report, all information requested by McDaniel, which information did not contain any material misrepresentation at the time such information was provided. Except with respect to changes in the prices of oil and gas, the Corporation has no knowledge of a material adverse change in any production, cost price, reserves or other relevant information provided to McDaniel by Flagstone since the date that such information was so provided. The Corporation believes that the Saskatchewan Report reasonably presents the quantity and pre-tax present worth values of the natural gas reserves attributable to the crude oil, natural gas liquids and natural gas properties evaluated in such report as at December 31, 2012 based upon information available at the time such reserves information was prepared, and the assumptions as to commodity prices and costs contained therein and the Corporation believes that at the date of such report it did not (and as of the date hereof, except as may be attributable to production or pricing changes since the date of such report does not) overstate the aggregate quantity or pre-tax present worth values of such reserves or the estimated monthly production volumes therefrom;

(li) the properties and assets of the Corporation and its Subsidiaries and, to the knowledge, information and belief of the Corporation, the Assets, are free and clear of all mortgages, pledges, liens, charges and encumbrances other than those encumbrances that are standard in the oil and gas industry, encumbrances pursuant to the Corporation's credit facility, or which do not and will not have a material adverse effect on the ownership or operation of such assets and properties ("**Permitted Encumbrances**") and other than Permitted Encumbrances, the Corporation and its Subsidiaries have not done any act or suffered or permitted any action to be done whereby any person has acquired or may acquire an interest in or to the material properties and assets of the Corporation or its Subsidiaries, nor has it done any act, omitted to do any act or permitted any act to be done that may adversely affect or defeat its title to any of its material properties or assets;

(lii) although it does not warrant title, the Corporation does not have reason to believe that the Corporation and its Subsidiaries do not have title to or the right to produce and sell its petroleum, natural gas and related hydrocarbons (for the purpose of this subsection, the foregoing are referred to as the "**Interest**") and does represent and warrant that the

Interest is free and clear of adverse claims created by, through or under the Corporation or its Subsidiaries and except for those arising in the ordinary course of business, and that, to its knowledge, the Corporation and its Subsidiaries hold the Interest under valid and subsisting leases, licenses, permits, concessions, concession agreements, contracts, subleases, reservations or other agreements except where the failure to so hold its Interest would not have a material adverse effect on the Corporation and its Subsidiaries or their properties or assets (taken as a whole);

(liii) there are no defects, failures or impairments in the title of the Corporation and its Subsidiaries to its oil and gas properties, whether or not an action, suit, proceeding or inquiry is pending or threatened and whether or not discovered by any third party, which in aggregate could have a material adverse effect on items (A), (B) and (C) set forth immediately below and the Corporation and its Subsidiaries are not aware of any pending or threatened action, suit, proceeding or inquiry which, in aggregate, could have a material adverse effect on: (A) the quantity of and pre-tax present value of estimated future net revenue from the oil and natural gas reserves of the Corporation as shown in the Surge Reserves Report; (B) the current production of the Corporation; or (C) the current cash flow of the Corporation;

(liv) to the knowledge of the Corporation, there are no defects, failures or impairments in the title of the Vendor to the Assets, whether or not an action, suit, proceeding or inquiry is pending or threatened or whether or not discovered by any third party, which in aggregate could have a material adverse effect on: (A) the quantity of and pre-tax present value of estimated future net revenue from the oil and natural gas reserves of the Assets as provided in the Corporation's internal reserve estimate; (B) the current production of the Assets; or (C) the current cash flow of the Assets;

(lv) the representations and warranties of the Corporation in the Acquisition Agreement, a true copy of which has been provided to the Underwriters, are true and correct as of the date hereof;

(lvi) the Corporation has no reason to believe that the representations and warranties of the Vendor in the Acquisition Agreement are not true and correct as of the date hereof or that the Vendor is in breach of any covenants of the Vendor in the Acquisition Agreement;

(lvii) to the best of the knowledge, information and belief of the Corporation, no event has occurred or condition exists which will prevent the Acquisition from being completed prior to 5:00 p.m. (Calgary time) on April 30, 2014;

(lviii) to the knowledge of the Corporation, none of its directors or officers are subject to an order or ruling of any securities regulatory authority or stock exchange prohibiting such individual from acting as a director or officer of a public company or of a company listed on a particular stock exchange;

(lix) other than as disclosed in the Disclosure Record, the Corporation is not a party to any written contracts of employment which may not be terminated on one month's notice or which provide for payments occurring on a change of control of the Corporation;

(lx) other than the Acquisition Agreement and the Credit Facility and agreements relating solely to normal course drilling and operations, or the agreements disclosed to the Underwriters in writing, there are no material contracts or agreements to which the Corporation is a party or by which it is bound or which are required by the Corporation to carry on its business as now conducted by it and presently proposed to be conducted by it, and each of such contracts and agreements constitute a legally valid and binding agreement of the Corporation enforceable in accordance with their respective terms and, to the knowledge of the Corporation, no party thereto is in default thereunder, which default may have a material adverse effect on the Corporation or its properties and assets (taken as a whole). For the purposes of this subsection, any contract or agreement pursuant to which the Corporation will, or may reasonably be expected to, result in a requirement to expend more than an aggregate of $1,000,000.00 or receive or be entitled to receive revenue of more than $1,000,000.00, in either case in the next 12 months, or is out of the ordinary course of business of the Corporation, shall be considered to be material;

(lxi) other than as disclosed in the Surge Financial Statements or to the Underwriters in writing at the Due Diligence Session, the Corporation is not a party to any Swaps or arrangements for Swaps;

(lxii) the Due Diligence Responses will be true and correct where they relate to matters of fact, and in all material respects as at the time such responses are given and such responses taken as a whole shall not omit any fact or information necessary to make any of the responses not misleading in light of the circumstances in which such responses were given, and the Corporation and its directors and officers will have responded in a thorough and complete fashion. Where the Due Diligence Responses reflect the opinion or view of the Corporation or its directors or officers (including, Due Diligence Responses or portions of such Due Diligence Responses, which are forward looking or otherwise related to projections, forecasts or estimates of future performance or results (operating, financial or otherwise)) ("**Forward Looking Statements**"), such opinions or views are subject to the qualifications and provisions set forth in the Due Diligence Responses and will be honestly held and believed to be reasonable at the time they are given provided, however, it shall not constitute a breach of this paragraph solely if the actual results vary or differ from those contained in Forward-Looking Statements;

(lxiii) the Corporation is not a party to any shareholder rights plan or any other form of plan, agreement, contract or instrument that shall trigger any rights to acquire Common Shares or other securities of the Corporation;

(lxiv) neither the Corporation nor, to its knowledge, any of its shareholders is a party to any unanimous shareholders agreement, pooling agreement, voting trust or other similar type of arrangements in respect of outstanding securities of the Corporation;

(lxv) the operations of the Corporation are and have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements of the money laundering statutes of all jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental authority (collectively, the "**Money Laundering Laws**") and no action, suit or proceeding by or before any court of governmental authority or any arbitrator non-governmental authority involving the Corporation with respect to the Money Laundering Laws is to the best knowledge of the Corporation pending or threatened;

(lxvi) neither the Corporation nor, to the knowledge of the Corporation, any officer, director, employee or agent of the Corporation has, directly or indirectly (a) paid or delivered any fee, commission or other sum of money or item of property, however characterized, to any broker, finder, agent, client representative, employee, political party or campaign, government official or other person, which any officer, director, employee or agent of any the Corporation knew or had reason to believe, or ought to have known, was in violation of the *Corruption of Foreign Public Officials Act* (Canada), the United States *Foreign Corrupt Practices Act of 1977*, as amended, or any applicable law implementing the provisions of the *OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions*, or the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada); or (b) made or received a bribe, rebate, payoff, influence payment, kickback or other unlawful payment; and

(lxvii) the Corporation has not been, nor to the knowledge of the Corporation, has any director, officer, agent, employee, affiliate or person acting on behalf of the Corporation been or is currently subject to any United States sanctions administered by the Office of Foreign Assets Control of the United States Treasury Department ("**OFAC**"); and the Corporation will not directly or indirectly use any proceeds of the distribution of the Offered Securities, or lend, contribute or otherwise make available such proceeds to the Corporation or to any affiliated entity, joint venture partner or other person or entity, to finance any investments in, or make any payments to, any country or person targeted by any of the sanctions of the United States administered by OFAC.

