

Strategic Oil & Gas Ltd. Provides Muskeg Stack Results, Operational Update, 2014 Guidance and Executive Appointments

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CALGARY, ALBERTA--(Marketwired - Jan 17, 2014) - Strategic Oil & Gas Ltd. ("Strategic" or the "Company") (TSX VENTURE:SOG) provides an operational update as well as 2014 guidance.

MUSKEG STACK RESULTS

Strategic has had continued drilling success with its fourth quarter drilling program which included two horizontal Muskeg Stack wells and one horizontal Keg River well.

- Muskeg Stack horizontal well (15-24) has averaged 220 BOED (92% oil) over the first 31 days while still cleaning up; the well is currently producing 240 BOED.
- Muskeg Stack horizontal well (5-33) drilled in December 2013 and completed early in January flowed up the 114.3 mm frac string post fracture stimulation at rates in excess of 400 BOED (95% oil) during the first four days of production, and is still cleaning up. The well is expected to be equipped and tied in shortly.

The Company is pleased with the recent results and encouraged by the production history on the existing wells. Strategic successfully drilled six Muskeg Stack horizontal wells during 2013. The six Muskeg Stack wells have delineated 35 sections of land, and have produced oil in commercial quantities. Strategic has de-risked an inventory of over 100 Muskeg Stack horizontal wells directly offsetting current production on the north western portion of the rim at Marlowe.

Results from the Muskeg drilling program are summarized in the table below:

Well	Horizontal Length (meters)	Cumulative Production (BOE)	Producing Days	IP30 (BOED)	Current Rate (BOED)
5-33 (Q4 2013)	1,506	1,200	4	-	400 (95% oil)
15-24 (Q4 2013)	1,204	5,885	31	220	240 (92% oil)
16-29 (Q3 2013)	1,461	5,400	72	175	130 (90% oil)
4-33 (Q3 2013)	1,538	17,800	75	400	190 (90% oil)
14-13 (Q2 2013)	875	35,750	136	340	240 (50% oil)
13-28 (Q2 2013)	905	34,600	190	335	120 (65% oil)

KEG RIVER HORIZONTAL

The Keg River horizontal well, the first of its kind in Marlowe, has been on production for over a month with an IP30 of 110 BOED (97% oil) and is currently producing 85 BOED (97% oil). This short well (with an open-hole section of 400 m) was drilled to evaluate a tighter upper Keg River structure. The upper Keg pool has a lower permeability compared to the more prolific lower Keg River pool. The upper pool, with a thickness of approximately 25 meters and average porosity of 4%, is ideally suited for a horizontal well development program.

Strategic is planning an 800 m long Keg River horizontal in early 2014, which would be acid stimulated. The Keg River pool has been internally mapped with 8 -10 MMbbl of original oil in the section of land around the Old Marlowe structure.

OPERATIONAL UPDATE

Strategic conducted post drill out operations on four of the Muskeg horizontal wells drilled during the third and fourth quarters of 2013. This program was necessary to identify whether or not drill outs would enhance production from the wells prior to embarking on a major development campaign. The drill out program indicated that the original completion operation was effective in stimulating the formation and that this would not be required on future locations. Drilling fluid lost in the wellbores during the drill out operations caused some damage in the fractures resulting in reduced oil rates from the wells during the fourth quarter of 2013. This damage was short-lived and the wells have cleaned up over the past 4 weeks and are producing close to the pre-drill oil rates. The Muskeg Stack horizontal wells now contribute approximately 25% of the company's production capability which positions the Company for a major exploitation program yielding significant growth opportunity.

Production at Steen River was constrained for 26 days at Marlowe during the fourth quarter. The Steen plant was down 19 days for the expansion and the Company experienced additional 7 days downtime with the facilities during the month of November due to new equipment commissioning which has since been resolved. As a result of the operational issues experienced over the past quarter, production volumes have been affected. Strategic's corporate production is estimated to average 2,800 BOED for the fourth quarter of 2013. Strategic estimates 2013 annual average production of 3,200 Boed (70% oil) and year end net debt of \$79 MM.

Strategic exited 2013 with a production capability of 4,600 Boed, while still awaiting completion of the 5-33 well. The Muskeg Stack horizontal well 5-33 has been producing into a test facility at a rate of 400 BOED. The well is expected to be tied in shortly. Due to the ongoing Bistcho pipeline project, Strategic has approximately 500 BOED of production shut in at West Marlowe. Further, the company plans to shut-in 1,000 BOED from Larne, Bistcho and Cameron Hills for 2 weeks during the Bistcho plant turnaround in February. Downtime during the first quarter of 2014 would result in average corporate production of 3,700 BOED.

