



BASE OIL AND GAS LTD. ANNOUNCES RECAPITALIZATION TRANSACTION AND MANAGEMENT CHANGES

Symbol: BOG: TSX Venture

May 20, 2011

Base Oil and Gas Ltd. ("**Base Oil and Gas**" or the "**Company**") is pleased to announce it has entered into a Recapitalization Agreement (the "**Agreement**") with Mr. Richard Thompson and Mr. Hany Beshry, which provides for two non-brokered private placements (the "**Private Placements**") by the Company for aggregate gross proceeds of at least \$1.25 million and up to \$1.4 million, and the appointment of Mr. Thompson and Mr. Beshry as executive officers of the Company and Mr. Thompson as a director of the Company (collectively, "**New Management**", and with the Private Placements, the "**Transaction**").

New Management

Pursuant to the Agreement, Mr. Thompson will be appointed President and Chief Executive Officer and a director of the Company, Mr. Beshry will be appointed Executive Vice-President, Exploration of the Company and Ms. Elizabeth M. Burke-Gaffney will be appointed Vice-President, Land.

Mr. Thompson is a geophysicist with over 30 years of industry experience. Previously he was Executive VP and a director of Cequence Energy (2009-2010), VP Exploration of Cyries Energy Inc. (2004-2008), Manager Geophysics of Cequel Energy (2001-2004) and Chief Geophysicist of Cypress Energy (1997-2000). Prior to Cypress Energy, Mr. Thompson held increasingly senior capacities in both public and private oil and gas exploration companies. Mr. Thompson graduated from the University of Manitoba in 1979 with a B.Sc in Geophysics (with honours).

Mr. Beshry is a geologist with over 14 years of industry experience. Previously, he was VP Exploration of Cequence Energy (2009-2010), Manager Geology of Cyries Energy Inc. (2004-2008), Senior Geologist of Cequel Energy (2001-2004) and a geologist with Cypress Energy (1997-2000). Mr. Beshry graduated from the University of Calgary in 1997 with a Bachelor of Science in Geology.

Mr. Thompson and Mr. Beshry were key team members responsible for growth creation in several profitable junior oil and gas companies. They represent a focused technical team that consistently achieved strong production and reserve growth through prudent acquisitions and drilling.

Ms. Burke-Gaffney is a Landman with more than 24 years of industry experience. Since May 2008, Ms. Burke-Gaffney has been retained by various companies on an ongoing basis to provide land expertise. From February, 2006 to April, 2008, Ms. Burke-Gaffney held positions of Vice-President, Land, Chief Financial Officer and Director of Paris Energy Ltd. and subsequently President and Chief Executive Officer of Paris Energy Inc. From December 2003 to January 2006, Ms. Burke-Gaffney was Vice-President, Land and Director of KVR Resources Ltd. From 2001 until 2003, Ms. Burke-Gaffney was Manager, Land with Nycan Energy Corp. Prior thereto Ms. Burke-Gaffney was employed by Baytex Energy Ltd. from 1996 until 2000, initially as a Senior Landman, and subsequently as Chief Landman. Prior to Baytex, Ms. Burke-Gaffney worked for various large, intermediate and small companies in land. Ms. Burke-Gaffney graduated from the University of Toronto in 1984 with a Bachelor of Arts Degree. She is an active member of the Canadian Association of Petroleum Landmen and former member of the Board of Directors of the CAPL.

Upon closing of the Transaction, Mr. Henry Sykes and Mr. Don Cameron will resign as Directors of the Company and Mr. Don Cameron, Vice President Exploration and Mr. Don Van Tetering, Vice President Operations will resign as officers of the Company. Also at that time, Mr. Thompson will be appointed as a Director of the Company.

After completion of the Transaction:

- (a) senior management of the Company will consist of Richard Thompson - President and Chief Executive Officer, Hany Beshry - Executive Vice-President, Exploration, Ms. Burke-Gaffney - Vice-President, Land and Roy Evans - Vice-President, Finance and Chief Financial Officer; and
- (b) the Board of Directors of the Company will consist of Mr. Thompson and some of the current Directors of the Company, those being Dennis Feuchuk (Chairman), Bruce Hammond, Rick Alexander and Don Van Tetering.

Corporate Strategy

Following completion of the Transaction, the Company will focus predominately on light oil and liquids-rich gas opportunities in Alberta and Northeast B.C. The Company will supplement its exploration and development program with a focused acquisition and consolidation strategy. The acquisition and consolidation strategy will expand the Company's suite of assets and provide a platform for sustainable growth.

Private Placements

Pursuant to the Agreement, the Company will complete two private placements, one a private placement of units of the Company (the "**Units**") and the other a private placement of common shares of the Company ("**Common Shares**").

