Strategic Oil & Gas Ltd. Announces First Quarter 2013 Financial and Operating Results

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CALGARY, May 29, 2013 - Strategic Oil & Gas Ltd. (TSX VENTURE:SOG) ("Strategic" or the "Company") reports financial and operating results for the three months ended March 31, 2013. The Company grew production despite operational difficulties and downtime associated with ongoing facility upgrades. Strategic's first quarter capital spending activities set the stage for future growth.

Detailed results are presented in Strategic's unaudited condensed consolidated financial statements and related Management's Discussion and Analysis ("MD&A") which can be accessed on the Company's website at www.sogoil.com and on SEDAR at www.sedar.com.

FINANCIAL AND OPERATIONAL SUMMARY

	Three Months Ended March 31	
	2013	2012
Financial ($ thousands, except where noted)		
Petroleum and natural gas sales	17,887	11,204
Funds from operations (1)	3,958	3,920
Per share basic	0.02	0.02
Per share diluted	0.02	0.02
Net income (loss)	(3,371)	611
Per share basic	(0.02)	0.00
Per share diluted	(0.02)	0.00
Capital expenditures (excluding acquisitions)	50,268	30,959
Acquisitions	10,098	-
Net debt (1)	74,797	7,593
Operating		
Production		
Crude oil (bbl/d)	2,318	1,388
Natural gas (mcf/d)	2,874	1,455
Barrels of oil equivalent (Boed)	2,797	1,631
Average realized price		
Crude oil ($/bbl)	81.71	86.39
Natural gas ($/mcf)	3.25	2.19
Barrels of oil equivalent ($/Boe)	71.05	75.50
Netback ($/Boe)		
Petroleum and natural gas sales	71.05	75.50
Royalties	(16.56)	(13.79)
Operating expenses	(24.83)	(21.14)
Transportation expenses	(4.96)	(7.22)
Operating Netback (1) ($/Boe)	24.70	33.35
Common Shares (000's)		
Common shares outstanding, end of period	210,404	187,062
Weighted average common shares (basic)	189,724	187,014
Weighted average common shares (diluted)	189,724	188,038

(1) Funds from operations, net debt and operating netback are non-IFRS measurements; see "Non-IFRS Measurements" in management's discussion and analysis for the three months ended March 31, 2013.

SUMMARY

- Production increased by 71 percent from 1,631 Boed for the first three months of 2012 to an average of 2,797 Boed in the first quarter of 2013. As a result, oil and gas revenues increased 60 percent to $17.9 million for the current quarter from $11.2 million in 2012.

- Capital expenditures before acquisitions totaled $50.3 million for the three months ended March 31, 2013 as compared to $31.0 million for the comparative period in 2012. Capital spending was primarily directed to the Company's light oil asset at Steen River. Production associated with this activity did not commence until the second quarter due to infrastructure constraints and will be fully optimized when the planned expansion at the Company's Steen River facilities is completed early in the third quarter of 2013.

- Strategic closed an acquisition of light oil and natural gas assets at Bistcho in northwest Alberta and Cameron Hills in the Northwest Territories (the "Bistcho/Cameron Hills Assets") on February 28, 2013 for consideration of $9.7 million, including adjustments. This acquisition included operated production of 500 Boed (40% light oil), oil and gas processing facilities and a direct pipeline connection to the Rainbow pipeline in northwest Alberta. The operating netback from these assets for the month of March 2013 was a net loss of $0.4 million which has a negative short term effect on the corporate netback. Strategic has implemented changes to improve operational efficiencies in these properties.

- On March 20, 2013 Strategic closed a private placement of 23.2 million common shares at a price of $1.25 per common share, for net proceeds of $28.2 million after deducting related offering costs.

PERFORMANCE OVERVIEW

During the quarter Strategic's infrastructure expansion and reconfiguration program at Steen River resulted in shut-in production and higher operational costs relative to the Company's expectations. Management believes the increase in operating costs and the decrease in operating netbacks are temporary and will improve significantly once the facility expansion is completed in the third quarter of 2013.

Strategic was very active in the first quarter of 2013, spending a total of $50.3 million on exploration and development capital programs. The Company drilled a total of 6 (6.0 net) new wells and completed 9 (9.0 net) wells at Steen River, carried out 2D and 3D seismic programs, commenced reconfiguring pipelines, initiated upgrading of facilities, and undertook an extensive recompletion program by re-entering 16 vertical wells. The six new wells drilled include one vertical Keg River well, three horizontal Muskeg Stack wells and two vertical step out exploration wells. The Muskeg Stack wells and the Keg River vertical well are tied in whereas the two vertical step-out exploratory wells are planned to be tied in the fourth quarter of 2013.

