

## FOR IMMEDIATE RELEASE

### Calvalley Petroleum – 2008 Annual Results and Filing of Reserves Data

**Calgary, Alberta, March 26, 2009 – Calvalley Petroleum Inc., (TSX: CVI.A)**

Calvalley Petroleum Inc. (the “Company” or “Calvalley”), an international junior oil and gas company based in Calgary, Alberta, is pleased to announce its financial and operating results for the year ended December 31, 2008 and the filing of its updated reserves estimates and other disclosure documents. *The Company operates its 50% working interest in Block 9 in the Masila Basin of the Republic of Yemen and 100% working interest in the Gimbi and Metema Blocks in Ethiopia.*

#### 2008 Highlights

For the third consecutive year, Calvalley generated funds from operations which were sufficient to fund the entire capital spending program for the year. Strong commodity prices and stable production were key factors in generating funds from operations.

Management of Calvalley targeted three core areas for improvement in 2008: reserve growth, production throughput and the development of an exploration strategy to realize both the full upside potential of Block 9 in Yemen and to enter into new projects in the Middle East and North Africa.

The management team is pleased to report success in all these areas as described below.

The Company’s working interest Proven and Probable reserves grew to 24.6 million barrels representing a 50% (net of production) increase over the previous year. These increases were accomplished by:

- the drilling and completion of five horizontal production wells in the Hiswah Saar-Naifa field resulting in reserves reclassification
- the ongoing testing of previously drilled horizontal wells and completion of the simulation study, resulting in an improved recovery factor.
- increased oil-in-place volume at the Al Roidhat Field contributed by a new core study and revised mapping based on newly processed seismic.

The processing capacity of Block 9 has been expanded with the successful commissioning of the Central Processing Facility (“CPF”) in late 2008. The recently completed reservoir simulation study of the Hiswah field by Schlumberger has established a field development plan to increase production from this pool which can be accommodated by the current capacity of the CPF.

Two exploration wells were drilled during 2008, one on the Qarn Qaymah structure and one on the Malik structure. The Qarn Qaymah well resulted in a Kohlan sand and fractured Basement discovery, which is undergoing production testing to fully understand the reserves potential. The test program has been slower than expected, largely due to unexpected mechanical problems and a lack of specialized equipment in Yemen. However, based on the results of this well to date, Calvalley is encouraged to pursue other fractured Basement prospects on the block. The Malik well encountered hydrocarbons in the Qishn and Saar formations, but unfortunately the reserve potential did not meet economic hurdles for a standalone development at current oil prices. Future assessment of this play will include plans to drill a structurally higher part of the play which underlies the plateau.

In addition to quantifying the upside exploration potential of Block 9 from a detailed mapping initiative in 2008, Calvalley successfully negotiated a Production Sharing Contract (PSC) for the exploration for hydrocarbons in Ethiopia. This represents the initial phase for Calvalley of building a diverse portfolio of exploration opportunities – focusing in countries throughout the Middle East and North Africa.

### Production

Substantially all of Calvalley's crude oil production in 2008 and 2007 came from the Hiswah oil field, which produces high-quality, lighter crude oil that is sold at prices comparable to the Brent crude oil reference price. All of the Company's crude oil production was trucked more than 250 kilometers to the Safer Exploration and Production Operations Co. processing facility on Block 18, where the crude oil was processed and shipped via pipeline to the Ras Isa marine terminal facility for export. During 2008, the Company's working interest oil production averaged 2,261 barrels of oil per day ("bopd") (2007 – 2,639 bopd), from which the Company was allocated 1,417 bopd net (2007 - 1,651 bopd) pursuant to the PSA. Production during the fourth quarter of 2008 suffered due to a temporary shortage of pumps to repair existing wells and flooding during the month of October which essentially shut in the Hiswah field for four days. Calvalley's working interest share of production in the first quarter of 2009 is averaging approximately 2,550 bopd as at March 26, 2009.

The following table sets forth the Company's production and sales information for the periods indicated.

Production and sales information	2008					2007	
	Year Total	Q4	Q3	Q2	Q1	Year Total	Q4
Block 9 Oil Production (bopd)	4,522	3,989	4,743	4,759	4,602	5,278	5,218
Company working interest share (bopd)	2,261	1,994	2,372	2,380	2,301	2,639	2,609
Company net share (bopd) <sup>(1)</sup>	1,417	1,250	1,484	1,489	1,440	1,651	1,633
Company net production (mdbl)	518	115	137	135	131	603	136
Company net sales (mdbl) <sup>(2)</sup>	431	36	141	130	124	646	220

Notes:

- (1) Company net share is equal to the working interest share less government share of production under the terms of the PSA before income taxes.
- (2) Company net sales before income taxes varies from Company net production due to changes in inventory and shrinkage.

The following table sets forth the key financial indicators for 2007 and 2008.