8. Indemnity

(a) The Corporation shall indemnify and save each of the Indemnified Persons, harmless against and from all actual or threatened, liabilities, claims, demands, losses, costs (including, without limitation, legal fees and disbursements on a full indemnity basis), damages and expenses to which the Indemnified Persons may be subject or which the Indemnified Persons may suffer or incur, whether under the provisions of any statute or otherwise, in any way caused by, or arising directly or indirectly from or in consequence of:

(i) any information or statement contained in the Preliminary Prospectus, the Prospectus, the Preliminary U.S. Placement Memorandum, the U.S. Placement Memorandum, any Supplementary Material, any part of the Disclosure Record or in any other document or material filed or delivered by or on behalf of the Corporation pursuant hereto (other than any information or statement relating solely to the Underwriters and furnished to the Corporation by the Underwriters in writing expressly for inclusion in the Preliminary Prospectus, Prospectus, the Preliminary U.S. Placement Memorandum, the U.S. Placement Memorandum or any Supplementary Material or such other document or material) which is or is alleged to be untrue or any omission or alleged omission to provide any information or state any fact (other than any information or fact relating solely to the Underwriters) the omission of which makes or is alleged to make any such information or statement untrue or misleading in light of the circumstances in which it was made;

(ii) any misrepresentation or alleged misrepresentation (except a misrepresentation which is based upon information relating solely to the Underwriters and furnished to the Corporation by the Underwriters in writing expressly for inclusion in the Preliminary Prospectus, Prospectus, Preliminary U.S. Placement Memorandum, U.S. Placement Memorandum, any Supplementary Material or in any document or other part of the Disclosure Record) contained in the Preliminary Prospectus, the Prospectus, the Preliminary U.S. Placement Memorandum, the U.S. Placement Memorandum, any Supplementary Material or in any other document or any other part of the Disclosure Record filed by or on behalf of the Corporation;

(iii) any prohibition or restriction of trading in the securities of the Corporation or any prohibition or restriction affecting the distribution of the Offered Securities imposed by any competent authority if such prohibition or restriction is based on any misrepresentation or alleged misrepresentation of a kind referred to in subsection 8(a)(ii);

(iv) any order made or any inquiry, investigation (whether formal or informal) or other proceeding commenced or threatened by any one or more competent authorities prohibiting, restricting, relating to or materially affecting the trading or distribution of the Offered Securities;

(v) any breach of, default under or non-compliance by the Corporation with any requirements of the Applicable Securities Laws, the by-laws, rules or regulations of the Exchange or any representation, warranty, term or condition of this Agreement or in any certificate or other document delivered by or on behalf of the Corporation hereunder or pursuant hereto;

(vi) the exercise by any subscriber for Offered Receipts or any holder of Offered Securities of any contractual or statutory right of rescission for damages in connection with the purchase of the Offered Receipts based on any misrepresentation or alleged misrepresentation of a kind referred to in subsection 8(a)(ii); or

(vii) the release of the Escrowed Funds by the Escrow Agent to or on the direction of the Corporation;

provided, however, no party who has engaged in any willful misconduct, or gross negligence shall be entitled, to the extent that a court of competent jurisdiction from which no appeals can be made has determined that the liabilities, claims, losses, costs, damages or expenses were caused solely by such activity, to claim indemnification from any person who has not engaged in such willful misconduct, or gross negligence (provided that for greater certainty, the foregoing shall not disentitle an Underwriter from claiming indemnification hereunder to the extent that the gross negligence, if any, relates to the Underwriter's failure to conduct adequate "due diligence").

(b) If any claim contemplated by subsection 8(a) shall be asserted against any of the persons or corporations in respect of which indemnification is or might reasonably be considered to be provided for in such subsections, the Indemnified Person shall notify the Corporation (provided that failure to so notify the Corporation of the nature of such claim in a timely fashion shall relieve the Corporation of liability hereunder only if and to the extent that such failure materially prejudices the Corporation's ability to defend such claim) as soon as possible of the nature of such claim and the Corporation shall be entitled (but not required) to assume the defense of any suit brought to enforce such claim, provided however, that the defense shall be through legal counsel selected by the Corporation and acceptable to the Indemnified Person acting reasonably and that no admission of liability or settlement may be made by the Corporation or the Indemnified Person without the prior written consent of the other, such consent not to be unreasonably withheld. The Indemnified Person shall have the right to retain its own counsel in any proceeding relating to a claim contemplated by subsection 8(a) if:

(i) the Indemnified Person has been advised by counsel that there may be a reasonable legal defense available to the Indemnified Person which is different from or additional to a defense available to the Corporation and that representation of the Indemnified Person and the Corporation by the same counsel would be inappropriate due to the actual or potential differing interests between them (in which case the Corporation shall not have the right to assume the defense of such proceedings on the Indemnified Person's behalf);

(ii) the Corporation shall not have taken the defense of such proceedings and employed counsel within ten (10) days after notice has been given to the Corporation of commencement of such proceedings; or

(iii) the employment of such counsel has been authorized by the Corporation in connection with the defense of such proceedings;

and, in any such event, the reasonable fees and expenses of such Indemnified Person's counsel (on a solicitor and his client basis) shall be paid by the Corporation, provided that the Corporation shall not, in connection with any one such action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one separate law firm (in addition to any local counsel) for all such Indemnified Persons.

(c) The Corporation hereby waives its rights to recover contribution from the Underwriters with respect to any liability of the Corporation by reason of or arising out of any misrepresentation in the Preliminary Prospectus, the Prospectus, the Preliminary U.S. Placement Memorandum, the U.S. Placement Memorandum, any Supplementary Material or any other part of the Disclosure Record provided, however, that such waiver shall not apply in respect of liability caused or incurred by reason of any misrepresentation which is based upon information relating solely to the Underwriters contained in such document and furnished to the Corporation by the Underwriters expressly for inclusion in the Preliminary Prospectus, the Prospectus, the Preliminary U.S. Placement Memorandum, the U.S. Placement Memorandum or any Supplementary Material.

(d) If any legal proceedings shall be instituted against the Corporation in respect of the Preliminary Prospectus, the Prospectus, the Preliminary U.S. Placement Memorandum, the U.S. Placement Memorandum, any Supplementary Material or any other part of the Disclosure Record or the Offered Securities or if any regulatory authority or stock exchange shall carry out an investigation of the Corporation in respect of the Preliminary Prospectus, the Prospectus, the Preliminary U.S. Placement Memorandum, the U.S. Placement Memorandum, any Supplementary Material or any other part of the Disclosure Record or the Offered Securities and, in either case, any Indemnified Person is required to testify, or respond to procedures designed to discover information, in connection with or by reason of the services performed by the Underwriters hereunder, the Indemnified Persons may employ their own legal counsel and the Corporation shall pay and reimburse the Indemnified Persons for the reasonable fees, charges and disbursements (on a full indemnity basis) of such legal counsel, the other expenses reasonably incurred by the Indemnified Persons in connection with such proceedings or investigation and a fee at the normal per diem rate for any director, officer or employee of the Underwriters involved in the preparation for or attendance at such proceedings or investigation.

(e) The rights and remedies of the Indemnified Persons set forth in Sections 8, 9 and 10 (in the case of the Underwriters) hereof are to the fullest extent possible in law, cumulative and not alternative and the election by any Underwriter or other Indemnified Person to exercise any such right or remedy shall not be, and shall not be deemed to be, a waiver of any other rights and remedies.

(f) The Corporation hereby acknowledges that the Underwriters are acting as agents for the other Indemnified Persons under this Section 8 and under Section 9 with respect to all such Indemnified Persons.

(g) The Corporation waives any right it may have of first requiring an Indemnified Person to proceed against or enforce any other right, power, remedy or security or claim or to claim payment from any other person before claiming under this indemnity. It is not necessary for an Indemnified Person to incur expense or make payment before enforcing such indemnity.

(h) The rights of indemnity contained in this Section 8 shall not apply if the Corporation has complied with the provisions of Sections 3, 4 and 5 and the person asserting any claim contemplated by this Section 8 was not provided with a copy of the Prospectus or any amendment to the Prospectus or other document which corrects any misrepresentation or alleged misrepresentation which is the basis of such claim and which was required, under Applicable Securities Laws, to be delivered to such person and which the Corporation has provided to the Underwriters to forward to such person.

(i) If the Corporation has assumed the defense of any suit brought to enforce a claim hereunder, the Indemnified Person shall provide the Corporation copies of all documents and information in its possession pertaining to the claim, take all reasonable actions necessary to preserve its rights to object to or defend against the claim, consult and reasonably cooperate with the Corporation in determining whether the claim and any legal proceeding resulting therefrom should be resisted, compromised or settled and reasonably cooperate and assist in any negotiations to compromise or settle, or in any defense of, a claim undertaken by the Corporation.

