

May 24, 2011

## LEGACY OIL + GAS INC. ANNOUNCES FIRST QUARTER 2011 RESULTS

CALGARY, ALBERTA (May 24, 2011) Legacy Oil + Gas Inc. ("Legacy" or the "Company") (TSX:LEG) is pleased to announce it has filed on SEDAR its interim financial statements and related Management's Discussion and Analysis ("MD&A") for the three months ended March 31, 2011. The three month period ended March 31, 2011 is the first interim period for which the Company has prepared its financial statements under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Selected financial and operational information is outlined below and should be read in conjunction with the interim financial statements and the related MD&A which are available for review at [www.legacyoilandgas.com](http://www.legacyoilandgas.com) or [www.sedar.com](http://www.sedar.com).

Financial + Operational Highlights	Three Months Ended March 31		
	2011	2010	% change
<b>Financial</b> (Cdn \$000's, except per share amounts)			
Petroleum and natural gas sales, net of royalties	69,309	35,874	93
Funds generated by operations <sup>(1)</sup>	43,884	26,328	67
Per share basic	0.33	0.36	(8)
Per share diluted <sup>(2)</sup>	0.32	0.34	(6)
Net income (loss)	(2,854)	4,199	(168)
Per share basic	(0.02)	0.06	(133)
Per share diluted <sup>(2)</sup>	(0.02)	0.05	(140)
Capital expenditures	75,136	49,804	51
Acquisitions (cash consideration)	98,371	439	22,208
Net debt and working capital surplus (deficit)	(256,175)	(75,032)	241
<b>Operating</b>			
Production			
Crude oil (Bbls per day)	8,794	5,924	48
Heavy oil (Bbls per day)	326	-	n/a
Natural gas (Mcf per day)	14,751	1,364	981
Natural gas liquids (Bbls per day)	1,275	70	1,721
Barrels of oil equivalent (Boe per day) <sup>(3)</sup>	12,854	6,221	107
Average realized price			
Crude oil (\$ per Bbl)	86.05	78.20	10
Heavy oil (\$ Bbl)	64.47	-	n/a
Natural gas (\$ per Mcf)	4.17	4.69	(11)
Natural gas liquids (\$ per Bbl)	64.30	44.28	45
Barrels of oil equivalent (\$ per Boe) <sup>(3)</sup>	71.67	75.99	(6)
Netback per Boe (\$)			
Petroleum and natural gas sales	71.67	75.99	(6)
Royalties	11.75	11.91	(1)
Operating expenses	14.36	11.92	20
Transportation expenses	2.11	1.86	13
Operating Netback	43.45	50.30	(14)
Undeveloped land holdings (gross acres)	666,467	382,790	74
(net acres)	508,331	285,743	78
<b>Common Shares</b> (000's)			
Common shares outstanding, end of period	142,852	74,162	93
Weighted average common shares (basic)	133,292	74,162	80
Weighted average common shares (diluted) <sup>(2)</sup>	138,098	76,801	80

- (1) Management uses funds generated by operations to analyze operating performance and leverage. Funds generated by operations as presented does not have a standardized meaning prescribed by IFRS and therefore it may not be comparable with the calculation of similar measures for other entities.
- (2) In calculating the net income (loss) per share diluted for the three months ended March 31, 2011, the Company excluded the effect of outstanding stock options and share warrants outstanding and used the weighted average common shares (basic) as the Company had a net loss for the period. In calculating, funds generated by operations per share diluted, the Company includes the effect of outstanding stock options and share warrants using the treasury stock method.
- (3) Boe means barrel of oil equivalent. All Boe conversions in this report are derived by converting natural gas to oil equivalent at a ratio of six thousand cubic feet of natural gas to one barrel of oil equivalent. Boe may be misleading, particularly if used in isolation. A Boe conversion rate of 1 Boe: 6 Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

