

Strategic Oil & Gas Ltd. Announces Year-End 2017 Reserves and Operations Update

27.02.2018 | [GlobeNewswire](#)

CALGARY, Alberta, Feb. 26, 2018 (GLOBE NEWSWIRE) -- Strategic Oil & Gas Ltd. ("Strategic" or the "Company") (TSX-V:SOG) provides an operations update and announces its oil and gas reserves as of December 31, 2017.

OPERATIONS UPDATE

Strategic's growth strategy includes the exploration and commercialization of additional light oil zones as secondary production targets to the core Muskeg development at Marlowe, the Company's core asset. In the third quarter of 2017 the Company drilled a horizontal well at west Marlowe testing the Slave Point formation. The well was drilled with a 1,200 metre lateral length and 10 stages were completed. The well encountered light oil pay and was put on production early in the fourth quarter. With limited drawdown the well produced an average of 46 boe/d (75% oil) for the first 90 days, with production increasing to 82 boe/d for the last 10 days. The Company is encouraged by this result and continues to evaluate the prospect as an additional layer of development at Marlowe requiring minimal infrastructure capital.

Capitalizing on the recent oil price strength, Strategic has entered into commodity price risk management contracts to fix the WTI price on a portion of its oil production as follows:

Term	Volume (bbl/d)	Fixed WTI Price (US\$/bbl)
February – September 2018	500	\$62.50
March – August 2018	100	\$64.00

RESERVES

In accordance with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities ("NI 51-101"), the Company's oil, natural gas and natural gas liquids ("NGL") reserves were evaluated by an independent engineering firm, McDaniel and Associates Consultants Ltd. ("McDaniel") as at December 31, 2017. See "Information Regarding Disclosure on Oil and Gas Reserves" in this press release.

Strategic's reserves at December 31, 2017 are summarized below.

	Light and Medium Crude Oil (Mbbbl)	Heavy Oil (Mbbbl)	Natural Gas (MMcf)	Natural Gas Liquids (Mbbbl)	Oil Equivalent (Mboe)
Gross Reserves ⁽¹⁾					
Proved Developed Producing	2,907	-	6,122	-	3,928
Proved Developed Non-Producing	65	-	762	-	192
Proved Undeveloped	2,629	-	10,751	-	4,421
Total Proved	5,601	-	17,636	-	8,541
Total Probable	5,187	-	13,697	-	7,469
Total Proved and Probable	10,788	-	31,333	-	16,010

⁽¹⁾ Gross reserves are the Company's total working interest share before the deduction of any royalties and without including any royalty interests of the Company.

All of the Company's reserves are located in the Marlowe core area. Proved and probable producing

reserves represent 33% of total proved and probable reserves, as compared to 23% at December 31, 2016.

McDaniel estimates the future development costs ("FDC") required to convert undeveloped and non-producing reserves to producing reserves at \$155.6 million. This includes 48 Muskeg Stack and 1 Keg River proved and probable undeveloped locations at Marlowe, of which 21 Muskeg Stack and 1 Keg River are booked as proved undeveloped locations. The reserve report anticipates these wells to be drilled over the next 5 years.

As of December 31, 2017, the Company's reserve life index was 7.6 years for proved reserves and 13.6 years for proved and probable reserves.

Reserve Life Index	Proved	Proved and probable
Reserves (Mboe)	8,541	16,010
2018 Forecast Production (Mboe)	1,124	1,181
Reserves Life Index (years)	7.6	13.6

Strategic's light and medium oil, natural gas and NGL reserves were evaluated by McDaniel using McDaniel's product price forecasts effective January 1, 2018 prior to provision for financial risk management contracts, income taxes, interest, debt service charges and general and administrative expenses. The following table summarizes the net present value from recognized reserves at December 31, 2017, assuming various discount rates, and incorporating FDC and abandonment liabilities. The following table summarizes McDaniel's commodity price forecast for the next five years.

Year	WTI Crude Oil (\$US/bbl)	Edmonton Light Crude Oil (\$C/bbl)	AECO Spot Natural Gas (C\$/MMBtu)	Foreign Exchange Rate (US\$/C\$)
2018	58.50	70.10	2.25	0.790
2019	58.70	71.30	2.65	0.790
2020	62.40	74.90	3.05	0.800
2021	69.00	80.50	3.40	0.825
2022	73.10	82.80	3.60	0.850

Summary of Before Tax Net Present Value of Future Net Revenue (Forecast Pricing) ^{(1) (2)}

(\$ thousands)	Undiscounted	Discounted at		
		5%	10%	15%
Proved				
Developed Producing	63,768	53,163	45,694	40,334
Developed Non-Producing	1,324	1,276	1,181	1,074
Undeveloped	58,068	37,534	24,487	15,896
Total Proved	123,160	91,973	71,363	57,303
Total Probable	158,496	93,345	58,738	38,751
Total Proved and Probable	281,656	185,318	130,102	96,054

⁽¹⁾ Based on McDaniel's January 1, 2018 commodity price forecast, incorporating physically-settled fixed price oil delivery contracts.

⁽²⁾ Tables may not add due to rounding.