9. Contribution

In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in this Agreement is due in accordance with its terms but is, for any reason, held by a court to be unavailable from the Corporation on grounds of policy or otherwise, the Corporation and the party or parties seeking indemnification shall contribute to the aggregate liabilities, claims, demands, losses (other than losses of profit), costs (including, without limitation, legal fees and disbursements on a full indemnity basis), damages and expenses (or claims, actions, suits or proceedings in respect thereof) to which they may be subject or which they may suffer or incur:

(a) in such proportion as is appropriate to reflect the relative benefit received by the Corporation on the one hand, and by the Underwriters on the other hand, from the offering of the Offered Receipts; or

(b) if the allocation provided by subsection 9(a) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in subsection 9(a) above but also to reflect the relative fault of the Underwriters on the one hand, and the Corporation, on the other hand, in connection with the statements, commissions or omissions or other matters which resulted in such liabilities, claims, demands, losses, costs, damages or expenses, as well as any other relevant equitable considerations.

The relative benefits received by the Corporation, on the one hand, and the Underwriters, on the other hand, shall be deemed to be in the same proportion that the total proceeds of the offering received by the Corporation (net of fees but before deducting expenses) bear to the fees received by the Underwriters. In the case of liability arising out of the Preliminary Prospectus, the Prospectus, the Preliminary U.S. Placement Memorandum, the U.S. Placement Memorandum or any Supplementary Material, the relative fault of the Corporation, on the one hand, and of the Underwriters, on the other hand, shall be determined by reference, among other things, to whether the misrepresentation or alleged misrepresentation, order, inquiry, investigation or other matter or thing referred to in Section 8 relates to information supplied or which ought to have been supplied by, or steps or actions taken or done on behalf of or which ought to have been taken or done on behalf of the Corporation or the Underwriters and the parties' relative intent knowledge, access to information and opportunity to correct or prevent such misrepresentation or alleged misrepresentation, order, inquiry, investigation or other matter or thing referred to in Section 8.

The amount paid or payable by an Indemnified Person as a result of liabilities, claims, demands, losses (other than losses of profit), costs, damages and expenses (or claims, actions, suits or proceedings in respect thereof) referred to above shall, without limitation, include any legal or other expenses reasonably incurred by the Indemnified Person in connection with investigating or defending such liabilities, claims, demands, losses, costs, damages and expenses (or claims, actions, suits or proceedings in respect thereof) whether or not resulting in any action, suit, proceeding or claim.

Each of the Corporation and the Underwriters agree that it would not be just and equitable if contributions pursuant to this Agreement were determined by pro rata allocation or by any other method of allocation which does not take into account the equitable considerations referred to in the immediately preceding sections. The rights to contribution provided in this Section 9 shall be in addition to, and without prejudice to, any other right to contribution which the Underwriters or other Indemnified Persons may have.

Any liability of an Underwriter under this Section 9 shall be limited to the amount actually received by the Underwriter under Section 2.

10. Expenses

Whether or not the transactions contemplated herein shall be completed, all costs and expenses (including applicable GST) of or incidental to the transactions contemplated hereby including, without limitation, those relating to the distribution of the Offered Receipts, if applicable, shall be borne by the Corporation including, without limitation, all costs and expenses of or incidental to the preparation, filing, translation and reproduction (including the commercial copies thereof) of the Preliminary Prospectus, the Prospectus, the Preliminary U.S. Placement Memorandum, the U.S. Placement Memorandum, any Supplementary Material, and the delivery thereof to the Underwriters, the fees and expenses of the Corporation's counsel, the fees and expenses of agent counsel retained by the Corporation or the Corporation's counsel, the fees and expenses of the Corporation's transfer agent, any auditors, engineers and other outside consultants, all stock exchange listing fees, and all other costs and expenses relating to this transaction including, without limitation, the legal fees (to a maximum of $75,000 exclusive of GST) and disbursements of Underwriters' counsel (including the fees and disbursements of special U.S. counsel, if any) together with applicable GST and the reasonable out-of-pocket expenses of the Underwriters. All fees and expenses incurred by the Underwriters which are reimbursable hereunder shall be payable by the Corporation immediately upon receiving an invoice therefor from the Underwriters.

For greater certainty, 50% of the Underwriters expenses shall be payable from the Corporation’s general funds, at the Closing Date or any Additional Closing Date, as the case may be, with the remaining expenses to be paid upon completion of the Acquisition and satisfaction of the escrow release conditions.

11. Termination

(a) In addition to any other rights or remedies available to the Underwriters, the Underwriters, or any of them, may, without liability, terminate their obligations hereunder, by written notice to the Corporation in the event that after the date hereof and at or prior to the Closing Time:

(i) any order to cease or suspend trading in any securities of the Corporation or prohibiting or restricting the distribution of any of the Offered Securities is made, or proceedings are announced, commenced or threatened for the making of any such order, by any securities commission or similar regulatory authority, the Exchange or any other competent authority, and such order or proceeding has not been rescinded, revoked or withdrawn or such announced, commenced or threatened proceeding has not been terminated or withdrawn;

(ii) any inquiry, action, suit, investigation or other proceeding (whether formal or informal) in relation to the Corporation or any of its directors or senior officers is announced, commenced or threatened by any federal, provincial, state, municipal, other governmental agency or any securities commission or similar regulatory authority, the Exchange or any other competent authority, or there is a change in law, regulation or policy or the interpretation or administration thereof, if, in the sole opinion of the Underwriters, or any one of them, acting reasonably, the change, announcement, commencement or threatening thereof, as the case may be, operates or could operate to prevent, suspend, hinder, delay, restrict or otherwise materially adversely affects, or may materially adversely affects the Corporation, the Assets, the Acquisition or, the trading, distribution or market price of value of the Offered Securities or any other securities of the Corporation;

(iii) there should develop, occur or come into effect or existence any event, action, state, condition or major financial occurrence of national or international consequence, including, without limitation, any military conflict, civil insurrection, act of terrorism, war or like event, or a governmental action, law, regulation, inquiry or any occurrence of any nature whatsoever, which, in the sole opinion of the Underwriters or any one of them, acting reasonably, seriously adversely affects or involves, or may seriously adversely affect or involve, the financial markets generally or the business, operations, affairs or profitability of the Corporation, the Assets, or the market price or value or marketability of the of the Offered Securities or any other securities of the Corporation;

(iv) there should occur any material change, change of a material fact, occurrence, event, fact or circumstance (whether actual, anticipated, proposed, contemplated or threatened) or any development that could result in a material change or change of a material fact, any of which, in the sole opinion of the Underwriters, or any one of them, as determined by the Underwriter in its sole discretion, could reasonably be expected to have a material adverse effect on the business, operations, affairs or profitability of the Corporation, the Assets, the Acquisition or the market price or value or the marketability of the Offered Securities or other securities of the Corporation;

(v) the Underwriters or any one of them, determine in its sole discretion that the Corporation shall be in breach of, default under or non-compliance with any covenant, term or condition of this Agreement or the Acquisition Agreement in any material respect, or any representation or warranty given by the Corporation in this Agreement or the Acquisition Agreement becomes or is false in any material respect;

(vi) the Underwriters or any one of them, becomes aware, as a result of its due diligence review or otherwise, of any adverse material information, fact or change with respect to the Corporation, the Assets or the Acquisition (in the sole opinion of the Underwriters acting reasonably) which had not been publicly disclosed or disclosed to the Underwriters prior to the date hereof or which occurred after the effective date hereof but prior to the

Closing and which would have a material adverse effect on the market price or value of the Offered Securities or on the Assets or the Acquisition;

(vii) the Acquisition Agreement is terminated and not replaced by an amendment or restatement of such on substantially the same terms and satisfactory in form and containing terms and conditions acceptable to the Underwriters, acting reasonably, or the Corporation otherwise notifies the Underwriters that the Acquisition will not occur; or

(viii) the Termination Time has occurred.

(b) The Underwriters, or any of them, may exercise any or all of the rights provided for in subsection 11(a) or Sections 12 or 16 notwithstanding any material change, change, event or state of facts and (except where the Underwriter purporting to exercise any of such rights is in material breach of its obligations under this Agreement) notwithstanding any act or thing taken or done by the Underwriters or any inaction by the Underwriters, whether before or after the occurrence of any material change, change, event or state of facts including, without limitation, any act of the Underwriters related to the offering or continued offering of the Offered Securities for sale and any act taken by the Underwriters in connection with any amendment to the Prospectus (including the execution of any amendment or any other Supplementary Material) and the Underwriters shall only be considered to have waived or be estopped from exercising or relying upon any of their rights under or pursuant to subsection 11(a) or Sections 12 or 16 if such waiver or estoppel is in writing and specifically waives or estops such exercise or reliance.

(c) Any termination pursuant to the terms of this Agreement shall be effected by notice in writing delivered to the Corporation with a copy to the other Underwriters provided that no termination shall discharge or otherwise affect any obligation of the Corporation under Sections 8, 9, 10 or 17. The rights of the Underwriters to terminate their obligations hereunder are in addition to, and without prejudice to, any other rights or remedies they may have.

