Strategic Oil & Gas Ltd. Announces Core Area Acquisitions, New Light Oil Resource Play, Expanded Credit Facility and Grant of Stock Options

CALGARY, ALBERTA--(Marketwire - Dec. 14, 2012) - Strategic Oil & Gas Ltd. ("Strategic" or the "Company") (TSX VENTURE:SOG) is pleased to announce that it has entered into agreements to acquire certain assets in Strategic's core area at Steen River, Alberta, (the "Acquisition"), for cash consideration of $23.6 million, subject to customary closing adjustments. The Acquisition will have an effective date of December 1, 2012 and is expected to close on December 21, 2012.

SUMMARY OF THE ACQUISITION

Strategic is acquiring a 100% working interest in 340 boe/d (83% light oil) of production and over 26 net sections of highly prospective land contiguous to Strategic's land position at Steen River. The Acquisition also includes significant pipelines, facilities and roads that are strategic to the Company and provides an immediate increase in efficiencies in current operations, coupled with a decrease in future infrastructure capital costs. The infrastructure assets include:

- Pipeline and off-loading station at the Mackenzie Highway, resulting in an immediate reduction in trucking costs and accelerating the full implementation of the Company's takeaway capacity by rail.
- Pipeline and water disposal capabilities at the West Marlow Field, resulting in an immediate reduction in trucking costs.
- 16 km of all-weather road, allowing unrestricted access to additional projects.

The acquired infrastructure and facilities between Strategic's plant and the existing rail line will allow for an accelerated development of a private rail terminal. Furthermore, the acquired facility synergies within the field will reduce Strategic's anticipated 2013 capital spending allocated to infrastructure and facilities by over $12 million. Raymond James Ltd. acted as Strategic's financial advisor on the Acquisition.

Key attributes of the Acquisition are as follows:

- Light oil production(1): 280 boe/d
- Associated natural gas production(1): 240 mcf/d
- Total production(1): 340 boe/d (88% light oil)
- Proved plus probable reserves(2): 1.7 mmboe (83% light oil)
- Land: 16,731 net acres (1,328 undeveloped acres)
- 3D seismic
- Infrastructure: Pipeline, disposal well, roads, offloading station

(1) *Based on forecasted average volumes for January 2013, (includes ~140 boed (50% oil) of restricted production due to vendor's lack of gas handling facilities)*

(2) *Internal estimates based on October 2012 McDaniel's price deck*

Strategic has identified up to 5 low risk Keg River development locations on the acquired lands. Strategic has also identified 4 sections of the acquired land that are prospective for both the Sulphur Point and Muskeg Stack plays. Strategic plans to develop the Sulphur Point and Muskeg stack with 4 wells per section.

TRANSACTION METRICS

Utilizing Edmonton Light oil pricing of Cdn $90/bbl and AECO gas pricing of $3/mcf, the purchase price of the Acquisition is approximately 7 times the current run rate cash flow. The transaction metrics are as follows:

- Current Production(3): $69,411 per producing boe
- Proved Plus Probable Reserves(1): $13.59 per boe
- Recycle Ratio: 3.1 times

(3) Reserves and production as disclosed above

OPERATIONAL UPDATE

The Company is pleased to announce that it has now achieved its target exit rate production of 3,000 BOED (not including the acquisition). This achievement was aided by the commencement of the delivery of crude oil volumes from a new commissioned rail transloading facility at High Level on December 8th, 2012. Strategic plans to deliver 1,400 BOPD from the Steen River area for the foreseeable future, mitigating future pipeline disruptions. The rail option also gives Strategic exposure to Brent and WTI pricing for its crude.

NEW LIGHT OIL RESOURCE PLAY

Strategic is also pleased to announce the success of its first multistage frac well into the Muskeg formation which is prevalent over Strategic's current land holdings. This well was recently stimulated with an 8 stage, 5 tonne frac and has been on production for the last 30 days. Due to limited fluid handling capability at the West Marlowe field, the horizontal well has been flowing into a pipeline against a back pressure of 4000-5000 kpa, which limits the drawdown on the well.

The well was put on production mid-November. During the first two weeks the well produced 230 BOEPD with a 25% drawdown. In December, the drawdown was increased to approximately 35% by trucking some of the liquid to the Steen battery. With the increased drawdown, the well is currently producing 365 BOEPD (45% light oil). Strategic is planning to tie the well in the newly acquired facility and optimize the drawdown. The muskeg stack play is mapped over 40 sections which Strategic currently holds. Internal estimates indicate over 8 MMBBL of OOIP per section. Current reservoir modeling suggests a recovery factor of 12 to 15%.

EXPANDED CREDIT FACILITY

As a result of the continued success at Steen River and in conjunction with the Acquisition, Strategic has signed a term sheet with a banking institution. Strategic's revolving borrowing base will be increased to $100 million, subject to final approvals. This increase will allow Strategic to continue to develop its asset base at Steen River. Assuming the successful closing of the Acquisition, Strategic expects to exit 2012 with net debt of approximately $34 million, providing the Company with significant balance sheet strength to execute its 2013 capital program.

With the extended borrowing base, the Acquisition and the success with the Muskeg Stack, Strategic is currently re-evaluating its 2013 capital budget plans and intends to announce its 2013 budget and guidance in early January, 2013.

GRANT OF STOCK OPTIONS

The Company will issue up to 6,000,000 stock options to directors, officers and employees, of which up to 4,000,000 will go to insiders. Each option entitles the holder to acquire one common share of the Company for a period of five years at a price of $1.16 per share. These options are issued in accordance with the Company's incentive stock option plan.

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, including the Company's most recently filed AIF, 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) forecasted capital expenditures and plans; (ii) exploration, drilling and development plans, (iii) prospects and drilling inventory and locations; (iv) anticipated production rates; (v) expected royalty rate; (vi) anticipated operating and service costs; (vii) the Company's financial strength; (viii) incremental development opportunities; (ix) reserve life index; (x) total shareholder return; (xi) growth prospects; (xii) asset acquisition plans; (xiii) sources of funding, including an increased debt facility, 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, 2011 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. Strategic's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements or if any of them do so, what benefits that Strategic will derive there from. 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.

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

OOIP Disclaimer: Original oil in place ("OOIP") are contingent resources and are not reserves. There is no certainty that it will be commercially viable to produce any portion of the resource except the extent they are identified as proved or probable reserves.

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