The Company grew production to 2,797 Boed for the quarter. Production levels were affected by downtime due to operational difficulties and restricted fluid handling at the Company's Steen River facilities. Strategic identified these facility constraints and initiated a series of infrastructure reconfiguration and expansion projects to increase efficiency and processing and disposal capability at Steen River. The projects include the reconfiguration of 3-inch and 8-inch pipelines which connect the oil production on the western rim of the Steen Astrobleme to the 9-17 oil battery, the expansion of the gathering system in the northern part of the Astrobleme, modifications to the 1-28 plant purchased in December 2012 and the expansion of the 9-17 battery to increase fluid handling capacity, which will be completed in the third quarter of 2013. These projects are critical to accommodating significant production growth in the area, reducing operating costs per Boe and maximizing the deliverability of the Muskeg Stack oil play.

The Company achieved an operating netback of $24.70/Boe for the three months ended March 31, 2013, a decrease of $8.65/Boe from the first quarter of 2012. The operating netback for the current period was affected by several factors:

- Lower realized crude oil prices driven by an eight percent decrease in WTI oil prices, which reduced Strategic's realized price by $4.45/Boe;

- Strategic did not sell produced volumes at the end of the quarter due to delivery and transportation resource constraints. The Company was carrying incremental inventories of 9,000 bbls of oil in its storage facilities at March 31, 2013 which reduced crude oil revenues by $0.7 million;

- An increase in royalties to 23.3 percent of revenues, from 18.3 percent for the 2012 period. New wells drilled in the first quarter of 2013 did not come on production until the second quarter, and as such the Company had less production during the period that benefited from the maximum 5% royalty rate for the first year of production. With approximately 1,000 Boed of new production coming on during the second quarter, Strategic expects to reduce royalties by over $2/boe in future quarters;

- Higher fluid transportation and processing costs at Steen River facilities increased operating costs to $24.83/Boe from $21.14/Boe in 2012. The Company intends to reduce operating costs by over $4/boe in future quarters as it completes ongoing infrastructure projects and increases the production base in this area.

- Strategic decreased transportation costs by $2.26/Boe in 2013 by delivering approximately 1,000 bbl/d of oil by rail. Strategic continues to increase volumes delivered by rail which will further reduce the average transportation cost in future quarters.

Muskeg Stack Horizontal Wells

Strategic drilled and completed three horizontal wells in the Muskeg Stack formation during the first quarter of 2013. The Muskeg stack is a sheet-like zone and has been mapped with oil bearing pay over the rim of the Steen River Astrobleme.

The first Muskeg Stack well has a horizontal lateral of 905 meters. The horizontal well was fracture stimulated over 8 stages. The well was flowing oil and gas immediately, and flowed for two days up the 3 1/2" frac string with a tubing pressure of 470 psi at an average rate of 566 bbl/d of 34° API oil and 1.1 MMcf/d of raw gas. The well averaged 335 Boed (50% oil) over the first thirty days of production.

The second Muskeg Stack well has a horizontal lateral of 875 meters. The horizontal well was fracture stimulated over 8 stages. After five days of swabbing the well starting to flow up the 3 1/2" frac string with a tubing pressure of 92 psi at an average rate of 465 bbl/d of 34° API oil and 1.2 MMcf/d of gas over the four day flow period. The well averaged 453 Boed (60% oil) over the first nineteen days of production.

The third Muskeg Stack well has a horizontal lateral of 545 meters. The horizontal well was fracture stimulated over 4 stages. The well was swabbed for approximately 48 hours over four days. Initial clean up rates are 120 Boed (95% oil) at controlled swab rates with 54% of load recovered. This well has been tied in and will be brought on production at the beginning of June.

The discovery Muskeg Stack horizontal well at 12-18 has now been producing intermittently for over six months, but is limited by line pressure. The well is currently capable of production at a rate of 140 Boed (60% oil).

The Muskeg Stack horizontal wells are all tied in and production is limited by the back pressure in the pipeline. The Company expects the rates for each of the Muskeg Stack horizontal wells to improve as the line pressures are decreased next week when the 8 inch line becomes operational.

Recompletions and Workovers

During the first quarter of 2013, the Company also conducted a recompletion and workover program by re-entering 14 existing wellbores at Steen River to further evaluate the oil potential in the Slave Point, Muskeg Stack, Keg River, Zama and Sulphur Point formations. Results from this workover program are being evaluated and will assist the Company in optimizing the effectiveness of future drilling activities in this core area. In addition to enhancing the completion techniques, the workover program has contributed over 300 Boed to the Company's production.

Strategic's recompletion program was expanded to include 2 wells at Bistcho, which were successful in validating the potential of the Slave Point oil zone in this newly acquired area. The results of this quarter's drilling and recompletion activities have confirmed the presence of a multi-zone oil resource at Steen River.