(d) If an Underwriter elects to terminate its obligation to purchase the Offered Receipts as aforesaid, whether the reason for such termination is within or beyond the control of the Corporation, the liability of the Corporation hereunder with respect to such Underwriter shall be limited to the indemnity referred to in Section 8, the contribution rights referred to in Section 9 and the payment of expenses referred to in Section 10.

12. Closing Documents

The obligations of the Underwriters hereunder to purchase the Offered Securities at the Closing Time shall be conditional upon all representations and warranties and other statements of the Corporation herein being, at and as of the Closing Time, true and correct in all material respects, the Corporation having performed in all material respects, at the Closing Time, all of its obligations hereunder theretofore to be performed and the Underwriters receiving at the Closing Time and the delivery by the Corporation to the Underwriters of:

(a) favourable legal opinions of the Corporation's counsel addressed to the Underwriters, in form and substance reasonably satisfactory to the Underwriters, with respect to such matters as the Underwriters may reasonably request relating to the Corporation, the offering of the Offered Receipts and the transactions contemplated hereby, including, without limitation, that:

(i) the Corporation and its Subsidiaries have been duly created, incorporated, amalgamated, as the case may be, and are validly subsisting and have all requisite corporate capacity, power and authority to own and lease their properties and assets and to carry on their respective businesses as now conducted by them and as described in the Prospectuses and are qualified to carry on business under the laws of each of the jurisdictions in which they carry on a material portion of their respective businesses;

(ii) the Corporation has full corporate power and authority to enter into this Agreement, the Subscription Receipt Agreement and the Acquisition Agreement and to perform its obligations set out herein and therein, and this Agreement, the Subscription Receipt Agreement and the Acquisition Agreement have been duly authorized, executed and delivered by the Corporation and each of this Agreement, the Subscription Receipt Agreement and the Acquisition Agreement constitutes a legal, valid and binding obligation of the Corporation enforceable against the Corporation in accordance with its terms, except that the validity, binding effect and enforceability of the terms of agreements and documents are subject to the qualification that such validity, binding effect and enforceability may be limited by: (i) applicable bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights generally; (ii) equitable remedies, including the remedies of specific performance and injunctive relief, being available only in the discretion of the applicable court; (iii) the statutory and inherent powers of a court to grant relief from forfeiture, to stay execution of proceedings before it and to stay executions on judgments; (iv) the applicable laws regarding limitations of actions; (v) enforceability of provisions which purport to sever any provision which is prohibited or unenforceable under applicable law without affecting the enforceability or validity of the remainder of such document would be determined only in the discretion of the court; (vi) enforceability of the provisions exculpating a party from liability or duty otherwise owed by it may be limited under applicable law; and (vii) the rights to indemnity, contribution and waiver under the documents which may be limited or unavailable under applicable law;

(iii) the execution and delivery of this Agreement and the fulfillment of the terms hereof by the Corporation, and the performance of and compliance with the terms of this Agreement, the Subscription Receipt Agreement and the Acquisition Agreement by the Corporation does not and will not result in a breach of, or constitute a default under, and does not and will not create a state of facts which, after notice or lapse of time or both, will result in a breach of or constitute a default under: (a) any applicable laws of the Province of Alberta or the federal laws of Canada applicable therein; (b) any term or provision of the articles, by-laws or other constating documents, as applicable, of the Corporation; (c) of which counsel is aware, any resolutions of the shareholders or directors (or any committee thereof) of the Corporation; (d) of which counsel is aware, any indenture, mortgage, note, contract, agreement (written or oral), instrument, lease or other document to which the Corporation is a party or by which it is bound; or (e) of which counsel is aware, any judgment, decree or order, of any court, governmental agency or body or regulatory authority having jurisdiction over or binding the Corporation or its properties or assets;

(iv) the Corporation is a reporting issuer in each of the Provinces of Canada, and is not included in a list of defaulting reporting issuers maintained pursuant to the applicable securities legislation of such provinces, and is eligible to participate in NI 44-101 in each of the Qualifying Provinces;

(v) the Firm Receipts and, if applicable, the Option Receipts have been duly and validly created, allotted and issued as Subscription Receipts in accordance with the provisions of the Subscription Receipt Agreement;

(vi) the Underlying Shares issuable pursuant to the Firm Receipts and, if applicable, the Option Receipts will, upon issuance in accordance with the terms of the Subscription Receipt Agreement, be issued as fully paid and non-assessable Common Shares of the Corporation;

(vii) the attributes of the Offered Securities conform in all material respects with the description thereof contained in the Prospectuses; the Offered Receipts and Underlying Shares are “qualified investments” as set out under the heading "Eligibility for Investment" in the Prospectuses;

(viii) all necessary documents have been filed, all necessary proceedings have been taken and all legal requirements have been fulfilled as required under the Applicable Securities Laws of each of the Qualifying Provinces in order to qualify the Offered Securities for distribution and sale to the public in each of such Qualifying Provinces by or through persons duly registered under the applicable laws of such provinces who have complied with the relevant provisions of such Applicable Securities Laws;

(ix) no filing, proceeding, approval, consent or authorization is required to be made, taken or obtained by the Corporation under Applicable Securities Laws to permit the issuance by the Corporation of the Offered Securities, provided that no commission or other remuneration is paid or given in respect of the distribution except for administrative or professional services or for services performed by a registered dealer;

(x) the first trade by a holder of Offered Receipts or by a holder of Underlying Shares received pursuant to the Firm Receipts and, if applicable, the Option Receipts will not be subject to the prospectus requirements of Applicable Securities Laws and no filing, proceeding, approval, consent or authorization under Applicable Securities Laws will be required to permit the trading of such Common Shares in the Qualifying Provinces, provided that the trade is not a "control distribution" as such term is defined in National Instrument 45-102 ("**NI 45-102**") and the Corporation is a "reporting issuer" for the purposes of NI 45-102 at the time of such trade in the jurisdiction where such trade occurs;

(xi) the Corporation has the necessary corporate power and authority to execute and deliver the Prospectuses and marketing materials and all necessary corporate action has been taken by the Corporation to authorize the execution and delivery by it of the Prospectuses and marketing materials and the filing thereof, as the case may be, in each of the Qualifying Provinces in accordance with Applicable Securities Laws;

(xii) the Offered Receipts and the Common Shares issuable pursuant to the Offered Receipts are conditionally approved for listing and, upon notification to the Exchange of the issuance and sale thereof and fulfillment of the conditions of the Exchange, will be issued and posted for trading on the Exchange;

(xiii) Olympia Trust Company, at its principal offices in Calgary, Alberta and Toronto, Ontario has been duly appointed the transfer agent and registrar for the Common Shares and the Offered Receipts, and has been duly appointed the escrow agent under the Subscription Receipt Agreement;

(xiv) the form and terms of the definitive certificates representing the Subscription Receipts and Common Shares have been duly approved and adopted by the board of directors of the Corporation and comply with all legal requirements (including the requirements of the Exchange) relating thereto; and

(xv) the authorized and issued capital of the Corporation.

It is understood that the respective counsel may rely on the opinions of local counsel acceptable to them as to matters governed by the laws of jurisdictions other than where they are qualified to practice law, and on certificates of officers of the Corporation, the transfer agent and the Corporation's auditors as to relevant matters of fact;

(b) if any Offered Receipts are sold in the United States, a favourable legal opinion by Dorsey & Whitney LLP, the Corporation's special United States counsel, in form and substance reasonably satisfactory to the Underwriters, which opinion may be subject to usual and customary qualifications for opinions of this type, to the effect that no registration under the U.S. Securities Act is required for the offer and sale of the Firm Receipts (and, if applicable, the Option Receipts) in the United States in accordance with the terms of this Agreement, including Schedule "A" attached hereto;

(c) opinions of legal counsel in Québec addressed to the Corporation and the Underwriters, dated the Closing Date, to the effect that the French version of the Prospectuses and any documents incorporated therein by reference (except for any financial statements and financial information which are the subject of the opinion of the Corporation's auditors referred to below, as to which no opinion needs to be expressed by Québec counsel) is in all material respects a reasonable and proper translation of the English versions thereof, that the English and French versions are not susceptible to any materially different interpretation with respect to any material matter contained therein and that the offer, purchase and sale of the Offered Receipts in Québec complied with all applicable laws of Québec relating to the use of the French language;

(d) opinions of the Corporation's auditors addressed to the Corporation and the Underwriters, dated the Closing Date, to the effect that the French versions of financial statements and financial information set forth therein or incorporated therein by reference and as to which no opinion has been expressed by Québec counsel are in all material respects complete and proper translations of the English versions thereof;

(e) a certificate of the Corporation dated the Closing Date addressed to the Underwriters and signed on behalf of the Corporation by the President and Chief Executive Officer and the Chief Financial Officer of the Corporation or such other officers of the Corporation satisfactory to the Underwriters, acting reasonably, certifying, on behalf of the Corporation and without personal liability, that:

(i) the Corporation has complied with and satisfied all terms and conditions of this Agreement on its part to be complied with or satisfied at or prior to the Closing Time;

(ii) the representations and warranties of the Corporation set forth in this Agreement are true and correct in all material respects at the Closing Time (except for those representations and warranties that are subject to a materiality qualification, which are to be true and correct as of the Closing Time in all respects), as if made at such time;

(iii) no event of a nature referred to in subsection 6(a), 6(b), 11(a)(i), 11(a)(ii), 11(a)(iii) or 11(a)(vii) has occurred or to the knowledge of such officer is pending, contemplated or threatened (excluding any requirement to make any determination as to any Underwriter's opinion);

(iv) the Acquisition Agreement has not been amended nor have any terms and conditions thereof been waived, other than as disclosed in writing to the Underwriters;

(v) the Corporation has no reason to believe that the Acquisition will not be completed in accordance with the terms of the Acquisition Agreement prior to the Deadline;

(vi) there have been no material changes to the Due Diligence Responses; and

(vii) such other matters as may be reasonably requested by the Underwriters or the Underwriters' counsel;

and each such statement shall be true and the Underwriters shall have no knowledge to the contrary;

(f) a comfort letter of the Corporation's auditors and those other auditors required to provide a "comfort letter" pursuant to subsection 4(d) addressed to the Underwriters and dated the Closing Date, satisfactory in form and substance to the Underwriters, acting reasonably, bringing the information contained in the comfort letters referred to in subsection 4(d) hereof up to the Closing Time, which comfort letters shall be not more than two Business Days prior to the Closing Date;

(g) evidence satisfactory to the Underwriters that the Corporation has obtained all necessary third party approvals and all necessary approvals of the Exchange for the issuance of the Offered Securities and the issuance and listing of the Offered Receipts and the Underlying Shares, subject only to the filing of Prospectuses and ancillary documentation in respect of the Offered Receipts and the Underlying Shares and required documents which are in the possession of the Corporation on the Closing Date and payment of applicable fees; and

(h) such other certificates and documents as the Underwriters may request, acting reasonably.

13. Deliveries

(a) The sale of the Firm Receipts to be purchased hereunder shall be completed at the Closing Time at the offices of the Corporation's counsel in Calgary, Alberta or at such other place as the Corporation and the Underwriters may agree. Subject to the conditions set forth in Section 12, the Underwriters, on the Closing Date, shall deliver to the Escrow Agent, by wire transfer, the amount of $6.30 per Offered Receipt (being an aggregate of $70,005,600) against delivery by the Corporation of:

(i) the opinions, certificates and documents referred to in Section 12; and

(ii) definitive certificates or evidence of book-entry registration as set out in subsection 13(b) representing, in the aggregate, all of the Firm Receipts which the Underwriters have elected to purchase hereunder registered, subject to subsection 13(b) below, in the name of CDS & Co. or in such name or names as the Underwriters shall notify the Corporation in writing not less than 24 hours prior to the Closing Time; and

(iii) payment to Macquarie Capital, by certified cheque, bank draft or wire transfer or such other means as the Corporation and the Underwriters may agree, of the Underwriting Fee provided for in Section 2 in respect of the Firm Receipts.

(b) The sale of the Option Receipts, if applicable, shall be completed at the offices of the Corporation's counsel in Calgary, Alberta or at such other place as the Corporation and the Underwriters may agree, on the date (the "**Additional Closing Date**") and at the time ("**Additional Closing Time**") specified by the Underwriters in the written notice given by the Underwriters pursuant to their election to purchase such Option Receipts (provided that in no event shall such time be earlier than the Closing Time or earlier than two or later than ten Business Days after the date of the written notice of the Underwriters to the Corporation in respect of the Option Receipts), or at such other time and date as the Underwriters and the Corporation may agree upon in writing. Subject to the conditions set forth in section 12 (with the references therein to the Closing Time changed to the Additional Closing Time), the Underwriters, at the Additional Closing Time, shall deliver to the Escrow Agent, on behalf of the Corporation (or, if the closing of the Acquisition has occurred, directly to the Corporation), by certified cheque, bank draft or wire transfer or such other means as the Corporation and the Underwriters may agree, the amount of $6.30 per Option Receipt agreed to be purchased by the Underwriters from the Corporation pursuant to the exercise of the Over-Allotment Option (being an aggregate of $10,500,840 if the Over-Allotment Option is exercised in full), against delivery by the Corporation of:

(i) the opinions, certificates and documents referred to in section 12 (with the references therein to the Closing Time and Closing Date changed to the Additional Closing Time and Additional Closing Date respectively);

(ii) definitive certificates representing, in the aggregate, all of the Option Receipts agreed to be purchased from the Underwriters from the Corporation pursuant to the exercise of the Over-Allotment Option registered, subject to subsection 13(c) below, in the name of CDS & Co. or in such name or names as the Underwriters shall notify the Corporation in writing not less than 24 hours prior to the Additional Closing Time; and

(iii) payment to Macquarie Capital, by certified cheque, bank or wire transfer or such other means as the Corporation and the Underwriters may agree, of the Underwriting Fee provided for in subsection 2(b) in respect of the Option Receipts.

Whether or not specifically contemplated in this Agreement, all provisions of this Agreement shall apply in the same manner and upon the same terms and conditions in respect of any Option Receipts as would apply to the Firm Receipts issued and sold pursuant to this Agreement, and any steps to be taken or conditions to be satisfied at the Additional Closing Time shall be the same as those steps to be taken or conditions to be satisfied at Closing Time.

(c) If the Corporation determines to issue the Offered Receipts as a book-entry only security in accordance with the rules and procedures of The Canadian Depository for Securities Limited ("**CDS**"), then, as an alternative to the Corporation delivering to the Underwriters definitive certificates representing the Offered Receipts in the manner and at the times set forth in this Section 13:

(i) the Underwriters will provide a direction to CDS with respect to the crediting of the Offered Receipts to the accounts of the participants of CDS as shall be designated by the Underwriters in writing in sufficient time prior to the Closing Date to permit such crediting; and

(ii) the Corporation shall cause Olympia Trust Company as registrar and transfer agent of the Offered Receipts, to deliver to CDS, on behalf of the Underwriters, one fully registered global certificate for the Offered Receipts to be purchased hereunder, registered in the name of "CDS & Co." as the nominee of CDS, to be held by CDS as a book-entry only security in accordance with the rules and procedures of CDS.

(d) Notwithstanding anything to the contrary contained herein, Offered Receipts sold pursuant to Rule 144A shall be issued under and represented by a separate restricted CUSIP number, and certificates representing such Offered Receipts shall bear the legend setting forth matters under the U.S. Securities Act contemplated by the U.S. Placement Memorandum.

14. Restrictions on Offerings

The Corporation agrees that, from the date hereof and ending on the date that is 90 days following the Closing Date that it will not issue, offer, or announce the offering of, or make or announce any agreement to issue, sell, or exchange Common Shares or securities convertible or exchangeable into Common Shares without the prior consent of Macquarie Capital, not to be unreasonably withheld, provided that notwithstanding the foregoing, the Corporation may, without such consent, (i) grant options to directors, officers, consultants or employees of the Corporation pursuant to the Corporation's board approved stock option plan, (ii) issue Common Shares on exercise of outstanding stock options granted under such plan and upon exercise of outstanding rights, agreements, warrants and other convertible securities, (iii) issue the Underlying Shares in accordance with the terms of the Subscription Receipts.

