



**FOR IMMEDIATE RELEASE**

**Calgary, Alberta, November 9, 2011 – Calvalley Petroleum Inc., (TSX: CVI.A)**

**Calvalley announces record quarterly earnings and cash flow for the third quarter ended September 30, 2011**

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**Highlights**

- Earnings increased to \$0.10 per share (\$9.4 million) in the third quarter of 2011 up 250 per cent from the \$0.04 per share (\$3.9 million) in the third quarter of 2010. For the nine month period ended September 30, 2011 earnings increased to \$0.11 per share (\$10.9 million) up 22 per cent from the \$0.09 per share (\$8.6 million) for the nine month period in 2010. This record quarterly earnings result can be directly attributed to the increase in crude oil shipments which occurred during the third quarter representing a net sales volume (before royalties and taxes) of 2,887 barrels of oil per day for the period.
- The Company's working interest share of production volumes before royalties and taxes averaged 2,156 barrels per day in the third quarter 2011 being 4 per cent lower than 2,256 barrels per day for the third quarter of 2010. During the third quarter the Company initiated production of heavy crude oil from three wells in the Al Roidhat field. This crude oil was blended with light crude oil from the Hiswah field at the Company's Central Processing Facility ("CPF") prior to trucking to the Company's Truck Offloading Facility ("TOF") which was completed in the second quarter of 2011. In late September, Calvalley initiated sustained production from its Ras Nowmah 2 well. This well is currently producing approximately 2,300 barrels per day and has resulted in gross production from Block 9 increasing to approximately 6,300 barrels per day (net 3,150 bpd). Average gross production volumes for the month of October are estimated to be approximately 6,000 barrels per day.
- Commissioning the TOF has provided access to an export facility through the Masila Export Pipeline System ("MEPS") for crude oil exports. For the third quarter of 2011, the average sale price, based on Dated Brent Crude price, was \$110.90 per barrel, up 46 per cent from the price received in the third quarter of 2010. The product netback in the third quarter of \$46.65 per barrel represents an increase of approximately 60 per cent from \$29.09 per barrel for the same period of 2010.
- Funds flow from operations ("Cash Flow") for the three months ended September 30, 2011 of \$0.12 per share (\$11.6 million) represents an increase of 71 per cent from the \$0.07 per share (\$6.7 million) for the same period of 2010 and is the highest quarterly Cash Flow per share in the Company history. For the nine months ended September 30, 2011, Cash Flow was \$0.16 per share (\$15.2 million), an increase of 14 per cent from the prior year period.
- The business environment in Yemen has been challenging throughout 2011 with supply chain disruptions and product shortages. During the political turmoil several service companies diverted resources to areas outside Yemen and were not available to provide the necessary services for Calvalley's capital projects. The Company has focused its efforts on production optimization activities. Capital expenditures in the current quarter of \$1.8 million are down significantly from \$4.7 million in the comparable quarter of 2010. Year to date capital expenditures are \$12.8 million. Subject to the availability of services, current plans include the drilling of two development wells at Ras Nowmah and an exploration well as soon as conditions permit.

- Subsequent to the end of the quarter, the Company renewed its normal course issuer bid (“NCIB”) and received approval to purchase approximately 7.6 million shares through the facilities of the TSX commencing October 12, 2011 and ending October 11, 2012, subject to certain restrictions and limitations. The Company purchased approximately 2.1 million shares at an average price of C\$2.66 per share under the previous NCIB which expired September 15, 2011.
- Calvalley has a healthy balance sheet with approximately \$68 million in working capital at September 30, 2011. The working capital balance increases to over \$70 million with inventory of crude oil valued at current market value rather than cost. As the Company expands its production base in Yemen, cash flow will continue to support increased investment activities and future share repurchases.

## Financial information

Significant financial information is included in the table below and is discussed further in the Company’s Management Discussion and Analysis.

