

**FOR IMMEDIATE RELEASE**

**Calvalley Petroleum – 2009 Third Quarter Results**

**Calgary, Alberta, November 16, 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, announces its financial and operating results for the third quarter ended September 30, 2009.

**HIGHLIGHTS**

**Financial**

These key financial indicators are discussed in more detail in the following sections.

(in thousands of US dollars)	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
Revenue (Gross)	12,591	25,082	36,703	70,626
Revenue from crude oil sales (net of royalties)	7,766	15,548	22,612	43,795
EBITDA <sup>(1)</sup>	5,055	13,178	10,559	33,991
Operating income <sup>(1)</sup>	3,032	10,072	3,142	25,331
Net income (loss)	2,122	9,105	842	19,136
Capital expenditures	1,781	5,965	6,991	22,817
Funds flow from operations <sup>(1)</sup>	4,453	12,050	8,948	30,717
Cash flow from operating activities	3,587	4,511	5,951	38,881

<sup>(1)</sup> See “Non-GAAP Measures”

- Calvalley’s revenue from crude oil sales was \$12.6 million (gross) and \$7.8 million (net of royalties) for the quarter ended September 30, 2009 (2008 - \$25.1 (gross) and \$15.5 million (net of royalties)). The sales decline was due to comparatively soft commodity prices and the timing of lifts.
- Net income was \$2.1 million for the three months ended September 30, 2009, as compared to \$9.1 million for the same period of 2008. The decrease in net income was largely attributable to the factors noted above which reduced revenue.
- Funds flow from operations was \$4.5 million (\$0.05/share) for the three months ended September 30, 2009, as compared to \$12.0 million (\$0.12/share) for the same period of 2008.
- Operating costs during the third quarter of 2009 were \$2.1 million (\$11.52/bbl) as compared to \$2.0 million (\$9.06/bbl) for the three months ended September 30, 2008.
- Calvalley continues to be well financed and capitalized with no outstanding debt and working capital of \$71.3 million.

**Operating**

(barrels of oil per day)	Three months ended September 30		Nine months ended September 30,	
	2009	2008	2009	2008
Total Block 9 production	4,184	4,743	4,292	4,825
Calvalley working interest (50.0%)	2,092	2,372	2,146	2,412

- Average daily production from the Block 9 for the three months ended September 30, 2009 was 4,184 gross barrels per day (Calvalley working interest 2,092 bopd), a increase from the previous quarter's average of 4,164 bopd (2,082 bopd working interest share) and a decrease from 2008 third quarter average production of 4,743 bopd (2,372 bopd working interest share).
- Calvalley successfully tested water injection at Hiswah-26. All produced Hiswah water is expected to be re-injected into the main reservoir for pressure maintenance commencing by the end of the year. Fabrication of gas injection facilities was delayed and as a result the first gas injection is expected in the first quarter of 2010.
- Construction of a heavy crude blending facility at the CPF is substantially complete. This will enable the Company to produce from the currently shut-in Al Roidhat field.

### **Crude Oil Marketing**

- Calvalley continues to focus its marketing efforts on negotiations to deliver Block 9 production to Block 14 via Block 51 in order to sell blended crude oil from all discoveries at Block 9. Negotiations are nearing a final agreement with support from the Government of Yemen and cooperative efforts from the operator of the blocks. Management is optimistic that delivery of the first oil to Block 14 could commence during the first quarter of 2010.



### **Ethiopia**



- The early exploration phase has commenced in Ethiopia with the initial completion of a surface geological study of the Metema and Gimbi blocks. Calvalley is currently making the necessary arrangements to conduct an aeromagnetic survey over both blocks to identify areas of interest for further geological examination.

## **Drilling, Completion, and Testing**

### **Qarn Qaymah-2:**

- Clean up and testing of the Qarn Qaymah 2 ("QQ-2") well in the fractured granitic basement with smaller diameter (2 7/8 inch) production tubing has commenced. The well started to flow on its own after several swabbing runs. The well is currently flowing oil, condensate, gas, and drilling and completion kill fluid. Management anticipates the well will stabilize once field personnel recover a significant volume of kill fluid. Upon full evaluation of the fractured basement, Management expects to move up-hole to perforate and test the Kohlan sand gas-condensate discovery during December, 2009.