Selected operating information (thousands of dollars)	2008					2007	
	Year Total	Q4	Q3	Q2	Q1	Year Total	Q4
Oil sales	74,686	4,060	25,082	25,434	20,110	76,034	36,804
Royalties	(28,440)	(1,609)	(9,534)	(9,643)	(7,654)	(29,514)	(14,412)
Operating expenses	(7,741)	(837)	(2,045)	(2,841)	(2,018)	(9,631)	(3,832)
Current taxes	(4,622)	(257)	(1,550)	(1,572)	(1,243)	(4,259)	(1,836)
<b>Netback<sup>(1)</sup></b>	<b>33,883</b>	<b>1,357</b>	<b>11,953</b>	<b>11,378</b>	<b>9,195</b>	<b>32,630</b>	<b>16,724</b>
General and administration	(4,376)	(1,094)	(509)	(1,540)	(1,233)	(4,577)	(645)
EBITDA <sup>(1)</sup>	34,682	691	13,178	11,504	9,309	33,944	17,395
Operating income <sup>(1)</sup>	25,318	(13)	10,072	8,727	6,532	22,644	11,530
Net income (loss)	19,161	25	9,105	4,432	5,599	23,300	10,322
Capital expenditures	27,504	4,687	5,965	9,493	7,359	33,847	11,030
Funds flow from operations <sup>(1)</sup>	31,131	414	12,050	10,266	8,401	35,402	4,685
Cash flow from operating activities	37,220	(1,661)	4,511	34,061	309	32,441	(6,440)

(1) "Non-GAAP Measures"

Netbacks are calculated on barrels sold as government royalties, sales taxes and operating expenses are recognized when the underlying oil is sold. Government royalties and taxes taken in kind are attributed value at the price received by Calvalley for its production as follows:

(dollars per bbl)	2008					2007	
	Year Total	Q4	Q3	Q2	Q1	Year Total	Q4
Oil sales	108.23	70.50	111.12	123.60	100.05	70.48	82.00
Royalties	(41.67)	(27.58)	(42.75)	(47.41)	(38.61)	(28.05)	31.87
Operating expenses	(11.22)	(14.53)	(9.06)	(13.81)	(10.04)	(7.31)	(1.86)
Current taxes	(6.69)	(4.36)	(6.87)	(7.64)	(6.18)	(4.35)	(5.07)
<b>Netback<sup>(1)</sup></b>	<b>48.65</b>	<b>24.03</b>	<b>52.44</b>	<b>54.75</b>	<b>45.21</b>	<b>30.77</b>	<b>43.19</b>

(1) "Non-GAAP Measures"

### Revenue

Calvalley recorded oil sales of \$74.7 million (\$46.2 million, net of royalties) during the year ended December 31, 2008 as compared to \$76.0 million for the year ended December 31, 2007 (\$46.5 million, net of royalties). Sales during the fourth quarter of 2008 were limited to \$4.1 million (\$2.5 million net of royalties) due to the timing of lifts. The Company had nominated sufficient crude oil to trigger the take-or-pay provisions in its crude marketing agreement. As a result, the Company recorded deferred revenue of \$3.3 million for 85,000 barrels of oil. These funds were received in January, 2009. The associated cost of producing the oil including operating expenses and depletion and depreciation was included in inventory on the financial statements at December 31, 2008. Oil sales during the fourth quarter of 2007 were \$36.8 million (\$22.4 million net of royalties).

During the year, the Company received an average price of \$108.23 per barrel. Prices softened dramatically in the fourth quarter as a result of the global financial crisis. The Company averaged \$70.50 for oil sold during the fourth quarter and received \$38.30 per barrel for the 85,000 barrels of oil sold pursuant to the take-or-pay provision of the crude marketing contract. Revenue from the take-or-pay oil sold in December will be recognized in the first quarter of 2009, when custody of the oil transfers to the customer.

### Operating Expenses

Operating expenses during 2008 were \$7.7 million as compared to \$9.6 million in 2007. Operating costs were lower in 2008 on an absolute basis as a result of \$1.7 million of operating costs that were included in inventory at year-end. Operating costs for the year amounted to \$11.22 per barrel versus \$7.31 per barrel in 2007. Operating costs in the fourth quarter were \$14.53 per barrel compared to \$1.83 per barrel for the same period in 2007. Operating expenses in the fourth quarter of 2007 were low due to a portion of them being recorded in the third-quarter when sales volumes were low, which resulted in higher cost per barrel during that quarter.

Rising oil prices which were experienced until mid-2008 resulted in increased demand for associated equipment and services and pushed up related costs including fuel, materials and services. Lower production volumes also resulted in higher operating cost on a per barrel basis over 2007. As a result of the current global financial crisis and recent falling oil prices, the oil industry has begun to cut back or delay certain capital intensive projects, which may in turn lead to less demand and lower costs. Calvalley attempts to manage operating costs through competitive bidding, long term contracts and, recently, renegotiation of current contract terms, where possible.

