Strategic Oil & Gas Ltd. Announces Third Quarter 2017 Financial Results and Provides Operations Update

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CALGARY, Alberta, Nov. 15, 2017 (GLOBE NEWSWIRE) -- Strategic Oil & Gas Ltd. (“Strategic” or the “Company”) (TSXV:SOG) reports financial and operating results for the three months ended September 30, 2017. Detailed results are presented in Strategic's interim unaudited consolidated financial statements and related Management's Discussion and Analysis ("MD&A") which will be available through the Company's website at www.sogoil.com and on SEDAR at www.sedar.com.

NEW MUSKEG WELL RESULTS

During the third quarter, the Company drilled one horizontal Muskeg well at west Marlowe (10-9) and one at North Marlowe (15-34). Both wells were 1,900 metres in lateral section; the 10-9 well was completed with 20 stages while the 15-34 well was completed with 40 stages. Initial production rates from these new wells on a producing day basis are as follows:

	IP30			IP60		
Well	Oil (bbl/d)	Total (boe/d)	% oil	Oil (bbl/d)	Total (boe/d)	% oil
15-34	186	189	98%	194	203	96%
10-9	144	144	100%	191	202	95%

These results demonstrate the significant potential of the Muskeg light oil play at Marlowe. Strategic also drilled a Slave Point horizontal well which was recently tied in and is on clean up. Positive results from the Slave Point well would provide the company with a new zone of development in addition to the Muskeg.

FINANCIAL AND OPERATIONAL SUMMARY

	Three months ended September 30			Nin
Financial ($thousands, except per share amounts)	2017	2016	% change	201
Oil and natural gas sales	8,271	5,478	51	27,4
Funds from (used in) operations [1]	(333)	(140)	135	5,04
Per share basic [1] [3]	(0.01)	(0.01)	-	0.11
Cash provided by (used in) operating activities	2,149	2,245	(4)	4,02
Per share basic [3]	0.05	0.08	(38)	0.09
Net loss [2]	(36,779)	(5,985)	515	(48
Per share basic [3]	(0.79)	(0.22)	256	(1.0
Net capital expenditures	13,991	10,812	29	44,8
Adjusted working capital (comparative figure is as of December 31, 2016) [1]	13,331	49,956	(73)	13,3
Net debt (comparative figure is as of December 31, 2016) [1]	93,418	51,141	83	93,4
Operating				
Average daily production				
Crude oil (bbl per day)	1,806	1,231	47	1,79
Natural gas (mcf per day)	3,472	2,074	67	3,88
Barrels of oil equivalent (boe per day)	2,384	1,577	51	2,44
Average prices				

Oil & NGL ($ per bbl)	46.63	44.23	5	50.6
Natural gas ($ per mcf)	1.64	2.46	(33)	2.54
Operating netback ($ per boe) (1)				
Oil and natural gas sales	37.70	37.77	-	41.2
Royalties	(3.94)	(6.42)	(39)	(4.6
Operating expenses	(25.65)	(22.97)	12	(21.
Transportation expenses	(1.41)	(0.87)	62	(1.2
Operating Netback (1)	6.70	7.51	(11)	14.2
Common Shares (3) (thousands)				
Common shares outstanding, end of period	46,391	27,121	71	46,3
Weighted average common shares (basic & diluted)	46,391	27,120	71	46,1

(1) Funds from operations, adjusted working capital, net debt and operating netback are Non-GAAP measures; see “Non-GAAP measures” in this MD&A.
(2) The comparative condensed statement of loss for the nine months ended September 30, 2016 has been adjusted to reflect a $3.8 million adjustment to deferred tax recovery related to the issuance of convertible debentures.
(3) Adjusted for the share consolidation on a 20:1 basis announced on March 6, 2017.

QUARTERLY SUMMARY

- Capital expenditures of $14.0 million were incurred in the quarter, primarily related to the summer drilling program, a plant turnaround at the 9-17 processing facility and the installation of Production Plus Heal systems on certain Muskeg wells.