### **Ras Nowmah-1:**

- Calvalley has successfully completed the drilling of the Ras Nowmah-1 exploration well which, based on the log interpretations, shows a significant column of oil in two separate formations.. The Ras Nowmah-1 well, spudded on September 29, 2009, is located on the plateau between Al Roidhat and Hiswah fields. The primary target zone was Qishn Clastic ("Qishn") which is produced from Al Roidhat, with the secondary target being Saar Carbonates ("Saar") which is produced from the Hiswah field.

- The Ras Nowmah-1 was drilled into a large four-way structural closure. The Qishn formation was encountered at 1,361 meters total vertical depth. Initial well logs analysis indicates 35 meters of gross oil column in the Qishn sands. The Saar formation was encountered at 1,483 meters total vertical depth. The Saar carbonates appear to be dolomitized with a potential gross oil column of 10 meters. The rig was released on November 2, 2009 after reaching a total depth of 1,621 meters measured depth (1,560 meters total vertical depth).
- The Ras Nowmah-1 is currently awaiting the service rig for completion and testing of the commerciality of Qishn Sands and Saar Carbonates. We expect the program to be completed before year-end.

#### **Salmin-1:**

- Calvalley plans to commence drilling its second exploration target at Salmin prior to the end of 2009. Salmin lies in a proven oil fairway and is situated approximately five (5) kilometers northwest of the Auqban discovery targeting a light oil carbonate structure with an estimated mean oil-in-place volume of 45 million barrels.

## **OPERATIONS REPORT**

### **Production Overview**

During the third quarter of 2009, daily production from Block 9 averaged 4,184 barrels of oil per day (“bopd”) (2008 - 4,743 bopd), with the Company’s working interest share being 2,092 bopd (2008 – 2,372 bopd). All production came from the partially developed Hiswah oil field, which produces high-quality, lighter sweet crude oil that is sold at a price comparable to Dated Brent Crude.

Gross field production at Hiswah continues to fluctuate between 4,000 to 4,500 (2,000 to 2,250 net) bopd. While producing wells are performing as expected, production continues to be constrained due to the limitation of the volume that is accepted by the Safer Facilities at Block 18 (“Safer”). Production from the Hiswah field is restricted to an average of sixteen to twenty-three existing horizontal wells due to this limitation. The Facility Usage Agreement at Block 18 dictates that blended crude at the facility shall not exceed 0.12% in sulfur content by weight. The sulfur content of Block 18 production is 0.09%. After blending Block 18 production with the production from Block 9, the sulfur content must average 0.12%. Increases or decreases in Safer’s Block 18 production impact the volume that is accepted for blending from Block 9. Safer’s production at Block 18 has been continuously declining and consequently, Block 9 has been forced to reduce its crude oil volume to keep overall sulfur content at Safer under 0.12%. Calvalley’s Block 9 crude is sweet and has an average of 0.43% sulfur which is comparable to 0.42%, which is the standard for Dated Brent Crude.

In order to sell blended crude oil from all discoveries at Block 9 and to activate wells that are currently shut-in, Calvalley continues to focus its marketing efforts on negotiations to deliver Block 9 production to Block 14 via Block 51. Negotiations with the operator of these blocks are nearing a final agreement and with support from the Government of Yemen and cooperative efforts from the operator, management is optimistic that delivery of the first oil to these blocks could commence during the first quarter of 2010. The Government of Yemen has formed a “tie-committee” to oversee the progress of these negotiations. Once an agreement to deliver all crude oil production from Block 9 is finalized, Calvalley will commence the construction phase of the main sales pipeline which has been approved by the government.

## **Hiswah Field Development**

During the third quarter, Calvalley drilled a development well (Hiswah-29) utilizing improved reservoir modeling and production casing configuration. As a result, Hiswah-29 is one of the most productive wells in the field, testing at approximately 1,000 bopd with little drawdown. The well is currently on-stream and choked back to approximately 500 bopd.

