Strategic Oil & Gas Ltd. Announces 2011 First Quarter Results Reflecting a 150% Increase in Production

CALGARY, ALBERTA--(Marketwire - June 3, 2011) - Strategic Oil & Gas Ltd. ("Strategic" or the "Company") (TSX VENTURE:SOG) is pleased to announce its financial results for the three months ended March 31, 2011. The three month period ended March 31, 2011 is the first interim period for which the Corporation has prepared its financial statements under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Selected financial and operational information is outlined below and should be read in conjunction with the condensed interim consolidated financial statements and the related MD&A which are available for review at www.sogoil.com or www.sedar.com.

Financial and Operations Overview

For the three months ended March 31, 2011 and 2010

(thousands of dollars except per share amounts and shares outstanding)

		2011		2010
Cash Flow from operations *	**$**	**(1,295)**	$	38
Per share – basic	**$**	**(0.01)**	$	0.00
Net Income (loss)	**$**	**(4,891)**	$	(1,226)
Per share – basic	**$**	**(0.04)**	$	(0.02)
Average production (boe/d)		**790 boe/d**		315 boe/d
Capital expenditures				
Land and seismic	**$**	**3,444**	$	425
Drill and complete		**6,047**		1,556
Property acquisitions		**---**		---
Equipment, facilities and other		**2,431**		242
	$	**11,922**	$	2,223
Common shares o/s at year-end (000's)		**138,555**		68,693

* before changes in non-cash capital

Highlights

- A net loss of $4,891,000 was recorded in the period.
- Spent $11.9 million on the capital expenditure program in the first quarter, primarily at Steen River and Maxhamish.
- Steen River winter program was successfully implemented and included:
  - Repair of the crude oil pipeline at Steen River (Marlowe North) by late January, 2011
  - Completion of a $3.2 million 3-D and 2-D seismic program at Marlowe North
  - Completion of a 6 well workover and optimization program at Marlowe North and Marlowe West
  - Drilled, completed and tied in two successful Keg River oil wells at Marlowe North (8-22 and 10-22)
  - Completed an all year access road to core areas of Marlowe North
- Committed to a drilling rig from Akita Drilling Ltd. from August, 2011 to April, 2012 for use primarily at the Steen River area
- Acquired an additional 38 sections (24,320 acres) of 100% working interest land in the North Marlowe area of Steen River at the June 1, 2011 Alberta land sale. These lands were acquired for an average price of $250 per hectare and are contiguous to Strategic's current Steen River landholdings.
- Completed an all season road and well pads with its partner at Maxhamish. The all season infrastructure will facilitate drilling, completion and production operations through most of the year

- March exit production was 1,150 boe/d as a result of the successful workover program in the Steen River area
- Line of credit was recently increased from $5.0 million to $21.0 million, reflecting the increased reserve base from the Steen River acquisition and the subsequent workover and drilling program.

Overview of Performance

Summary

As previously disclosed, on December 22, 2010, Strategic closed an arms-length acquisition of all of the issued and outstanding shares of Steen River Oil & Gas Ltd. ("Steen River"), a private oil and gas exploration and production company.

At the time of acquisition, production was approximately 250 boe/d with additional production shut-in as a result of a pipeline break. In late January, 2011 the pipeline was repaired and 400 boe/d of production was brought back on-stream. Total production from this field at that time was approximately 650 boe/d, of which greater than 2/3 is light oil.

In the first quarter of 2011, Strategic completed 2 Keg River wells, a 3D seismic program and an all weather road into the North Marlow area of Steen River. Based on the preliminary results from the workover program, Strategic exited March with production of approximately 1,150 boe/d.

At Maxhamish, the 2011 development program is proceeding. The all weather road and well pad is nearing completion. The all season infrastructure will facilitate drilling, completion and production operations through most of the year. Drilling operations are expected to commence in the near future with completion of up to 4 multi-frac horizontal wells by the fourth quarter.

2011 first quarter results

The three months ended March 31, 2011 showed an increase in volumes over the comparable period of 2010. Average daily sales volumes increased by 151% to 790 boe/d in 2011 versus 315 boe/d in 2010. Revenues also increased by 186% to $4,613,896 for 2011 versus $1,689,641 in 2010. The increase was the result of the 150% increase in production and 9% increase in product prices realized in the first quarter of 2011 over same period in 2010. The Corporation received an average price of $64.85 per boe versus $59.44 in 2010 which is an increase of 9%.

