

Strategic Oil & Gas Ltd. Announces First Half 2016 Budget

CALGARY, ALBERTA--(Marketwired - Dec 15, 2015) - Strategic Oil & Gas Ltd. ("Strategic", or the "Company") (TSX VENTURE:SOG) announces its first half 2016 capital budget and provides an operations and financing update.

BUDGET

Strategic's Board of Directors has approved a capital budget of \$11 million for the first half of 2016. Capital will be directed towards drilling four wells to preserve undeveloped lands, increase reserves and further delineate the Muskeg play at Marlowe. The four wells are comprised of two horizontal exploration wells and two vertical wells. Core data from vertical wells in the Muskeg zone will further confirm the geo-technical attributes of the reservoir. Strategic is well positioned to execute on this program while delivering significant cost savings, which are expected to be repeatable.

OPERATIONS AND COST EFFICIENCIES

Strategic has maintained production at 2,100 boe/d with limited maintenance capital over the last quarter. Recent Muskeg well results are continuing to meet or exceed the Company's type curve, paving the way for robust future development plans. Strong well performance past the first year of production has resulted in a revision to the Company's Muskeg type curves, reflected in the Company's recently updated corporate presentation, which is available on its website.

With previous development and the 2016 drilling program Strategic will validate nearly 300 sections of land, resulting in over 800 future Muskeg drilling locations. To date the Company has mapped over 2 billion barrels of oil in place on its current land base. Technological advancements on downhole equipment and improved pumping efficiencies have contributed to significantly reduce down time over the past year. Future cost reductions in drilling and completions are expected to support positive economic returns on Muskeg drilling even in a low commodity price environment.

The Company is projecting a 31 percent reduction in operating and general and administrative expenses in 2015 as compared to 2014. Operating costs are projected to decrease 35 percent from \$32.5 million in 2014 to approximately \$21 million for 2015, and the Company estimates a further 15 percent decline from 2015 levels may be realized in 2016. General and administrative costs for 2015 are projected to decrease 13 percent from \$7 million in 2014 to approximately \$6 million for 2015, and 2016 costs are anticipated to decrease a further 15 percent from 2015.

Major shareholders continue to support the Company as a result of strong well performance and disciplined capital management. Strategic will focus on creating additional shareholder value through reserve additions and play delineation with the 2016 drilling program.

FINANCING AND FUNDING ALTERNATIVES

In November 2015, Strategic announced that the Company had obtained a \$10.0 million loan from an entity which is a significant shareholder in the Company and controlled by the Chairman of the Board of Directors. The conversion option on the loan was adjusted to be convertible at the option of the holder into common shares of the Company at a conversion price which is the lesser of \$0.115 per common share, or a price per common share that is the issue price of the common shares issued on any equity raise on or before February 1, 2017.

Due to the substantial size of the Muskeg asset and its ultimate development potential, Strategic has engaged RBC Capital Markets to identify, examine and consider funding alternatives available to enhance shareholder value. Alternatives may include, but are not limited to, identification and negotiation with alternative debt providers, the raising of additional capital via private or public share placement, recapitalization, merger, joint venture, the sale of all or a portion of the Company's assets, or any combination thereof.

Strategic intends to proceed with a private placement financing of approximately \$25 million in January 2016. Should it be required, the Company's major shareholder has agreed to support the offering and participate for at least his 57.8% proportionate share of the private placement. The funds raised will be used to fund the 2016 capital program and repayment of the short-term loan and a portion of the Company's credit

facility.

Difficult decisions made in early 2015 have enhanced Strategic's ability to survive this economic climate, and the Company is committed to realizing the potential of its asset base. The Company's winter capital program will delineate the Muskeg reservoir and create a multi-pad corridor for future production drilling once commodity prices improve.

ABOUT STRATEGIC OIL & GAS

Strategic is a junior oil and gas company with a dominant land position in Canada. The Company is committed to building a premier oil producer through its high-quality, concentrated reserve base, and constructing an operated integrated sales infrastructure to support the Company's significant future growth. 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.sogil.com and at www.sedar.com.

Reader Advisories

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) the effect of operational changes on future costs and cash flows; (ii) repeatability of cost savings; (iii) the effect of cost reduction strategies on the Company's capital program, financial position and competitiveness; (iv) the size of the Muskeg asset and returns on Muskeg drilling activities; (v) type curves and average production rates; and (vi) use of proceeds from a potential private placement and participation in the private placement by the Company's major shareholder, 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, 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 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 (Boe/d). 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.

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