Strategic Oil & Gas Ltd. Announces First Quarter 2015 Financial and Operating Results

"Operating & Transportation Costs per BOE reduced by 57% at Marlowe"

CALGARY, ALBERTA--(Marketwired - May 19, 2015) - Strategic Oil & Gas Ltd. ("Strategic" or the "Company") (TSX VENTURE:SOG) reports financial and operating results for the three months ended March 31, 2015. Detailed results are presented in Strategic's interim condensed consolidated financial statements and related Management's Discussion and Analysis ("MD&A") which will be available through the Corporation's website at www.sogoil.com and on SEDAR at www.sedar.com.

FINANCIAL AND OPERATIONAL SUMMARY

	Three Months Ended March 31		
	2015	2014	% change
Financial ($thousands, except per share amounts)			
Oil and natural gas sales	**10,422**	21,370	(50)
Funds from operations [1]	**1,439**	984	46
Per share basic & diluted [1]	**0.00**	0.00	-
Cash provided by (used in) operating activities	**(3,598)**	10,101	(136)
Per share basic & diluted	**(0.01)**	0.04	(125)
Net income (loss)	**(8,610)**	(9,664)	11
Per share basic & diluted	**(0.02)**	(0.04)	50
Capital expenditures (excluding acquisitions)	**7,526**	38,454	(80)
Bank debt (comparative figure is as of December 31, 2014)	**48,425**	29,016	67
Net debt (comparative figure is as of December 31, 2014) [1]	**54,657**	48,399	13
Operating			
Average daily sales			
Crude oil (bbl per day)	**2,394**	2,361	1
Natural gas (mcf per day)	**5,237**	4,719	11
Barrels of oil equivalent (boe per day)	**3,267**	3,147	4
Average daily production (boe per day)	**3,267**	3,147	4
Average prices			
Oil & NGL, before risk management ($ per bbl)	**41.98**	89.52	(53)
Oil & NGL, including risk management ($ per bbl)	**51.34**	75.28	(32)
Natural gas, before risk management ($ per mcf)	**2.93**	5.53	(47)
Natural gas, including risk management ($ per mcf)	**2.93**	5.53	(47)
Netback ($ per boe) [1]			
Oil and natural gas sales	**35.45**	75.45	(53)
Royalties	**(5.08)**	(15.84)	68
Operating expenses	**(21.38)**	(33.92)	37
Transportation expenses	**(1.39)**	(4.08)	66
Operating Netback	**7.60**	21.61	(65)
Common Shares (thousands)			
Common shares outstanding, end of period	**542,319**	360,734	50
Weighted average common shares (basic)	**542,319**	261,785	107
Weighted average common shares (diluted)	**542,319**	261,785	107

(1) Funds from operations, net debt and operating netback are non-GAAP measurements; see "Non-GAAP Measurements" in the Company's MD&A.

SUMMARY

- Capital expenditures of $7.5 million for the first quarter of 2015 were directed primarily towards drilling and completion operations for one Muskeg horizontal well at Marlowe, as well as completing another well drilled in December 2014. In addition, two pads at North Marlowe were fully equipped for 4 wells in preparation for future drilling on these sites. Strategic elected to stop the winter Muskeg drilling program in January in order to preserve capital in light of depressed commodity prices.

- Average daily production totaled 3,267 boe/d for the three months ended March 31, 2015 compared to 3,925 boe/d for the fourth quarter of 2014 due to the shut-in of 700 boe/d of production at Bistcho and Cameron Hills in February 2015, as well as a lack of drilling activity in the current period. Strategic will evaluate restarting the Bistcho and Cameron Hills fields, including incurring certain maintenance costs in the area, once commodity prices improve. Prior quarter volumes were also higher due to the sale of 260 bbl/d of oil from inventories held at September 30, 2014. Production increased 4 percent from the first quarter of 2014 due to successful Muskeg stack drilling activities during the year, partially offset by the Bistcho/Cameron Hills shut-in.

- Operating costs per boe decreased 37% compared to 2014 levels as the Company made significant changes to its cost structure in 2015, including shutting in non-economic properties and reducing maintenance expenditures and field staff. Transportation costs dropped 66% from the first quarter of 2014 as a result of the construction of the Bistcho sales oil pipeline which transports oil from Marlowe directly to the Rainbow pipeline system. The pipeline became operational on March 29, 2014.