(in thousands of US dollars except per share amounts)	Three months ended September 30 <sup>(1)</sup>		Nine months ended September 30 <sup>(1)</sup>	
	2011	2010	2011	2010
Revenue (Gross)	<b>29,453</b>	19,877	<b>43,865</b>	41,825
Revenue from crude oil sales (net of royalties)	<b>18,331</b>	12,328	<b>27,189</b>	25,813
EBITDA <sup>(2)</sup>	<b>13,299</b>	7,876	<b>17,553</b>	16,242
Operating income <sup>(2)</sup>	<b>11,653</b>	5,936	<b>15,149</b>	12,158
Comprehensive income	<b>9,405</b>	3,931	<b>10,866</b>	8,600
Per share	<b>0.10</b>	0.04	<b>0.11</b>	0.09
Capital expenditures	<b>1,759</b>	4,734	<b>12,838</b>	10,775
Funds flow from operations <sup>(2)</sup>	<b>11,581</b>	6,744	<b>15,194</b>	13,939
Per share	<b>0.12</b>	0.07	<b>0.16</b>	0.14
Cash flow from (used in) operating activities	<b>(3,041)</b>	1,150	<b>1,645</b>	9,729

<sup>(1)</sup> On January 1, 2011, the Company adopted International Financial Reporting Standards (“IFRS”) for financial reporting purposes, using a transition date of January 1, 2010. The financial statements for the three and nine months ended September 30, 2011, including required comparative information, have been prepared in accordance with International Financial Reporting Standards.

Unless otherwise noted, 2010 comparative information has been prepared in accordance with IFRS. The adoption of IFRS has not had an impact on the Company’s operations, cash flows or strategic decisions. The most significant area of impact was the adoption of the IFRS upstream accounting principles. Further information on the IFRS impacts is provided in the Changes in Accounting Policies Section of the Company’s Q3 2011 Interim MD&A filed on [www.sedar.com](http://www.sedar.com)

<sup>(2)</sup> See “Non-IFRS Measures” disclosure in Q3 2011 Interim MD&A filed on [www.sedar.com](http://www.sedar.com)

## FILING OF REPORTS ON SEDAR

Calvalley’s Management’s Discussion and Analysis and Unaudited Condensed Consolidated Financial Statements for the three and nine months ended September 30, 2011 can be found for viewing by electronic means on The System for Electronic Document Analysis and Retrieval at [www.sedar.com](http://www.sedar.com). They can also be found on the Company’s website at [www.calvalleypetroleum.com](http://www.calvalleypetroleum.com).

Calvalley is listed on the Toronto Stock Exchange, trading under the symbol “CVI.A”.

## THE TORONTO STOCK EXCHANGE HAS NOT REVIEWED AND DOES NOT ACCEPT RESPONSIBILITY FOR THE ADEQUACY OR ACCURACY OF THIS RELEASE.

This press release may contain forward-looking statements including, without limitation, financial and business prospects and financial outlooks, and such statements may be forward-looking statements which reflect management’s expectations regarding future plans and intentions, growth, results of operations, performance and business prospects and opportunities. Words such as “may”, “will”, “should”, “could”, “anticipate”, “believe”, “expect”, “intend”, “plan”, “potential”, “continue”, and similar expressions have been used to identify these forward-looking statements. These statements reflect management’s current beliefs and are based on information currently available to management. Forward-looking statements involve significant risk and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the

forward-looking statements including, but not limited to, changes in general economic and market conditions and other risk factors. Although the forward-looking statements contained herein are based upon what management believes to be reasonable assumptions, management cannot assure that actual results will be consistent with these forward-looking statements. Investors should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof.

Forward-looking statements and other information contained herein concerning the oil and gas industry and Calvalley's general expectations concerning this industry are based on estimates prepared by management using data from publicly available industry sources as well as from reserve reports, market research and industry analysis and on assumptions based on data and knowledge of this industry which Calvalley believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While Calvalley is not aware of any misstatements regarding any industry data presented herein, the industry involves risks and uncertainties and is subject to change based on various factors.

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