## ACCOMPLISHMENTS

- Increased average production from 6,221 Boe per day in the first quarter of 2010 to 12,854 Boe per day in the first quarter of 2011 (107 percent increase); Increased average production from 11,902 Boe per day in the fourth quarter of 2010 to 12,854 Boe per day in the first quarter of 2011 (8 percent increase)
- Increased funds flow from operations from \$26.3 million in the first quarter of 2010 to \$43.9 million in the first quarter of 2011 (67 percent increase); Increased funds flow from operations from \$36.3 million in the fourth quarter of 2010 to \$43.9 million in the first quarter of 2011 (21 percent increase)
- At Taylorton, the Company conducted its first 24 stage fracture stimulation and this well has averaged 350 Boe per day over the first 90 days of production
- In March, Legacy completed the first multi-stage acid frac stimulation in an existing (seven year old) Rundle horizontal well. This well averaged 110 Boe per day in the first 30 days of production (a quadrupling of the unstimulated rate). Legacy tested new pumping equipment late in 2010 which resulted in a doubling of production in the test well, from 30 to 60 Boe per day
- Three of the five previously drilled Spearfish horizontal wells in Bottineau County, North Dakota have been fraced with operations ongoing to frac the remainder, as well as the standing wells in Pierson, Manitoba. The initial wells are recovering load fluid and formation oil. Rates will be reported in a future operational update, however the Company continues to be confident in the significant upside in this play
- Drilled 39 (26.8 net) oil wells with a 100 percent drilling success in the first quarter of 2011
- Increased undeveloped land holdings from 285,743 net acres at the end of the first quarter of 2010 to 508,331 net acres at the end of the first quarter of 2011 (78 percent increase)
- Closed an asset acquisition at Pierson, Manitoba; acquiring high quality, high netback, light oil assets in the Spearfish play consisting of \$96.4 million in cash, including closing adjustments, and 6.18 million Legacy common shares (subject to a 180 day escrow)
- Closed an equity financing for gross proceeds of \$139.9 million

## OPERATIONS OVERVIEW

Challenging weather conditions across western Canada, including severe cold and record snowfall, have inhibited field operations, resulting in the Company spending less capital than anticipated and the delay of a number of capital projects. Consequently, Legacy has 21 gross (16.5 net) horizontal oil wells awaiting completion or in the process of being completed, including 15 gross (12.5 net) Spearfish horizontal wells. Furthermore, to facilitate access for its field operations in both the first and second quarters, the Company incurred costs for matting leases and access roads, pumping surface water off of leases, extra trucking and additional oil storage. Together these efforts have resulted in an estimated increase to operating and transportation costs of between \$2.00 – \$3.00 per Boe. In addition, the acquisition of heavy oil assets in the fourth quarter of 2010 has added approximately \$0.65 per Boe to corporate operating costs.

Legacy participated in the drilling of 39 (26.8 net) wells targeting light oil with a 100 percent success rate and 1 (1.0 net) water disposal well. The Company spent \$75.1 million on capital expenditures in the quarter excluding acquisitions: \$56.0 million on drilling and completions, \$14.9 million on equipping and facilities and \$4.2 million on land, seismic and other. Activity in the first quarter included the drilling of 13 gross (9.1 net) Bakken horizontal wells in the Company's Stoughton/Heward, Star Valley and Taylorton areas.

At Taylorton, the Company conducted its first 24 stage fracture stimulation and this well has averaged 350 Boe per day over the first 90 days of production. Legacy continues to evolve its Bakken completion practices, being the first to utilize a greater number of smaller sized fracs, minimizing the total fluid pumped into the formation which has led to wells producing at significantly higher oil cuts during the load fluid recovery phase. A pilot waterflood was implemented in Taylorton with water injection commencing in two wells.

The third well of a three vertical well drilling program targeting light oil in the Rundle formation at Turner Valley was completed in the first quarter of 2011. These three wells had average initial production of 60 to 80 Boe per day per well, validating the concept of selectively stimulating the Rundle formation. In March, Legacy completed the first multi-stage acid frac stimulation in an existing (seven year old) Rundle horizontal well. This well averaged 110 Boe per day in the first 30 days of production (a quadrupling of the unstimulated rate). Results from this well further confirm the light oil development potential in Turner Valley through the application of multi-stage fracture stimulated horizontal well technology. The Company anticipates the drilling of up to six Rundle multi-stage frac horizontal wells in the remainder of 2011. In addition, the Company has tested new pumping equipment which resulted in a doubling of production in the test well, from 30 to 60 Boe per day. Fabrication of a pumping and testing skid is underway and Legacy anticipates further testing of this technology to begin in July 2011.