15. Notices

Any notice or other communication to be given hereunder shall, in the case of notice to be given to the Corporation be addressed to the Corporation, c/o Mr. Paul Colborne, President, Chief Executive Officer and Chairman, at the above address, Fax No. (403) 930-1011, with a copy to:

McCarthy Tétrault LLP
Suite 3300, 421 – 7th Avenue S.W.
Calgary, Alberta T2P 4K9

Attention: Thomas N. Cotter
Fax: (403) 260-3501

and, in the case of notice to be given to the Underwriters, be addressed to:

Macquarie Capital Markets Canada Ltd.
2020, 335 - 8th Avenue S.W.
Calgary, Alberta T2P 1C9

Attention: Marnie Smith
Fax: (403) 539-4365

and to:

GMP Securities L.P.
4800, 525 - 8th Avenue S.W.
Calgary, Alberta T2P 1G1

Attention: Christopher Graham
Fax: (403) 543-3589

and to:

National Bank Financial Inc.
Suite 1800, 311 – 6th Avenue S.W.
Calgary, Alberta T2P 3H2

Attention: Tom MacInnis
Fax: (403) 265-0543

and to:

CIBC World Markets Inc.
9th Floor Bankers Hall East
855- 2nd Street S.W.
Calgary, Alberta T2P 4J7

Attention: John Peltier
Fax: (403) 260-0524

and to:

Scotia Capital Inc.
1800, 700 – 2nd Street S.W.
Calgary, Alberta T2P 2W1

Attention: Mike Jackson
Fax: (403) 269-8355

and to:

Dundee Securities Ltd.
3600, 350 -7th Avenue S.W.
Calgary, AB T2P 3N9

Attention: Tony P. Loria
Fax: (403) 264-6331

and to:

FirstEnergy Capital Corp.
1100, 311 – 6th Avenue S.W.
Calgary, Alberta T2P 3H2

Attention: Erik B. Bakke
Fax: (403) 262-0688

and to:

Cormark Securities Inc.
1800, 300 – 5th Avenue S.W.
Calgary, Alberta T2P 3C4

Attention: Ryan A. Shay
Fax: (403) 266-4222

and to:

TD Securities Inc.
Suite 800, Home Oil Tower
324 – 8th Avenue S.W.
Calgary, Alberta T2P 2Z2

Attention: Scott W. Barron
Fax: (403) 292-2776

and to:

Raymond James Ltd.
Site 4250, 525 – 8th Avenue S.W.
Calgary, Alberta T2P 1G1

Attention: Trevor Anderson
Fax: (403) 509-0535

and a copy to:

Bennett Jones LLP
4500 Bankers Hall East
855 – 2nd Street S.W.
Calgary, Alberta T2P 4K7

Attention: William S. Osler
Fax: (403) 265-7219

or to such other address as the party may designate by notice given to the other. Each communication shall be personally delivered to the addressee or sent by facsimile transmission to the addressee, and:

(a) a communication which is personally delivered shall, if delivered before 4:00 p.m. (local time at the place of delivery) on a Business Day, be deemed to be given and received on that day and, in any other case be deemed to be given and received on the first Business Day following the day on which it is delivered; and

(b) a communication which is sent by facsimile transmission shall, if sent on a Business Day before 4:00 p.m. (local time at the place of receipt), be deemed to be given and received on that day and, in any other case, be deemed to be given and received on the first Business Day following the day on which it is sent.

16. Conditions

All terms, covenants and conditions of this Agreement to be performed by the Corporation shall be construed as conditions, and any breach or failure to comply with any material terms and conditions which are for the benefit of the Underwriters shall entitle the Underwriters to terminate their obligations to purchase the Offered Receipts, by written notice to that effect given to the Corporation prior to the Closing Time. The Underwriters may waive in whole or in part any breach of, default under or non-compliance with any representation, warranty, term or condition hereof, or extend the time for compliance therewith, without prejudice to any of their rights in respect of any other representation, warranty, term or condition hereof or any other breach of, default under or non-compliance with any other representation, warranty, term or condition hereof, provided that any such waiver or extension shall be binding on the Underwriters only if the same is in writing.

17. Survival of Representations and Warranties

All representations, warranties, terms and conditions herein (including, without limitation, those contained in Section 7) or contained in certificates or documents submitted pursuant to or in connection with the transactions contemplated herein shall survive the payment by the Underwriters for the Offered Receipts and the distribution of the Offered Receipts and the Underlying Shares pursuant to the Prospectus and the U.S. Placement Memorandum and shall continue in full force and effect for the benefit of the Underwriters regardless of any investigation by or on behalf of the Underwriters with respect thereto.

18. Several Liability of Underwriters

The Underwriters' rights and obligations under this Agreement are several and not joint and several including, without limitation, that:

(a) each of the Underwriters shall be obligated to purchase only the percentage of the total number of Firm Receipts and, if applicable, Option Receipts set forth opposite their names set forth in this Section 18; and

(b) if any one or more of the Underwriters shall fail or refuse to purchase its applicable percentage of the Firm Receipts or Option Receipts, if applicable, at the Closing Time, then Macquarie Capital shall have the first right, but not the obligation, to purchase all of the percentage of the Firm Receipts or Option Receipts, as the case may be, which would otherwise have been purchased by such one or more of the Underwriters. In the event such right is not exercised by Macquarie Capital, the other Underwriters shall have the right, but not the obligation, to purchase such Firm Receipts or Option Receipts, as the case may be, in the proportions represented by the respective percentage set forth below opposite the names of all such non-defaulting Underwriters, which would otherwise have been purchased by such one or more of the defaulting Underwriters. In the event such rights are not exercised, the other Underwriters which are not in default shall be entitled by written notice to the Corporation to terminate this Agreement without liability.

The applicable percentage of the total number of Firm Receipts or Option Receipts, as the case may be, which each of the Underwriters shall be separately obligated to purchase is as follows:

Macquarie Capital Markets Canada Ltd.	25.0%
GMP Securities L.P.	15.0%
National Bank Financial Inc.	15.0%
CIBC World Markets Inc.	10.0%
Scotia Capital Inc.	9.5%
Dundee Securities Ltd.	7.5%
FirstEnergy Capital Corp.	6.0%
Cormark Securities Inc.	6.0%
TD Securities Inc.	4.0%
Raymond James Ltd.	2.0%

Nothing in this Agreement shall obligate the Corporation to sell less than all of the Subscription Receipts or shall relieve any Underwriter in default from liability to the Corporation or any non-defaulting Underwriter in respect of the defaulting Underwriter's default hereunder. In the event of a termination by the Corporation of its obligations under this Agreement there shall be no further liability on the part of the Corporation to the Underwriters except in respect of any liability which may have arisen or may thereafter arise under Sections 8, 9 or 10.

19. Authority to Bind Underwriters

The Corporation shall be entitled to and shall act on any notice, waiver, extension or communication given by or on behalf of the Underwriters by Macquarie Capital, which shall represent the Underwriters, and which shall have the authority to bind the Underwriters in respect of all matters hereunder, except in respect of any settlement under Section 8 or 9, any matter referred to in Section 11 or any agreement under Section 18.

20. Underwriters' Covenants

Each of the Underwriters, severally and not jointly and severally, covenants and agrees with the Corporation that it will:

(a) offer the Subscription Receipts for sale to the public in the Qualifying Provinces and may, subject to the terms of this Agreement, offer them for sale in the United States, all in the manner contemplated by Schedule "A" attached hereto;

(b) conduct activities in connection with the proposed offer and sale of the Subscription Receipts in compliance with all the Applicable Securities Laws and cause a similar covenant to be contained in any written agreement entered into with any Selling Dealer Group established in connection with the distribution of the Offered Securities;

(c) use all reasonable efforts to complete the distribution of Offered Securities as soon as possible;

(d) not solicit subscriptions for the Subscription Receipts, trade in Subscription Receipts or otherwise do any act in furtherance of a trade of Subscription Receipts in any jurisdictions outside of the Qualifying Provinces, except as contemplated in Schedule "A" attached hereto or in such other jurisdictions outside of Canada and the United States provided that such sales are made in accordance with the applicable securities laws of such jurisdictions and with the agreement of the Corporation; and

(e) as soon as reasonably practicable after the Closing Date (and in any event within 30 days thereof) provide the Corporation with a breakdown of the number of Firm Receipts and Option Receipts, if applicable, sold in each of the Qualifying Provinces and, upon completion of the distribution of the Offered Securities, provide to the Corporation and to the Securities Commissions notice to that effect, if required by Applicable Securities Laws.

No Underwriter will be liable to the Corporation with respect to a default by any of the other Underwriters but will be liable to the Corporation only for its own default.

21. Severance

If one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement, but this Agreement shall be construed as if such invalid, illegal or unenforceable provision or provisions had never been contained herein.

22. Relationship Between the Corporation and the Underwriters

The Corporation: (i) acknowledges and agrees that the Underwriters have certain statutory obligations as registrants under the Applicable Securities Laws and have relationships with their clients; (ii) acknowledge and agree that the Underwriters are neither the agents of the Corporation nor otherwise fiduciaries of the Corporation; and (iii) consents to the Underwriters acting hereunder while continuing to act for their clients. To the extent that the Underwriters' statutory obligations as registrants under the Applicable Securities Laws or relationships with their clients conflicts with their obligations hereunder the Underwriters shall be entitled to fulfill their statutory obligations as registrants under the Applicable Securities Laws and their duties to their clients. Nothing in this Agreement shall be interpreted to prevent the Underwriters from fulfilling their statutory obligations as registrants under the Applicable Securities Laws or duties to their clients.