Operating expenses include \$5.09 (2007 - \$5.33) per gross barrel for trucking costs, third party processing costs, and tariffs for use of pipeline and marine terminal facilities.

### Netback

Netbacks for the year were \$48.65 per barrel compared to \$30.77 for 2007. Netbacks for the fourth quarter were reduced to \$24.03 versus \$43.19 in 2007. Commodity price declines are putting increasing pressure on netbacks. The Company is implementing strict cost control measures in all of its operations to preserve the highest netbacks possible.

### General and Administration

General and administration expenses, net of \$2.4 million that was capitalized into resource development costs, totaled \$4.4 million for the year ended December 31, 2008 as compared to \$4.6 million for the year ended December 31, 2007. General and administrative costs directly associated with Block 9 become recoverable costs and will be recovered from revenue associated with cost oil under the terms of the PSA. General and Administration costs for the fourth quarter of 2008 totalled \$1.1 million versus \$0.6 million for comparative period in 2007. Fourth quarter general and administration costs were \$0.4 million higher due to a one-time adjustment for costs associated with the management of the joint venture in Yemen.

## EBITDA

During 2008, the Company generated EBITDA of \$34.6 million compared with \$33.9 million during 2007. For the fourth quarter, EBITDA was \$0.7 million versus \$17.4 million for the fourth quarter of 2007. EBITDA was impacted by the timing of lifts by the purchaser of the Company's crude oil and by increased general and administrative and operating costs.

## Depletion and Depreciation

Calvalley recorded depletion, depreciation and accretion expenses of \$9.4 million for the year ended December 31, 2008 as compared to \$11.3 million for the previous year. Fourth quarter depletion, depreciation and accretion expenses were \$0.7 million and \$5.8 million for 2008 and 2007, respectively. The decrease is primarily related to upward technical revisions to Calvalley's reserves during the year by its reserves engineers.

## Operating Income

During 2008, the Company generated operating income of \$25.3 million compared with \$22.7 million during 2007. The increase is primarily related to strong commodity prices. Operating income for the fourth quarter essentially declined to breakeven for 2008 versus \$11.5 million for the fourth quarter of 2007. The decline was attributable to low sales volumes recorded in the fourth quarter of 2008 as the buyer of the crude did not lift oil during the last two months of the year combined with much lower commodity prices and higher costs than those in existence at the end of 2007.

## **Outlook**

The Company's 2009 program is designed to debottleneck production and continue to add reserves at attractive costs. In 2008, Calvalley's proved plus probable reserves increased to 24.6 mmbbl, representing an increase of nearly 50% (55% including produced reserves in 2008) over the 16.5 mmbbl estimated by McDaniel and Associates at December 31, 2007. This represents a reserves replacement ratio of 1064% and finding and development costs of \$0.46 (\$5.37 on a 3 year average) per barrel.

While Calvalley increased its production capability in 2008, significant production was shut-in due to the lack of a marketing solution for Al Roidhat. Calvalley expects to bring Al Roidhat production on stream in the second half of 2009 by concluding the ongoing marketing efforts for crude from this field. In addition, the 2009 program focuses on unlocking the potential of deeper horizons (fractured basement and Kohlan sands) in the Qarn Qaymah area.

Major milestones are subject to factors noted the Risk Factors section of this Management Discussion and Analysis. Milestones planned for 2009 include the following:

- Increase total production by concluding a marketing agreement for heavy crude from the Al Roidhat field;
- Complete the initial phase of the pressure maintenance program (water and gas injection) to commence full field development at Hiswah;
- Continue to add new reserves and production through new exploration and development;
- Fully evaluate the Qarn Qaymah discovery through additional testing of the fractured basement and completion of the Kohlan sands gas/condensate discovery;

- Develop an appraisal program in the Qarn Qaymah area, based on test results from QQ-2, which will include a 3D seismic program and future well locations;
- Drill a minimum of two exploration locations on Block 9;
- High-grade the existing exploration portfolio of 42 prospects and leads;
- Undertake a gravity/magnetic survey at Metema and Gimbi blocks in Ethiopia; and
- Continue to take advantage of Calvalley's strong balance sheet and its international operating experience by continuing to evaluate potential acquisitions of additional assets in the Middle East and Africa.

### **Filing of 2008 Reserves Estimates**

Calvalley is also pleased to announce that it has complied with its obligations under National Instrument 51-101 by filing the following required Forms: Form 51-101F1, Statement of Reserves Data and Other Oil and Gas Information; Form 51-101F2, Reports of Reserve Data by Independent Qualified Reserves Evaluators; and Form 51-101F3, Report of Management and Directors on Oil and Gas Disclosure. These Forms have been included in Calvalley's Annual Information Form, dated March 26, 2009, for the year ended December 31, 2008. The reserves report was prepared by the independent engineering evaluation firm McDaniel & Associates Consultants Ltd. (the "McDaniel Report") for the year ending December 31, 2008. The McDaniel Report is dated March 20, 2009.