Legacy spud its first horizontal well targeting light oil in the Southern Alberta Bakken play. The Company was attracted to this area because of the potential for light oil resource plays in a number of different geological formations, the degree of overpressuring in the Banff/Bakken/Big Valley sequence, the number of oil shows over a very large area (greater than 1,000 square miles) and the ability to access a significant (183 gross sections), predominantly contiguous, highly prospective land base.

At Maxhamish, construction of the all-season road and well pad was started with completion anticipated by the end of May. The all season infrastructure will facilitate drilling, completion and production operations through most of the year versus the short winter season we previously faced. Legacy anticipates the drilling of up to four multi-stage frac horizontal wells over the remainder of 2011.

Legacy continued its Spearfish drilling program in North Dakota, with three gross (3.0 net) oil wells being drilled in the first quarter, bringing the total to five gross (5.0 net) successful oil wells. The Company also facilitated the drilling of two (1.5 net) Spearfish oil wells prior to closing on its recently acquired lands in Pierson, Manitoba. Completion operations began in mid-May, with three wells being completed. Operations will continue on the remaining wells in North Dakota, as well as the standing wells in Pierson, Manitoba. The initial wells are recovering load fluid and formation oil. Rates will be reported in a future operational update, however the Company continues to be confident in the significant upside in this play.

Legacy also acquired a total of 42 square miles of 3D seismic data over its key producing properties in SE Saskatchewan and Pierson, Manitoba.

#### **EVENTS AFTER THE REPORTING PERIOD**

On April 29, 2011, Legacy announced that its banking syndicate had completed its spring review and increased the borrowing base to \$400 million, from the previous \$340 million. The next interim review is scheduled for October 31, 2011. The increase continues to provide Legacy with significant financial flexibility with which to conduct its operations.

#### **OUTLOOK**

The severity of this winter, particularly in the first quarter of 2011, has presented a number of challenges for the Company to execute its capital program and maintain continuous production on its existing assets. The record snowfall compounded by the high groundwater conditions present in the fall of 2010 before freeze-up has led to unprecedented runoff conditions throughout the majority of Legacy's operating areas. Vast areas of standing water, flooding, road washouts and lengthy road bans are some of the issues which we are currently navigating. The Company has invested in

matting to allow lease and road access, extra trucking, pumping standing water off leases and additional oil storage, but these efforts only can go so far in light of the length and harshness of the 2011 spring break-up.

As a result, Legacy anticipates reduced field activity throughout the second quarter of 2011. The previously disclosed and budgeted major turnaround at the Quirk Creek gas plant began near the end of April and is expected to be completed by the end of May. During the plant shut-down, the Company anticipates shutting in approximately 2,000 Boe per day that would normally be processed at Quirk Creek.

Although the unprecedented winter and spring break-up have impacted near-term operations, Legacy has been able to advance a number of strategic initiatives during this period. Three of the five previously drilled Spearfish horizontal wells in Bottineau County, North Dakota have been fraced. The initial wells are recovering load fluid and formation oil. Rates will be reported in a future operational update, however the Company continues to be confident in the significant upside in this play. Legacy will continue to produce these wells to confirm this positive initial result and is working on permitting a significant development drilling program for the last half of 2011 that will complement the Spearfish development program at Pierson, Manitoba.

Legacy targeted a number of its acquisitions not only for the development inventory they provided, but also for the waterflood potential they brought to the Company's portfolio. With the Bakken pilot waterflood underway in Tylerton, the Company expects to initiate water injection in the Bakken pilot waterflood at Heward in June and at the Torquay pilot waterflood at Frys/Antler later this summer. Reconfiguration of the Rundle water injectors at Turner Valley is ongoing with the intention of improving the performance of this 57 year old waterflood. The Spearfish formation has been successfully waterflood since 1993 at the South Pierson Unit and Legacy management has first-hand experience in the analysis, design and application of this project. Waterflood has the potential of improving recovery factors by an incremental 7 to 25 percent of the original oil in-place, depending on the reservoir and ultimately provide a stable, long life base of cash flow.