For the three months ended March 31, 2011 average daily production was 790 boe/d versus 317 boe/d for the fourth quarter of 2010. Revenues for the first quarter of 2011 were $4,613,896 versus $1,639,920 in the fourth quarter of 2010. The increase in production and revenues is the result of a full two months of production included from the Steen River acquisition following resumption of pipeline access in the current quarter and oil prices improving over the quarter. The Corporation received an average price of $64.85 per boe in the first quarter of 2011 versus $56.21 per boe in the fourth quarter of 2010, a 15% increase.

For the three months ended March 31, 2011, the Corporation had a net loss of $4,891,099 or $0.04 per share basic and diluted as compared to a net loss of $1,225,601 of $0.02 per share for the three months ended March 31, 2010. The loss in 2011 arises from the stock-based compensation expense of $2,657,400 as a result of the issuance of stock options in the quarter and increased operating expenses. Negative funds from operations for the three months ended March 31, 2011 was $1,294,800 as compared to a funds from operations of $37,861 for the three months ended March 31, 2010.

Outlook for 2011

Strategic spent over $11.9 million on its capital program in the first quarter of 2011, primarily at Maxhamish and Steen River

Maxhamish

At Maxhamish, the 2011 development program is proceeding.

This includes:

i. completion of a year-round access road in early June to improve access to the area;
ii. licensing and construction of drilling pads that can accommodate up to 8 wells per pad;
iii. drilling up to 4 wells by the fourth quarter of 2011, with completions to follow;
iv. building infrastructure where necessary, including battery, pipelines, etc.; and
v. assessment of future drilling program.

Steen River, northwest Alberta

At Steen River, where the Corporation has a 100% working interest and operates the field, Strategic has moved forward aggressively to develop the property. This included shooting a $3.2 million 3-D and 2-D seismic program, workovers/optimizations on 6 wells, building a year round road into certain core areas of the property and drilling two Keg River oil wells. The seismic program is currently being interpreted, and combined with the regional geological study currently being performed will help determine future drilling locations for late summer or early fall drilling.

Strategic has signed an agreement with Akita Drilling Ltd. to secure a drilling rig from August 2011 to April 2012. Over the next 12 months Strategic plans to drill up to 10 wells in Steen River.

Production has increased steadily from December 31, 2010 with March production of approximately 1,150 boe/d due to the repair of the pipeline, workovers and optimization at Steen River. An additional production increase is anticipated in the second quarter from the drilling of two successful Keg River wells at Steen River.

Summary

Strategic is in a unique position for a junior/emerging oil and gas company:

i. it is well financed with a working capital balance of $10 million at the end of the first quarter and a recently signed $21 million credit facility;
ii. ongoing development at Maxhamish, with over 100 sections of land;
iii. 140 sections of undeveloped land at Steen River, an area with proven light oil potential; and
iv. politically and fiscally stable environment.

About Strategic

Strategic is a well capitalized junior oil and gas company with an unutilized line of credit, committed to growth by exploiting its light oil assets in Maxhamish, northeast BC and Steen River in northwest Alberta. Strategic's highly regarded subsurface technical team 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.

Complete financial statements, with accompanying management discussion and analysis are available for review at www.sedar.com.

Further information with respect to the Corporation can be found on its website at www.sogoil.com.

FORWARD LOOKING INFORMATION: *Certain information set forth in this document, including management's assessment of future plans and operations, contains forward-looking statements. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond our control. Those risks include, without limitation, the effect of general economic conditions, risks associated with oil and gas exploration, development, production, marketing and transportation, loss of markets, industry conditions and competition, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other industry participants, the ability to access qualified personnel and oilfield services, decisions by regulators, and the ability to access sufficient capital from internal and external sources. Readers are cautioned not to place undue reliance on the forward-looking statements as the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and actual results, performance or achievements could materially differ from those expressed or implied in such forward-looking statements and accordingly, no assurance can be given that any of the events* *anticipated by forward looking statements will transpire or occur, or if any of them do so, what benefit Strategic will derive there from. The Company does not assume the obligation to revise or update this forward-looking information after the date of this release or to revise such information to reflect the occurrence of future unanticipated events, except as may be required under applicable securities laws.*

BOE PRESENTATION:*Barrel ("bbl") of oil equivalent ("boe") amounts may be misleading particularly if used in isolation. All boe conversions in this report are calculated using a conversion of six thousand cubic feet of natural gas to one equivalent barrel of oil (6 mcf=1 bbl) and is based on an energy conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head.*

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