

## **NEWS RELEASE**

### **DEEP WELL PROJECT IS COMMERCIALY VIABLE SAYS REPORT**

**January 11, 2012 – 08:00 EST**

EDMONTON, ALBERTA - (Marketwire – January 11, 2012) Deep Well Oil & Gas, Inc. (and its subsidiaries – "Deep Well" or "Company") (OTCQB Marketplace: DWOG) is pleased to announce that the independent engineering firm of DeGolyer and MacNaughton Canada (DMC) has completed its economic forecasts for a proposed pilot project on the Sawn Lake lands where DWOG has a 80 per cent working interest. The DMC study covers early development in Deep Well's Sawn Lake property. The plan is for horizontal Cyclic Steam Stimulation (CSS) of bitumen in the Blue Sky formation, with a line drive steam flood also being forecast in one of the scenarios.

The forecast models development on the northern half of section 10-92-13W5. This section was chosen because of several positive factors.

Mapping of the half section gave a bitumen-in-place volume of 24.3 million barrels. Low, best and high recovery factors and Steam Oil Ratios (SORs) were estimated by computerized simulations of the reservoir.

Prices used were from the DMC price forecast of September 30, 2011 for crude bitumen at the plant gate (9 API), and Alberta Plantgate Spot price for natural gas. No adjustment has been made to these prices for transportation or quality considerations at this time.

The DMC report forecasts commercial viability of the pilot project, with the ultimate recovery rates in excess of 40 per cent of original oil in place.

As a result, DWOG is actively pursuing pilot project capitalisation in the range of \$50 million to \$60 million US.

The preferred production scenario, using horizontal application of CSS followed by a line-drive steam flood, forecast gross revenue of \$816 million Cdn over the 19 year production life of the initial pilot, against capital expenditure of about \$50 million Cdn to achieve production.

It is anticipated that the pilot project will be the core of Deep Well's first commercial scale production from Sawn Lake. For the pilot phase, the average operating cost over the life of the project is estimated to be about \$22.00 Cdn per barrel.

In the coming weeks, Deep Well intends to apply to the Energy Resources Conservation Board to modify its existing regulatory approval for pilot production.

Deep Well is fully committed to best practices in Environmental Stewardship to assure sustainable development of its in-situ heavy oil holdings.

Deep Well Oil & Gas, Inc. is a Nevada corporation based in Alberta Canada. Deep Well and its subsidiaries Northern Alberta Oil Ltd. and Deep Well Oil & Gas (Alberta) Ltd. have an 80% working interest in 56 contiguous sections of oil sands leases, 40% working interest in an additional 12 sections of oil sands leases in the Sawn Lake heavy oil area in North Central Alberta. The leases cover 43,015 gross acres.

This press release contains forward-looking statements. The words or phrases "would be," "will allow," "intends to," "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," or similar expressions are intended to identify "forward-looking statements." Actual results could differ materially from those projected in the Company's proposed oil and gas related business and described in this press release. The Company's business and the realization of the results contemplated by this press release are subject to various risks, which are discussed in the Company's filings with the SEC. The Company's filings may be accessed at the SEC's Edgar system at [www.sec.gov](http://www.sec.gov). Statements made herein are as of the date of this press release and should not be relied upon as of any subsequent date. The Company cautions readers not to place reliance on such statements. Unless otherwise required by applicable law, we do not undertake, and we specifically disclaim any obligation, to update any forward-looking statements to reflect occurrences, developments, unanticipated events or circumstances after the date of such a statement.

Deep Well Oil & Gas, Inc. (OTCQB Marketplace: DWOG - News)

Contact:

Deep Well Oil & Gas, Inc.

Investor Relations

1 888 - OILSAND (1-888-645-7263)

[www.deepwelloil.com](http://www.deepwelloil.com)