A reconciliation of the Company's reserves at December 31, 2017 to the previous year-end is as follows.

Thousand Barrels of Oil Equivalent (Mboe)	Proved	Proved and Probable
Opening Balance December 31, 2016	9,320	19,553
Discoveries and Extensions	379	386

Technical Revisions	1,408	(3,041)
Economic Factors	(984)	-
Production ⁽¹⁾	(889)	(889)
Closing Balance December 31, 2017	8,548	16,010

⁽¹⁾ Financial information is from Strategic's preliminary unaudited consolidated financial statements for the year ended December 31, 2017, and is subject to change. See Unaudited Financial Information in this press release.

During 2017 Strategic drilled 7 Muskeg wells that were included as drilling locations in the 2016 reserves report. The reserves assigned to those Muskeg wells were negatively impacted by certain adjustments made to drilling and production techniques in early 2017, which limited the productivity of the new wells relative to earlier Muskeg wells drilled. Of the technical revisions recorded to proved and probable reserves, 1.2 MMboe are related to the Muskeg wells drilled during 2017 and late 2016, with the remainder primarily due to reductions in estimated reserves for undeveloped drilling locations. The Company does not believe that recent 2017 well results are reflective of the potential of the Muskeg play. Strategic has adjusted its drilling and completion techniques on the first two wells drilled in 2018, with the goal of improving well design and restoring productivity.

Strategic estimates total capital expenditures of \$48.2 million for 2017. Due to the negative revisions related to technical and economic factors for the year, finding and development ("F&D") costs for proved reserves and proved and probable reserves, including and excluding changes in FDC are not meaningful. F&D costs for proved developed producing reserves are as follows.

F&D costs	2017
Capital expenditures, year ended December 31, 2017 ⁽¹⁾ (\$thousands)	48,200
Proved Developed producing reserve additions (Mboe)	1,426
F&D costs for proved developed producing reserves (\$/boe)	\$33.80

⁽¹⁾ Financial information is from Strategic's preliminary unaudited consolidated financial statements for the year ended December 31, 2017, and is subject to change. See Unaudited Financial Information in this press release.

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.sgoil.com and at www.sedar.com.

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Unaudited Financial Information

Certain financial and operating information included in this press release for the year ended December 31, 2017, such as capital expenditures, production and F&D costs are based on unaudited financial results, and are subject to the same limitations as discussed under "Forward-Looking Information". These estimated amounts may change upon the completion of audited financial statements for the year-ended December 31, 2017 and changes could be material.

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) the impact of changes to drilling and completion techniques on productivity, reserves and well design; (iii) expected timelines for production optimization; and (iv) anticipated drilling and growth plans; 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, 2016 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.

Information Regarding Disclosure on Oil and Gas Reserves

The reserves data set forth above is based upon an independent reserves assessment and evaluation prepared by McDaniels with an effective date of December 31, 2017 (the "McDaniel Report"). This news release summarizes the Company's crude oil and natural gas reserves and the net present values before income tax of future net revenue for the Company's reserves using forecast prices and costs based on the McDaniel Report. All reserve references in this news release are based on gross reserves, which are equal to the Company's total working interest reserves before the deduction of any royalties and including any royalty interests of the Company. The McDaniel Report has been prepared in accordance with the standards contained in the COGE handbook and the reserve definitions contained in NI 51-101. It should not be assumed that the estimates of future net revenues presented in the tables above represent the fair market value of the reserves. There is no assurance that the forecast prices and cost assumptions will be attained and variances could be material. The recovery and reserve estimates of the Company's crude oil and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas and natural gas liquids reserves may be greater than or less than the estimates provided herein. All future net revenues are estimated using forecast prices, arising from the anticipated development and production of the Company's reserves, net of the associated royalties, operating costs, development costs, and abandonment and reclamation costs and are stated prior to provision for interest and general and administrative expenses. The reserve data provided in this news release only represents a summary of the disclosure required under NI 51-101. Additional disclosure will be provided in the Company's Annual Information Form which will be filed on www.sedar.com prior to April 30, 2017.

Oil and Gas Metrics

This news release contains metrics commonly used in the oil and natural gas industry, such as "finding and development ("F&D") costs" and "reserves life index". These terms do not have a standardized meaning and may not be comparable to similar measures presented by other companies, and therefore should not be used to make such comparisons.

"Finding and development costs" are calculated as the sum of development capital plus the change in FDC for the period divided by the change in reserves before production for the period. Finding and development costs take into account reserves revisions during the year, and are used as a measure of the Company's efficiency in developing oil and gas reserves.

"Reserves life index" is calculated as total reserves divided by the estimated 2018 production in the reserves report, and is intended to be a useful measure of the number of years over which the reserves will be produced.

BOE Presentation

References herein to "boe" mean barrels of oil equivalent derived by converting gas to oil in the ratio of six thousand cubic feet (Mcf) of gas to one barrel (bbl) of oil. Boe may be misleading, particularly if used in

isolation. A boe conversion ratio of 6 Mcf: 1 bbl is based on an energy conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In addition, given that the value ratio based on the current price of crude oil as compared to natural gas 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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