### **RESERVES ADDITIONS**

- **42% increase (53% increase including produced reserves in 2008) in Proved oil reserves to 11.5 MMbbl**
- **50% increase (55% increase including produced reserves in 2008) in Proved plus Probable oil reserves to 24.6 MMbbl**
- **51% increase (55% increase including produced reserves in 2008) in Proved plus Probable plus Possible oil reserves to 35.4 MMbbl**

### **CAPITAL EFFICIENCY**

- **Year 2008, F&D cost per barrel was \$3.76(1P), \$0.46 (2P), and \$0.05(3P)**
- **Three year average, F&D cost per barrel for was \$12.89 (1P), \$5.37(2P) and \$0.46/bbl (3P)**
- **1064 % Reserve Replacement Ratio and 29 year reserve life Index (2P)**

**NET ASSET VALUE:** Excluding resources in Yemen and Ethiopia.

- **NAV per share (10% after tax) increased to C\$4.55(2P) and C\$4.93 (3P)**
- **NAV per share (8% after tax) increased to C\$5.66 (2P) and C\$6.25 (3P)**

As at December 31, 2008, McDaniel estimates gross working interest Proved plus Probable reserves for the Company to be 24.6 MMbbl, representing an increase of 50% (55% including produced reserves in 2008) over the quantities estimated by McDaniel at December 31, 2007, and a reserves replacement ratio of 1064%.

Capital efficiency for the new reserves is in the top decile of the industry. Finding and Development ("F&D") costs for the full year were \$3.76 per barrel on Proved basis and \$0.46 per barrel on Proved

plus Probable basis. Average F&D costs over the past three years, remained solid at \$12.89 per barrel on Proved basis and \$5.37 per barrel on Proved plus Probable basis.

The new reserves additions were largely the result of pool extensions and improved recovery at both the Hiswah and Roidhat fields. Natural gas and associated liquids were not included in the reserves. In addition, the Qarn Qaymah discovery (wells 1 and 2) was not included in 2008 reserves due to the early stage of the discovery and insufficient production data. Despite the slower than expected pace of work at Qarn Qaymah, Calvalley is optimistic about the prospectivity of the discovery. Therefore, the necessary completion and testing equipment has been mobilized to fully appraise the Qarn Qaymah wells in both the fractured granitic basement and the Kohlan sands.

Unless otherwise indicated, the reserves estimates in this release are based on “forecast prices and costs” and are gross working interest Proved plus Probable estimates. Except as otherwise indicated, references to “\$” and to “dollars” refer to the currency of the United States of America.

Reserves and NPV				
			<b>NPV (10% after tax)</b>	<b>NPV (8% after tax)</b>
			<b>(\$MM)</b>	<b>(\$MM)</b>
<b>Reserves</b>				
<b>Gross (WI)</b>				
<b>Net (after Royalty &amp; tax)</b>				
<b>(MMbbls)</b>				
<b>Proved</b>				
Developed producing	3.1	1.8	63.2	66.22
Developed non-producing	2.2	1.0	26.8	28.60
Undeveloped	6.2	2.8	59.4	66.10
<b>Total Proved</b>	<b>11.5</b>	<b>5.6</b>	<b>149.4</b>	<b>160.92</b>
Probable	13.1	5.6	127.9	145.34
<b>Total Proved + Probable</b>	<b>24.6</b>	<b>11.2</b>	<b>277.3</b>	<b>306.26</b>
Possible	10.8	4.4	86.2	102.80
<b>Total Proved + Probable + Possible</b>	<b>35.4</b>	<b>15.6</b>	<b>363.5</b>	<b>409.06</b>

\* Based on McDaniel forecast prices (Jan 2009 Forecast)

## Filing of Reports on SEDAR

Calvalley's Annual Information Form, Management's Discussion and Analysis, and Audited Financial Statements for the year ended December 31, 2008 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).

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

This press release contains certain forward-looking statements. Some of the statements contained herein including, without limitation, financial and business prospects and financial outlooks of the Company 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, political 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. See "Risk Factors."

Calvalley does not undertake any obligation to update publically or revise any forward-looking statements contained in this or in any other document filed with Canadian securities regulatory authorities, whether as a result of new information, future events or otherwise, except as required by applicable securities laws.

For additional information, please contact:

[investorrelations@calvalleypetroleum.com](mailto:investorrelations@calvalleypetroleum.com)

Edmund Shmoon, CEO  
Memet Kont, COO  
Bill Cummins CFO  
(403) 297-0490