- Average daily oil production increased 47% from the three months ended September 30, 2016 to 1,806 bbl/d, while total production increased 51% from the third quarter of 2016 to 2,384 boe/d for the current period, primarily due to new production from the winter Muskeg drilling program. Average production decreased 10% from 2,661 boe/d for the second quarter of 2017 due to production restrictions driven by third party pipeline maintenance and a plant turnaround during the current period.

- Funds used in operations increased to $0.3 million for the quarter from $0.1 million for the three months ended September 30, 2016. Funds used in operations for the current period were impacted by $1.0 million in isolated environmental remediation costs, as well as severance costs related to executive departures of $0.7 million.

- Strategic maintained capital discipline with its summer drilling program, reducing capital expenditures from the original budget of $24 million by removing two development wells from the program. At September 30, 2017, the Company had $20.5 million in cash and $13.3 million in adjusted working capital.

- The Company issued $3.9 million of additional convertible debentures as payment in kind of interest payable on August 31, 2017 to preserve cash while pursuing its capital spending program. The additional debentures have the same terms as the original debentures except that they are convertible into common shares of the Company at a price of $2.03 per share.

PERFORMANCE OVERVIEW, STRATEGY AND OUTLOOK

Corporate production volumes were 2,384 boe/d for the quarter, which is consistent with the Company’s earlier estimate of 2,400 boe/d. Corporate production was curtailed for a portion of the third quarter due to third party restrictions driven by sales pipeline maintenance and a 9-day plant turnaround at Marlowe. Initial production once all wells were brought back online was approximately 2,926 boe/d for the last 9 days of September compared to corporate guidance of 3,500 boe/d, with the shortfall attributable to a longer than expected cleanup period for the 10-9 well and continued underperformance from four of the Muskeg wells drilled in the first quarter of 2017.

In planning the first quarter 2017 drilling program, the Company made several adjustments to the well placement targeting lower in the pay zone to achieve a faster drilling pace. Strategic management has completed a detailed review of the drilling and production techniques used in this program and believes that certain adjustments made may have limited the productivity of those Muskeg wells drilled. As a result of the shortfall in production on the early 2017 wells and higher than expected costs per well, Strategic recorded an asset impairment charge of $30.4 million in the current quarter. The Company does not believe that recent results are reflective of the potential of the Muskeg play. Strategic intends to apply the knowledge obtained from this capital program to improve well design, reduce costs and restore well productivity in future drilling activities.

Capital spending for the quarter was estimated to be $16 million but totaled only $14.0 million due to delays in completion and well equipping projects. Currently all wells drilled in 2017 are equipped and on production.

About Strategic

Strategic is a junior oil and gas company committed to becoming a premier northern oil and gas operator by exploiting its light oil assets primarily in northern Alberta. The Company relies on its extensive subsurface and reservoir experience to develop its asset base and grow production and cash flows while managing risk. The Company maintains control over its resource base through high working interest ownership in wells, construction and operation of its own processing facilities and a significant undeveloped land and opportunity base. Strategic’s primary operating area is at Marlowe, Alberta. 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.
For more information, please contact:

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Reader Advisories
Any references in this news release to initial production or test rates are useful in confirming the presence of hydrocarbons, however, such rates are not necessarily determinative of the rates at which such wells will continue production. These flow-back, initial production or test results are quoted on a raw basis before shrinkage on natural gas volumes and may not be indicative of long-term well performance or ultimate recovery. While encouraging, readers are cautioned not to place reliance on such rates in estimating the aggregate production for the Company. Total corporate production volumes include natural gas shrinkage.

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 productivity and costs of future drilling programs; (ii) the potential of the Company’s assets; (iii) the potential of various new oil formations in the Company’s asset base; (iv) anticipated remediation costs; 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, 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 (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-GAAP Measurements
The Company 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-GAAP measurements contained in the Company’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.