

NEWS RELEASE

RESERVOIR MODELING BY DEGOLYER AND MACNAUGHTON RECOMMENDS HORIZONTAL CSS FOR DEEP WELL PILOT PROJECT

January 26, 2012 – 08:00 EST

EDMONTON, ALBERTA - (Marketwire – Jan 19, 2012) Deep Well Oil & Gas, Inc. (and its subsidiaries – "Deep Well" or "Company") (OTCQB Marketplace: DWOOG) is pleased to announce that the independent engineering firm of DeGolyer and MacNaughton Canada Limited (D&M) has completed its reservoir modeling for a proposed pilot project on the Sawn Lake lands where Deep Well has a 80 per cent working interest. The D&M reservoir study follows D&M's economic forecast for early development in Deep Well's Sawn Lake property, wherein the data indicated the pilot project would yield commercial viable extraction of the heavy oil in place. The D&M reservoir report outlines the steps taken by D&M to model Horizontal Cyclic Steam Stimulation (HCSS) in the Bluesky bitumen reservoir in land interests owned by Deep Well to assess the potential oil production response using steam injection.

In a letter to Deep Well and its subsidiary Northern Alberta Oil Ltd. ("Northern") dated January 16, 2012, Mr. Colin P. Outtrim P. Eng., President of D&M, concludes: "While many uncertainties remain, our initial modeling suggests the area is a promising candidate for thermal development. As modeled, the project is economically viable. We advise Northern to proceed with plans to further investigate and develop the area."

According to D&M a \$50 million US initial investment in the pilot wells and plant is forecast to yield gross revenue of more than \$800 million over the 19-year production life of the pilot wells. The full pilot project expansion is forecast to require 16 wells drilled over 14 years.

The three-dimensional static reservoir models were constructed with Schlumberger's Petrel geological modeling tool; then imported into the Steam, Thermal, and Advanced Processes Reservoir Simulator (STARS) produced by Computer Modeling Group Ltd. (CMG). It was in these models that dynamic thermal modeling was performed on the Bluesky reservoir.

To take advantage of dissolved natural gas in the reservoir oil the models used relatively high production pressure. The higher pressure caused the solution gas to remain dissolved in the oil longer, reducing viscosity. This helped increase the production rates and lower the steam oil ratio in the model.

The higher production pressures also prevented formation bottom water from being produced with the oil, despite its significant presence in the reservoir.

Deep Well is currently developing a Pilot Project Production Plan based on D&M's reservoir simulation, and economic forecasts. Deep Well accepts, and concurs with, D&M's recommendation for horizontal application of HCSS (with a single horizontal injector and producer well) followed by a line-drive steam flood.

In keeping with the D&M forecasts, Deep Well is pursuing options for capitalization of the pilot project.

Details of how these pilot wells will lead to initial commercial production will be set out in a production plan.

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. 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: DWOOG - News)
Contact: Deep Well Oil & Gas, Inc. Investor Relations

1 888 - OILSAND (1-888-645-7263) www.deepwelloil.com