23. No Requirement to List Securities as a Condition for Services Provided

Each of National Bank Financial Inc., CIBC World Markets Inc., Scotia Capital Inc. and TD Securities Inc., and, or an affiliate thereof, owns or controls an equity interest in TMX Group Limited ("**TMX Group**") and may have a nominee director serving on the TMX Group's board of directors. As such, each such investment dealer may be considered to have an economic interest in the listing of securities on any exchange owned or operated by TMX Group, including the TSX, the TSX Venture Exchange and the Alpha Exchange (each, a "**TMX Exchange**"). No person or company is required to obtain products or services from TMX Group or its affiliates as a condition of any such dealer supplying or continuing to supply a product or service. None of National Bank Financial Inc., CIBC World Markets Inc., Scotia Capital Inc. or TD Securities Inc., requires the Corporation to list securities on any of the TMX Exchanges as a condition of supplying or continuing to supply underwriting and/or any other services, including any services provided pursuant to the terms hereof.

24. Stabilization

In connection with the distribution of the Offered Securities, the Underwriters may effect transactions which stabilize or maintain the market price of the Offered Receipts and Common Shares at levels other than those which might otherwise prevail on the open market, but in each case only as permitted by applicable law. Such stabilizing transactions, if any, may be discontinued at any time.

25. Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein. Each of the Corporation and the Underwriters hereby attorn to the non-exclusive jurisdiction of the courts of the Province of Alberta.

26. Time of the Essence

Time shall be of the essence of this Agreement.

27. Counterpart Execution

This Agreement may be executed in one or more counterparts each of which so executed shall constitute an original and all of which together shall constitute one and the same agreement. Delivery of counterparts may be effected by facsimile transmission.

28. Further Assurances

Each party to this Agreement covenants and agrees that from time to time, it will, at the request of the requesting party, execute and deliver all such documents and do all such other acts and things as any party hereto, acting reasonably, may from time to time request be executed or done in order to better evidence or perfect or effectuate any provision of this Agreement or of any agreement or other document executed pursuant to this Agreement or any of the respective obligations intended to be created hereby or thereby.

29. Use of Proceeds

The Corporation agrees to use the proceeds from the issuance and sale of the Offered Securities, if applicable, in accordance with the disclosure in the Prospectuses, subject to the qualifications set forth therein.

30. Compliance with U.S. Securities Laws

(a) The Underwriters make the representations, warranties and covenants applicable to them in Schedule "A" hereto and agree, on behalf of themselves and their U.S. Affiliates, for the benefit of the Corporation, to comply with the U.S. selling restrictions imposed by the laws of the United States and set forth in Schedule "A" hereto, which forms part of this Agreement. Notwithstanding the foregoing provisions of this section, an Underwriter will not be liable to the Corporation under this section or Schedule "A" with respect to a violation by another Underwriter or its U.S. Affiliate(s) of the provisions of this section or Schedule "A" if the former Underwriter or its U.S. Affiliate, as applicable, is not itself also in violation.

(b) The Corporation makes the representations, warranties and covenants applicable to it in Schedule "A" hereto.

31. Entire Agreement

It is understood that this Agreement represents the entire agreement between the parties with respect to the subject matter hereof and the terms and conditions of this Agreement supersede any previous verbal or written agreement between the Underwriters and the Corporation.

[The remainder of this page was intentionally left blank.]

If the foregoing is in accordance with your understanding and is agreed to by you, please confirm your acceptance by signing the enclosed copies of this letter at the place indicated and by returning the same to Macquarie Capital Markets Canada Ltd.

MACQUARIE CAPITAL MARKETS CANADA LTD.

Per: "*Robert F. Colcleugh*"
Authorized Signatory

Per: "*Marnie Smith*"
Authorized Signatory

GMP SECURITIES L.P.

Per: "*Christopher Graham*"
Authorized Signatory

NATIONAL BANK FINANCIAL INC.

Per: "*Tom MacInnis*"
Authorized Signatory

CIBC WORLD MARKETS INC.

Per: "*John Peltier*"
Authorized Signatory

SCOTIA CAPITAL INC.

Per: "*Mike Jackson*"
Authorized Signatory

DUNDEE SECURITIES LTD.

Per: "*Tony P. Loria*"
Authorized Signatory

FIRSTENERGY CAPITAL CORP.

Per: "*Erik B. Bakke*"
Authorized Signatory

CORMARK SECURITIES INC.

Per: "*Ryan A. Shay*"
Authorized Signatory

TD SECURITIES INC.

Per: "*Scott W. Barron*"
Authorized Signatory

RAYMOND JAMES LTD.

Per: "*Trevor Anderson*"
Authorized Signatory

ACCEPTED AND AGREED to as of the date of this Agreement

SURGE ENERGY INC.

By: "*Maxwell Lof*"
Chief Financial Officer

SCHEDULE "A"

COMPLIANCE WITH UNITED STATES SECURITIES LAWS

1. For the purposes of this Schedule "A", capitalized terms used herein and not defined herein shall have the meanings ascribed thereto in the Agreement to which this Schedule is annexed and the following terms shall have the meanings indicated:

1.1 "**Directed Selling Efforts**" means "directed selling efforts" as defined in Regulation S and, without limiting the foregoing, but for greater clarity, it means, subject to the exclusions from the definition of directed selling efforts contained in Regulation S, any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for the Offered Securities, and includes the placement of any advertisement in a publication with a general circulation in the United States that refers to the offering of the Offered Receipts;

1.2 "**FINRA**" means the Financial Industry Regulatory Authority, Inc.;

1.3 "**Foreign Issuer**" means a "foreign issuer" as that term is defined in Regulation S. Without limiting the foregoing, but for greater clarity in this Schedule "A", it means any issuer that is (a) the government of any country, or of any political subdivision of a country, other than the United States; or (b) a corporation or other organization incorporated or organized under the laws of any country other than the United States, except an issuer meeting the following conditions as of the last business day of its most recently completed second fiscal quarter: (1) more than 50 percent of the outstanding voting securities of such issuer are directly or indirectly owned of record by residents of the United States; and (2) any of the following: (i) the majority of the executive officers or directors are United States citizens or residents, (ii) more than 50 percent of the assets of the issuer are located in the United States, or (iii) the business of the issuer is administered principally in the United States;

1.4 "**General Solicitation**" or "**General Advertising**" means "general solicitation" or "general advertising," as used in Rule 502(c) under the *U.S. Securities Act*, including, but not limited to, advertisements, articles, notices or other communications published on the Internet or in any newspaper, magazine or similar media or broadcast over radio, television or on the Internet, or any seminar or meeting whose attendees had been invited by general solicitation or general advertising; and

1.5 "**Substantial U.S. Market Interest**" means "substantial U.S. market interest" as defined in Regulation S.

1.6 The Underwriters, through their U.S. Affiliates, may offer and sell the Offered Receipts within the United States to Qualified Institutional Buyers, in transactions in accordance with Rule 144A and similar exemptions under applicable state securities laws, all on the terms and subject to the conditions of this Schedule "A".

2. In connection therewith, the Corporation represents, warrants and covenants that:

2.1 the Corporation is and will be as of the Closing Date, a Foreign Issuer and reasonably believes there is and as of the Closing Date there will be, no Substantial U.S. Market Interest with respect to the Common Shares or Subscription Receipts;

2.2 none of the Corporation, its affiliates or any person acting on their behalf (other than the Underwriters, U.S. Affiliates, any members of the Selling Dealer Group and any person acting on its or their behalf, as to whom the Corporation makes no representation, warranty, agreement or covenant), has engaged or will engage in any Directed Selling Efforts in connection with offers and sales of the Offered Receipts;

2.3 the Corporation is not, and following the application of the proceeds of the sale of the Offered Receipts in the manner described in the U.S. Placement Memorandum and the Prospectus will not be, registered or required to be registered as an "investment company" within the meaning of such term under the *United States Investment Company Act* of 1940, as amended;

2.4 none of the Corporation, its affiliates or any person acting on their behalf (other than the Underwriters, U.S. Affiliates, any members of the Selling Dealer Group and any person acting on its or their behalf, as to whom the Corporation makes no representation, warranty, agreement or covenant), has engaged or will engage in any form of General Solicitation or General Advertising or in any conduct involving a public offering within the meaning of Section 4(a)(2) of the *U.S. Securities Act* in connection with any offer or sale of the Offered Receipts in the United States;

2.5 so long as any of the Offered Securities are outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the *U.S. Securities Act* and not eligible for resale pursuant to Rule 144(b)(1) under the *U.S. Securities Act*, the Corporation will, if it is neither subject to and in compliance with Section 13 or 15(d) of the *U.S. Exchange Act* nor exempt from the filing requirements of the *U.S. Exchange Act* pursuant to Rule 12g3-2(b) thereunder, provide to any holder of those restricted securities, or to any prospective purchaser of those restricted securities designated by a holder, upon the request of that holder or prospective purchaser, at or prior to the time of sale, the information required to be provided by Rule 144A(d)(4) under the *U.S. Securities Act* (so long as the delivery of such information is necessary in order to permit holders of the restricted securities to effect resales under Rule 144A);