Throughout Legacy's 22 month history, we have taken a number of decisive steps to first establish and then solidify the Company's business plan. We focused on conventional light oil and light oil resource plays, creating the first light oil weighted junior when our peers were investing in natural gas opportunities, as we understood the strategic and economic advantage of owning a suite of high netback, high IRR and short payback oil projects. We leveraged our leading technical skills into emerging light oil resource plays in the Torquay, the Spearfish, the Chinkeh and the Alberta Bakken and into the re-development of large oil in-place conventional reservoirs with low recovery factors like the Rundle at Turner Valley. We emphasized the importance of underpinning our development inventory with a significant, low decline, long reserve life, internally generated cash flow base and the impact on sustainability and certainty of capital program funding it created. Moreover, we accentuated our focus on financial position strength, taxability, waterflooding and execution risk.

As a leader in light oil resource play development, Legacy recognized early in its inception that once a resource play is established:

1. geologic risk is minimized;
2. well results are repeatable;
3. costs decrease, results improve over time; and
4. opportunities are scalable, becoming more akin to manufacturing.

The biggest risk is execution. This risk has grown over the past year with increasing industry activity and tightness in access to oilfield services and is expected to worsen as companies attempt to catch-up on weather delayed activity later this year.

Consequently, as the result of discussions over the past number of months, Legacy is pleased to report it has come to an agreement on two separate arrangements to secure field services on a preferential basis. The Company has agreed in principle to an initial term plus option contract with a major oil services firm for a dedicated frac spread including a coil tubing unit for its horizontal completion operations in Saskatchewan, Manitoba and North Dakota. Contract pricing also protects Legacy from frac service cost increases during the term of the deal. Legacy now has a high degree of certainty in

our ability to complete the current inventory of unfraced horizontal wells and reduce cycle times as we move forward on our capital program execution, when surface access conditions permit.

In addition, Legacy has committed to the construction of two new build ADR 300's (Automatic Drilling Rig) from Ensign Energy Services. These state of the art drilling rigs come complete with top drives and directional drilling services and provide the additional benefit of automating a number of processes, thereby requiring fewer operating personnel and creating a safer work environment. Rig moves are accomplished with less loads and rig up/rig out times are expected to be halved compared to conventional double rigs. Furthermore, these rigs are anticipated to drive cost efficiencies as a number of our resource plays move from proof of concept to manufacturing. These new drilling rigs will be outfitted with the flexibility to drill a variety of wells in Legacy's portfolio; from Turner Valley to southeast Saskatchewan to Spearfish in Pierson and North Dakota. Financial terms of the rig build deal includes a competitively priced day rate, fixed for the term of the three year contract, insulating the Company from cost inflation created by industry demand.

As we continue our relentless pursuit of execution risk mitigation and capital cost efficiency, these two deals, along with a number of additional initiatives, continue to differentiate Legacy from its peer group. Furthermore, Legacy maintains a significant development drilling inventory that is expected to provide solid, per share growth for a number of years that is bolstered by material exposure to a number of emerging light oil resource plays that could provide considerable upside to the Company's reserves and production growth trajectory.

### **ANNUAL GENERAL MEETING**

Legacy's Annual General Meeting, is scheduled for 10:30 am on May 27, 2011 at The Petroleum Club, Devonian Room, located at 319 - 5th Avenue SW, Calgary, AB.

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*Forward-Looking Information – This press release contains forward-looking statements. More particularly, this press release contains forward-looking statements concerning planned exploration and development activities, the anticipated timing and impact on production of turnaround at the Quirk Creek gas plant, an anticipated reduction in field activity throughout the second quarter of 2011, the potential timing of the initiation of waterflood pilots at Heward and Frys/Antler, potential improvements in recoverability as a result of waterflood, anticipated restrictions on the industry-wide availability of services and anticipated operational efficiencies and cost control from services arrangements secured by the Company.*

*The forward-looking statements are based on certain key expectations and assumptions made by the Company, including expectations and assumptions concerning the completion date of the turnaround at the Quirk Creek gas plant, availability of labour and services, the ability to mitigate the cost of services and restraints on services through standing services arrangements, the availability of capital, the success of future drilling and development activities, the performance of existing wells, the performance of new wells, prevailing commodity prices and economic conditions, prevailing weather conditions and the performance of waterflood pilots.*

*Although the Company believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because the Company can give no assurance 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 associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or*

*development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), commodity price and exchange rate fluctuations and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. Certain of these risks are set out in more detail in the Company's 2010 Annual Information Form which has been filed on SEDAR and can be accessed at [www.sedar.com](http://www.sedar.com).*

*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.*