Strategic Oil & Gas Ltd. Announces Successful Start to Summer Drilling Program

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First Muskeg Well Post Spring Break-up Produces 545 boe/d Drilling Costs Reduced by 25%

CALGARY, ALBERTA--(Marketwired - Jul 28, 2014) - Strategic Oil & Gas Ltd. ("Strategic" or the "Company") (TSX VENTURE:SOG) today announced its first horizontal Muskeg well post spring break-up. The Muskeg well 11-24 produced at an average test rate of 545 boe/d (77% oil) over the first seven days. Costs to drill and complete the well were $3.9 million, representing a 25% decrease when compared to the Company's average well costs in the play.

Gurpreet Sawhney, Strategic's President and Chief Executive Officer, commented: "We remain focused on proving up the Muskeg at Marlowe. With more than 100 sections with Muskeg potential identified to date, the Company is positioned with a multi-year drilling inventory of more than 400 economic prospects. As with any new resource play, we continue to move along the learning curve identifying opportunities to drive efficiencies, grow returns, and increase well performance. We have built the necessary production infrastructure to handle our expanding drilling program enabling us to connect a well within days of completion, which results in shorter payback on our Invested capital."

Muskeg Production

The Muskeg 11-24 well was drilled and completed with a 13 stage frac and was the first well drilled on the western rim at Marlowe post break-up. Over the first seven days the well produced an average of 420 bbls/d of 37 API oil and 0.75 MMcf/d of raw solution gas, or an oil equivalent rate of 545 boe/d. The well was tied in after a five-day test period into Strategic's production infrastructure.

For comparison, the previous Muskeg 10-24 well was drilled and completed with a 15 stage frac prior to spring break-up. Average production rates over the first 30 and 90 days were 560 and 420 boe/d, respectively. This well has produced 38,600 boe (60% oil) in three months and continues to outperform the Company's pre drill estimates.

Reduced Drilling Cost

The Company has significantly decreased drilling days and other associated well costs. The Muskeg horizontal well 11-24 was drilled in 22 days, a decrease of 7 days from the wells drilled in the first quarter of 2014. The Company drilled the 11-24 well for $3.9 million, a reduction of over $1.0 million from the average cost of the wells drilled during the first quarter of 2014. A shift change in the overall well plan has been the first step in Strategic's continued focus on cost reductions.

Muskeg horizontal well 2-26, the second well drilled post break-up, was drilled in 15 days, 14 days shorter than the wells drilled in the first quarter of 2014. The well is scheduled to be completed with a 14-stage frac this week.

Guidance

Strategic initiated its summer drilling program June 13, 2014, and has since drilled two wells and spud a third. The Company intends to drill a total of 5 to 6 horizontal Muskeg wells as a part of its 2014 capital program. Strategic is encouraged by its recent success in this program and reaffirms its 2014 exit production guidance of 4,000 boe/d.

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, including the Company's recently updated corporate presentation, is also available at www.sogoil.com and at www.sedar.com.

Reader Advisories

Any references in this news release to initial flow-back or raw test or production test rates are useful in confirming the presence of hydrocarbons, however, such rates are not necessarily determinative of the rates at which such wells will commence production. These flow-back or test results are quoted on a raw basis before shrinkage on natural gas volumes and may not be indicative of long-term well performance or ultimate recovery. Natural gas production volumes include shrinkage. While encouraging, readers are cautioned not to place reliance on such rates in estimating the aggregate production for the Company.

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) production from new wells; (iii) exit production rates; (iv) anticipated completion of wells drilled and (v) the effect of changes in drilling techniques; 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, 2013 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

This 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) and Boe per day (Boed). 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.

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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