For the Unit private placement, Mr. Thompson and Mr. Beshry will subscribe for an aggregate of 6,415,095 Units and Mr. Thompson and Mr. Beshry or other persons identified by Messrs. Thompson and Beshry may subscribe for up to an additional 1,132,075 Units, at a price of \$0.1325 per Unit for aggregate proceeds to the Company of at least \$850,000 and up to

\$1,000,000. Each Unit will be comprised of one Common Share and one Common Share purchase warrant (a "**Warrant**")

Each Warrant will entitle the holder thereof to purchase one Common Share at a price of \$0.20 over the next five years with 1/3 of the Warrants vesting when the five day weighted average closing share price (the "**Market Price**") meets or exceeds \$0.26 per Common Share, 1/3 of the Warrants vesting when Market Price equals or exceeds \$0.325 per Common Share and the final 1/3 of the Warrants vesting when the Market Price equals or exceeds \$0.39 per Common Share.

For the Common Share private placement, Mr. Thompson and Mr. Beshry, together with additional subscribers identified by Mr. Thompson and Mr. Beshry, will subscribe for an aggregate of 2,666,666 Common Shares at a price of \$0.15 per Common Share for aggregate gross proceeds to the Company of approximately \$400,000.

Proceeds from the Private Placements will be used to fund the Company's capital program, as well as for current working capital purposes.

Escrow

Mr. Thompson and Mr. Beshry will each be required, at closing of the Transaction, to enter into an escrow agreement which will provide that any Common Shares acquired pursuant to the Private Placements, and any Common Shares issued upon exercise of the Warrants, shall be subject to a 24 month escrow wherein 25% of such securities shall be released on each of the 6, 12, 18 and 24 month anniversaries of closing of the Private Placement.

Shareholder and Stock Exchange Approvals

Completion of the Transaction is subject to a number of conditions and approvals including, but not limited to, the approval of the TSX Venture Exchange and, if required by the TSX Venture Exchange, shareholder approval.

Pursuant to the Agreement, if shareholder consent is required by the TSX Venture Exchange, the Company has agreed to obtain written consent from shareholders holding Common Shares representing in excess of 50.1% of the Company's issued and outstanding Common Shares (the "**Written Consent**") on or before June 7, 2011. In the event that the Written Consent is not obtained on or before June 7, 2011, the Company has agreed to convene and hold a meeting of shareholders of the Company for consideration of the Transaction by the shareholders of the Company on or before July 29, 2011.

Board of Directors' Recommendation

The Board of Directors of the Company has unanimously approved the Transaction and recommends that the Company's shareholders approve the Agreement and the Transaction and execute a Written Consent. Any shareholder of the Company wishing to obtain and execute a Written Consent should contact the Company as set out below.

Financial Advisor

Dundee Securities has acted as financial advisor to New Management in respect of the Transaction.

The Agreement

The Agreement contains a number of customary representations, warranties and conditions. The complete Agreement will be accessible on the Company's SEDAR profile at www.sedar.com.

Appointment of Interim President and Chief Executive Officer

Base Oil & Gas Ltd. further announces that effective immediately, Mr. Dennis Feuchuk has resigned his position as President and Chief Executive Officer of the Company. Mr. Roy Evans, Vice President Finance and Chief Financial Officer of the Company has been appointed to serve as interim Chief Executive Officer until the closing of the Transaction. Mr. Feuchuk will continue in his role as Chairman of the Board of Directors.

Base Oil and Gas Ltd. is a Calgary based emerging oil and gas company, focused on the development of light oil & liquids-rich gas reserves in the Western Canadian Sedimentary basin.

FOR ADDITIONAL INFORMATION PLEASE CONTACT:

Base Oil & Gas Ltd.

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or visit the Company's website at www.baseoilandgas.ca.

Forward Looking and Cautionary Statements

This press release contains forward-looking statements. More particularly, this document contains statements concerning: the completion of the transactions contemplated by the Agreement, including both completion of the Private Placements and the future directors and officers of the Company and the use of proceeds from the Private Placements.

The forward-looking statements are based on certain key expectations and assumptions made by the Company or by New Management, as applicable, including expectations and assumptions concerning: timing of receipt of required shareholder and regulatory approvals and third party consents and the satisfaction of other conditions to the completion of the Transaction.

Although the Company and the New Management, as applicable, believe that the expectations and assumptions on which the forward-looking statements made by such party are based are reasonable, undue reliance should not be placed on the forward-looking statements because no assurance can be

provided that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, risks that required shareholder, regulatory and third party approvals and consents are not obtained on terms satisfactory to the parties within the timelines provided for in the Agreement, or at all, and risks that other conditions to the completion of the Transaction are not satisfied on the timelines set forth in the Agreement or at all; the risks associated with the oil and gas industry in general; the ability to implement corporate strategies, the state of domestic capital markets, the ability to obtain financing, changes in general market conditions and other factors more fully described from time to time in the reports and filings made by the Company with securities regulatory authorities.

The forward-looking statements contained in this press release are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

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.

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