Seismic

In the first quarter of 2013 Strategic shot a 19.75 km2 3D seismic program on the north rim of the Steen Astrobleme, on trend between the North Marlowe and Old Marlowe fields, to map structures with multi-zone potential. The Company also shot 185 km of exploratory 2D seismic, mostly in the interior of the Steen crater. Strategic has identified multiple play possibilities, and two of the recent wells have proven there is oil charge within the crater.

OUTLOOK

Strategic's infrastructure expansion, successful exploratory drilling, 2D & 3D seismic programs and extensive recompletion activity during the first quarter have positioned the company for significant growth.

Although the Company has experienced delays in bringing on new production due to liquids handling and other facility constraints, efforts to mitigate these issues have been productive to date. Strategic averaged approximately 3,900 Boed during April, which includes two weeks of production from the first Muskeg stack horizontal well. In May, increased production volumes from the Muskeg Stack horizontal wells at West Marlowe resulted in hydrate plugging in the horseshoe line, which forced volumes to be shut in from the

West Marlowe field and the Muskeg Stack wells. Approximately 900 Boed of production was shutin, however the Company is expecting to average approximately 3,700 Boed during May.

The Company has resolved the issues associated with the hydrate blocking and put the West Marlowe wells back on production. With pipeline constraints being alleviated, production levels are expected to be 4,600 Boed.

Strategic's current handling capability at the two facilities at Steen River is approximately 4,500 bbl/d of crude oil. The Company has initiated a battery expansion project to add 3,500 bbl/d of oil handling capability at Steen River by the third quarter of 2013, bringing total oil handling capability to approximately 8,000 bbl/d from Company's the two facilities in this area.

The Company continues scoping and planning work for a new rail transloading facility at Steen River with a capacity of 5,000 bbl/d. In the first quarter of 2014, Strategic plans to pipeline connect the Steen River assets to the recently acquired 50 km 4 inch oil pipeline that can deliver up to 4,000 bbl/d of sales oil into the Rainbow pipeline. The capacity on the rail and the pipeline will enable Strategic to reduce trucking charges while maintaining multiple accesses to market for its crude products.

Guidance

Strategic has updated its annual guidance for 2013 as follows:

- Average production of 4,000 Boed
- Funds from operations of $40 million
- Year-end net debt of $65 million

ABOUT STRATEGIC

Strategic is a well-capitalized junior oil and gas company committed to growth by exploiting its light oil assets in Canada. Strategic is primarily focused on implementing development plans for its light oil properties, while continuing to review other high impact light oil resource plays. Strategic's common shares trade on the TSX Venture Exchange under the symbol SOG.

ADDITIONAL INFORMATION

Additional information is also available at www.sogoil.com and at www.sedar.com.

Forward-Looking Statements

This news release includes certain information, with management's assessment of Strategic's future plans and operations, and contains forward-looking statements which may include some or all of the following: (i) anticipated production rates; (ii) expected operating and service costs and royalty rates, and anticipated reductions in such costs and rates; (iii) expected timelines for production optimization; (iv) the Company's financial strength and capitalization; (v) expected results of capital programs; and (vi) expected future capital projects and associated operating and transportation cost reductions; which are provided to allow investors to better understand the Company's business. By their nature, forward-looking statements are subject to numerous risks and uncertainties; some of which are beyond Strategic's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, changes in environmental tax and royalty legislation, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources, and other risks and uncertainties described under the heading 'Risk Factors' and elsewhere in the Company's Annual Information Form for the year ended December 31, 2012 and other documents filed with Canadian provincial securities authorities and are available to the public at www.sedar.com. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. The principal assumptions Strategic has made includes security of land interests; drilling cost stability; royalty rate stability; oil and gas prices to remain in their current range; finance and debt markets continuing to be receptive to financing the Company and industry standard rates of geologic and operational success. Actual results could differ materially from those expressed in, or implied by, these forward-looking statements. Strategic disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Basis of Presentation

The discussion and analysis of Strategic's oil and natural gas production and related performance measures is presented on a working-interest, before royalties basis. For the purpose of calculating unit information, the Company's production and reserves are reported in barrels of oil equivalent (Boe). Boe may be misleading, particularly if used in isolation. A Boe conversion ratio for natural gas of 6 Mcf: 1 Boe has been used, which is based on an energy equivalency conversion method primarily applicable at the burner tip and does not necessarily represent a value equivalency at the wellhead. As the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

Non-IFRS Measurements

The Company utilizes certain measurements that do not have a standardized meaning or definition as prescribed by IFRS and therefore may not be comparable with the calculation of similar measures by other entities, including net debt, operating netback and funds from operations. Readers are referred to advisories and further discussion on Non-IFRS measurements contained in management's discussion and analysis.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

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