With the plant expansion completed and the sales oil pipeline project on schedule, Strategic expects to have all production on stream in the second quarter of 2014.

2014 GUIDANCE

Strategic's Board of Directors has approved a capital spending budget of \$80 million for 2014 with a focus on Muskeg Stack horizontal wells at Marlowe and related infrastructure. Strategic has completed the 5-33 Muskeg horizontal well which was drilled in 2013 and plans to drill an additional 13 wells in 2014.

Capital spending will be allocated as follows

- Drill, complete, equip & tie-ins: \$54 million
- Workovers/recompletions: \$4 million
- Land, seismic, facility expenditures & plant turnarounds: \$8 million
- Bistcho oil pipeline: \$14 million

The scope of the Bistcho pipeline project has been slightly expanded to include two additional sales oil pumps to provide redundancy as well as an additional 3 miles of 6 inch emulsion line required to alleviate production constraints in the West Marlowe field as additional Muskeg wells will be drilled during 2014.

Annual average production volumes are expected to be 4,400-4600 Boed (70% oil), a 40% increase from 2013 levels. Using realized prices of CDN\$81/bbl for oil including hedging and CDN\$3.70/mcf for natural gas, Strategic expects a cash flow of \$35-40 million for 2014, which represents an increase of over 100% from projected 2013 cash flows. The 2014 capital budget will be funded by a combination of cash flow from operations, drawings on the company's credit facility and other financing sources, as required. Strategic is currently evaluating several financing alternatives.

During 2014, Strategic will spend approximately 90% of the total capital program (excluding the pipeline project) on drilling, completions and workover-related activities. The drilling budget will focus primarily on Muskeg Stack development, as well as new seismic-defined Keg River targets to capture additional upside.

The construction of the Bistcho pipeline is the focus of the Company's non-drilling capital expenditures. Strategic believes completion of this pipeline to the Rainbow system is pivotal to the growth and profitability of the Company and will save between \$3.00-\$4.00/boe on transportation related expenses once completed.

EXECUTIVE APPOINTMENT

As the Company's exploitation of the Marlowe Muskeg Stack resource play becomes increasingly focused on both geophysical analysis and operational efficiency, the Company also announced that in order to better utilize the skills and experience of its senior management, Sean Hayes will now lead the technical exploration and development team as Executive Vice-President Geoscience and Cody Smith will assume the role of Chief Operating Officer.

Dr. Hayes has been the Chief Operating Officer of the Company since 2009. Strategic will now benefit from his years of experience in subsurface reservoir modeling and characterization as the asset portfolio has now grown and subsurface work becomes increasingly important to the success of the Muskeg Stack play.

Mr. Smith joined the Company as Vice President, Operations in 2012. Mr. Smith had worked the previous 25 years of his professional career with [EnCana Corp.](#). Mr. Smith led teams in drilling, completions, facilities, production engineering and operations and safety in British Columbia and Alberta. He was involved during new play development in the Jean Marie, Horn River, Montney, Alberta Cretaceous stacked plays, and Duvernay.

SUMMARY

Although delayed, the Company has achieved great results despite numerous hurdles. The past year proved up the immense size of the Muskeg Stack resource. Strategic is now beginning to experience reduction in drill to rig release times, more effective wellbore placement, improved production per stage and faster on stream cycle times.

The largest challenge the Company has experienced is down time due to various plant, transportation and weather related issues. With the Bistcho pipeline project ongoing throughout the first quarter of 2014, Strategic is setting conservative 2014 guidance and has modelled 25% downtime for the first quarter and 10% downtime for subsequent quarters. With the new facility being operational, future down times are expected to be minimal however the Company is cautiously approaching the next phase of development until the major pipeline connection project into the Rainbow system is completed.

The Company has climbed a steep learning curve while discovering a new play in the Western Canadian Sedimentary Basin. Strategic's confidence in the immense resource is illustrated by the investment in the expansion and upgrading of the 9-17 oil facility at Marlowe which is expected to handle the immediate production growth. Future focus remains on driving capital efficiencies and reducing downtime to ensure stable production and cash flows.

ABOUT STRATEGIC

Strategic is a junior oil and gas company committed to growth by exploiting its light oil assets in Canada. 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 results of capital programs; (iii) expected timelines for production optimization; (iv) net debt levels; (v) anticipated operating costs; and (vi) expected capital projects and associated spending; 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; finance and debt markets continuing to be receptive to financing the Company, the ability of the Company to monetize non-core assets 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.

Original Oil In Place ("OOIP") are as per the COGEH Guidelines and are not reserves. There is no certainty that it will be commercially viable to produce any portion of OOIP except to the extent they are subsequently classified as proved or probable reserves.

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.

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