- Operating costs per boe at Marlowe were reduced to $14.75/boe for the three months ended March 31, 2015 from $32.53/boe for the three months ended March 31, 2014. Transportation costs were reduced from $4.78/boe in the first quarter of 2014 to $1.26/boe for the current period due to the construction of the sales oil pipeline.
  Operating & Transportation Cost per boe at Marlowe were reduced to $16.01/boe for the first three months of 2015 from $37.31/boe for the three months ended March 31, 2014, a reduction of 57%.

- Strategic's net debt at March 31, 2015 was $54.7 million compared to a maximum borrowing capacity of $60 million less letters of credit outstanding, or $55.6 million. The Company had anticipated being in violation of its debt covenants at the end of the quarter, but as a result of operating costs, royalties and capital costs being below budgeted levels Strategic was in compliance with all covenants under its credit facility as at March 31, 2015.

- Funds from operations increased to $1.4 million in the current quarter from $1.0 million for the first quarter of 2014, as lower revenues due to lower commodity prices were offset by reduced operating and transportation costs and a realized gain on risk management contracts of $2.0 million.

- Cash flow provided by (used in) operating activities decreased to $(3.6) million from $10.0 million for the first three months of 2014 as a result of decommissioning expenditures of $4.2 million related to well abandonments and remediation of a prior year pipeline spill at Marlowe. The prior year figure included a $10.4 million change in non-cash working capital driven by increasing accounts payable due to capital spending activities during the period.

OVERVIEW AND OUTLOOK

Strategic drilled 11 Muskeg horizontal wells during 2014 and 1 Muskeg well during the first quarter of 2015. The 12 Muskeg wells have produced over 310,000 bbl of light oil and 1.3 bcf of natural gas. Cumulative production from the 12 Muskeg wells has exceeded 530,000 boe over 2,733 producing days, for an average production rate of 194 boe/d per well. The 12 Muskeg wells are currently producing 1,520 boe/d, for an average production rate of 126 boe/d per well. The top 3 wells have produced over 80,000 boe per well in the first year.

Strategic has responded to the challenges caused by low commodity prices by reducing its cost structure in the field and in the head office through shutting in high cost operations, implementing efficiencies, reducing staff counts and eliminating all non-essential maintenance programs. As a result, operating costs at Marlowe were reduced to $14.75/boe for the first quarter of 2015 and the Company was able to avoid violating financial covenants on its credit facility.

The Company improved its funds from operations by $0.5 million relative to the first quarter of 2014 despite a 51% drop in WTI oil prices. Lower royalties and operating costs as well as realized gains of $2.0 million on commodity price risk management contracts contributed to the higher cash flows for the current period. Strategic added to its hedge position after the end of the quarter, selling forward 500 bbl/d of oil at WTI US$61.65/bbl for July to December 2015.

The Company made the difficult decision to curtail drilling activities due to low oil prices and financial constraints, but continues to believe in the potential profitability of this conventional light oil resource even at current commodity prices. Strategic is now focusing its activities on obtaining additional capital to recommence the Muskeg development in a way that provides the greatest benefit to its shareholders.

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 operating and service costs and the impact of capital projects on operating costs; (iii) expected capital spending; (iv) the Corporation's financial strength and capitalization; (v) estimates of reserves; (vi) expected use of proceeds from the private placement; (vii) corporate production levels; (viii) oil takeaway capacity; (ix) extensions of mapped oil in place; which are provided to allow investors to better understand the Corporation'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 Corporation's Annual Information Form for the year ended December 31, 2014 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 Corporation 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 Corporation'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.

Non-IFRS Measurements

The Corporation utilizes certain measurements that do not have a standardized meaning or definition as prescribed by IFRS and therefore may not be comparable with the calculation of similar measures by other entities, including net debt, operating netback and funds from operations. Readers are referred to advisories and further discussion on Non-IFRS measurements contained in the Corporation's MD&A.

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.

To view the Financial Statements associated with this press release, please visit the following link: http://media3.marketwire.com/docs/1007874FS.pdf.

To view the Management Discussion & Analysis associated with this press release, please visit the following link: http://media3.marketwire.com/docs/1007874MDA.pdf.

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