2.6 none of the Corporation, its affiliates or any person acting on its or their behalf (other than the Underwriters, U.S. Affiliates, any members of the Selling Dealer Group and any person acting on its or their behalf, as to whom the Corporation makes no representation, warranty, agreement or covenant), have taken, or will take, any action that would cause the exemption from registration provided by Rule 144A, or the exclusion from registration provided by Rule 903 of Regulation S, to be unavailable for the offer or sale of the Offered Receipts pursuant to this Agreement or the issuance of the Underlying Shares in accordance with the terms of the Subscription Receipts;

2.7 the Corporation will, within prescribed time periods, prepare and file any forms or notices required under the *U.S. Securities Act* or applicable state securities laws related to the offer and sale of the Offered Receipts;

2.8 in connection with offers and sales of Offered Receipts made outside the United States, the Corporation, its respective affiliates and any person acting on its or their behalf (other than the Underwriters, U.S. Affiliates, any members of the Selling Dealer Group and any person acting on its or their behalf, as to whom the Corporation makes no representation, warranty, agreement or covenant) have complied and will comply with the requirements for an "offshore transaction", as such term is defined in Regulation S;

2.9 the Corporation will not pay or give any commission or other remuneration, directly or indirectly, for soliciting the exercise of the Offered Receipts for Underlying Shares;

2.10 none of the Offered Securities are, or as of the Closing Time will be, and no securities of the same class as such securities are or will be, (i) listed on a national securities exchange in the United States registered under Section 6 of the *U.S. Exchange Act*, (ii) quoted in a "U.S. automated inter-dealer quotation system," as such term is used in Rule 144A, or (iii) convertible or exchangeable at an effective conversion premium (calculated as specified in paragraph (a)(6) of Rule 144A) of less than ten percent for securities so listed or quoted; and

2.11 except for offers and sales made through an Underwriter, acting through a U.S. Affiliate, none of the Corporation, its affiliates, or any person acting on its or their behalf has made any offers or sales of Offered Receipts in the United States.

3. Each Underwriter acknowledges that the Offered Receipts have not been and will not be registered under the *U.S. Securities Act* or applicable state securities laws and may be offered and sold only in transactions exempt from or not subject to the registration requirements of the *U.S. Securities Act* and applicable state securities laws. Accordingly, each Underwriter, severally and not jointly, represents, warrants and covenants, and will cause its U.S. Affiliate (if applicable) to comply with such representations, warranties and covenants, that:

3.1 it has not offered and will not offer (i) any Offered Receipts constituting part of its allotment within the United States, except as provided in this Schedule "A"; or (ii) any Offered Securities outside of the United States, except in "offshore transactions," as such term is defined in Regulation S, in accordance with Rule 903 of Regulation S. Accordingly, none of it, its affiliates or any person acting on its or their behalf has engaged or will engage in: (i) any offer to sell or any solicitation of an offer to buy, any Offered Receipts to any person in the United States, (ii) any sale of Offered Receipts to any purchaser unless, at the time the buy order was or will have been originated, the purchaser was outside the United States, or such Underwriter, affiliate or person acting on behalf of either reasonably believed that such purchaser was outside the United States, or (iii) any Directed Selling Efforts;

3.2 none of it, its affiliates or any person acting on its or their behalf has engaged or will engage in any form of General Solicitation or General Advertising or in any conduct involving a public offering within the meaning of Section 4(a)(2) of the *U.S. Securities Act* in connection with its offers and sales of the Offered Receipts in the United States;

3.3 all offers and sales of the Offered Receipts in the United States made by it have been and shall be effected through its U.S. Affiliate, which shall be duly registered with the SEC under the *U.S. Exchange Act*, registered in all applicable states pursuant to such states' broker-dealer laws (unless exempted from the respective state's broker-dealer registration requirements) and be a member of, and in good standing with, FINRA, in each case, on the date hereof and at the date of all offers and sales of Offered Receipts in the United States, and all such offers and sales shall be and have been made in compliance with all applicable United States federal and state broker-dealer requirements;

3.4 it has not used and will not use any written material other than the Preliminary U.S. Placement Memorandum, the U.S. Placement Memorandum and the documents attached thereto relating to the offering of Offered Receipts in the United States;

3.5 each person offered the Offered Receipts in the United States by the Underwriter, through its U.S. Affiliate, has been or will be provided with a copy of the Preliminary U.S. Placement Memorandum or the U.S. Placement Memorandum, and each such person purchasing the Offered Receipts in the United States and each such person purchasing the Offered Receipts that was offered the Offered Receipts in the United States shall be provided with the U.S. Placement Memorandum at or prior to the time of purchase by such person of any Offered Receipts;

3.6 any offer or solicitation of an offer to buy the Offered Receipts that has been made or will be made in the United States by the Underwriter, through its U.S. Affiliate, was or will be made only to a person it reasonably believed immediately prior to such offer or solicitation to be a Qualified Institutional Buyer who is acquiring the Offered Receipts (A) for its own account or (B) for the account of a Qualified Institutional Buyer with respect to which it exercises sole investment discretion, and, in each case, in compliance with applicable state securities laws; and

3.7 prior to any sale of the Offered Receipts to a person in the United States or a person offered the Offered Receipts in the United States, the Underwriter or its U.S. Affiliate shall have reasonable grounds to believe and shall believe that each such purchaser is a Qualified Institutional Buyer.

4. Each Underwriter agrees that:

4.1 it will provide the Corporation or Olympia Trust Company, at least one business day prior to the Closing Date, with a list of all purchasers of the Offered Receipts in the United States and all purchasers that were offered the Offered Receipts in the United States;

4.2 at the Closing Time, it, together with its U.S. Affiliate that has offered or sold the Offered Receipts in the United States, will provide a certificate, substantially in the form of Exhibit A to this Schedule "A", relating to the manner of the offer and sale of the Offered

Receipts in the United States or will be deemed to have represented that neither it nor its U.S. Affiliate offered or sold the Offered Receipts in the United States; and

4.3 the Underwriters will require each member of the Selling Dealer Group to agree in writing, for the benefit of the Corporation, to be bound by and comply with the provisions of this Schedule "A" in connection with all offers and sales of the Offered Receipts in the United States, to the same extent as such provisions are applicable to the Underwriters. The Underwriters have not and will not make any other contractual arrangement for the distribution of the Offered Receipts in the United States without the prior written consent of the Corporation; and

4.4 none of the Underwriter, its affiliates, or any person acting on its or their behalf will solicit the exercise of the Offered Receipts for Underlying Shares and will not pay, give or receive any commission or other remuneration, directly or indirectly, for soliciting such exercise of the Offered Receipts.

EXHIBIT A UNDERWRITERS' CERTIFICATE

In connection with the private placement in the United States of the Subscription Receipts of Surge Energy Inc. (the "**Corporation**") pursuant to the underwriting agreement dated January 13, 2014 among the Corporation and the Underwriters named therein (the "**Underwriting Agreement**"), the undersigned does hereby certify in favour of the Corporation as follows:

I. _________________ (the "**U.S. Affiliate** ") is on the date hereof and was on the date of each offer and sale of Offered Receipts made by it in the United States or to persons offered Offered Receipts duly registered as a broker or dealer with the SEC under the *U.S. Exchange Act* and in each applicable state pursuant to such state's broker-dealer laws (unless exempted from the respective state's broker-dealer registration requirements), and is and at all relevant times was a member of and in good standing with FINRA, and all offers and sales of Offered Receipts in the United States have been effected by or through the U.S. Affiliate in accordance with all U.S. federal and state broker-dealer requirements and in compliance with applicable state securities laws;

II. each person offered Offered Receipts by us was provided with a copy of one or both of the Preliminary U.S. Placement Memorandum and the U.S. Placement Memorandum for the offering of the Offered Receipts in the United States and no other written material has been or will be used;

III. immediately prior to our transmitting a Preliminary U.S. Placement Memorandum or U.S. Placement Memorandum to such offerees, we had reasonable grounds to believe and did believe that each offeree was, and continue to believe that each such offeree purchasing Offered Receipts who is in the United States or who was offered Offered Receipts in the United States, is a Qualified Institutional Buyer;

IV. no form of General Solicitation or General Advertising was used by us in connection with offers or sales of the Offered Receipts, nor have we solicited offers for, offered to sell or sold the Offered Receipts by any means involving a public offering within the meaning of Section 4(a)(2) of the *U.S. Securities Act*; and

V. the offer and sale of the Offered Receipts in the United States has been conducted by us in accordance with the terms of the Underwriting Agreement, including Schedule "A" attached thereto.

Unless otherwise defined, capitalized terms used in this certificate have the meanings given to them in the Underwriting Agreement, including Schedule "A" attached thereto.

Dated ●, 2014.

[UNDERWRITER]

Per: ______________________________
[Name]
[Title]

[U.S. BROKER-DEALER AFFILIATE]

Per: ______________________________
[Name]
[Title]