Calvalley is currently drilling the Hiswah-30 development well, which is expected to be completed by the end of November. No further development wells will be drilled in 2009.

A multi-well workover program, which includes several pump changes, has been developed for the Hiswah field. The service rig is expected to commence the workover program in November. This workover program is expected to add approximately 800 bopd (400 bopd net) before year-end.

## **Al Roidhat Field**

Seven Al Roidhat wells are fully equipped and ready to commence production. Once fully developed, the Al Roidhat field is expected to reach peak production of 10,000 bopd based on existing reserves. The Al Roidhat field is currently shut-in until the marketing solution discussed above is finalized. The Company expects to commence production from this field as early as the first quarter of 2010.

In anticipation of finalizing an alternative marketing solution for all qualities of crude discovered at Block 9, Calvalley has substantially completed a heavy crude blending facility at the Central Processing Facility ("CPF"). The blending facility will enable the Company to process production from the currently shut-in Al Roidhat field.

## **Exploration Drilling Program**

Calvalley spudded the Ras Nowmah-1 exploration well on September 29, 2009. The Ras Nowmah-1 well is located on the plateau between the Al Roidhat and Hiswah fields. The elevation of the plateau is 406 meters higher than Al Roidhat and 468 meters higher than Hiswah. The primary target zone was Qishn Clastic ("Qishn") which is produced from Al Roidhat, with the secondary target being Saar Carbonates ("Saar") which is produced from Hiswah. The original well bore encountered total losses of drilling fluid at 1,387 meters measured depth which forced the drilling team to side-track the well.

The well was drilled into a large four-way structural closure. The Qishn formation was encountered at 1,361 meters total vertical depth, which was 12 meters higher than expected. Initial well log analysis indicates 35 meters of gross oil pay in the Qishn sands. The Saar formation was encountered at 1,483 meters total vertical depth, which was 26 meters higher than prognosis. The Saar carbonates appear to be dolomitized with a potential gross oil pay of 10 meters. The rig was released on November 2, 2009 after reaching a total depth of 1,621 meters measured depth (1,560 meters total vertical depth).

The well is currently awaiting the service rig to complete and test the commerciality of the Qishn Sands and Saar Carbonates. Management expects the program to be completed before year-end.

Calvalley plans to commence drilling at its second exploration target at Salmin prior to the end of 2009. The Salmin field lies in a proven oil fairway and is situated approximately five (5) kilometers northwest of the Auqban discovery targeting a light oil carbonate structure with an estimated mean oil-in-place volume of 45 million barrels.

## **Qarn Qaymah - 2**

Clean up and testing of the Qarn Qaymah 2 ("QQ-2") well in the fractured granitic basement with smaller diameter (2 7/8 inch) production tubing has commenced. The well started to flow on its own after several swabbing runs. The well is currently flowing oil, condensate, gas, and drilling and completion kill fluid. Management anticipates the well will stabilize once field personnel recover a significant volume of kill fluid. Management is encouraged by the test which has established the presence of an oil and gas condensate column in the fractured basement.

Upon full evaluation of the fractured basement, Management expects to move up-hole to perforate and test the Kohlan sand gas-condensate discovery during December 2009.

Calvalley plans to drill additional deep wells in the greater Qarn Qaymah area during 2010 utilizing an alternative well bore configuration.

## **Facilities**

The CPF, with a 60,000 barrel per day processing capability, is now fully functional. Construction of the water injection facility is complete. Calvalley successfully completed the first water injection test at Hiswah-26. Management plans to commence the injection of all produced water back into the Saar reservoir for pressure maintenance by the end of December 2009.

During the third quarter of 2009, the construction of key components of the gas re-injection facilities for the Hiswah field has advanced significantly. However, there were delays in completing the fabrication of the main gas compressor which is now expected to be completed in January 2010. The Hiswah field currently produces approximately 5.5 mmcf/d of solution gas which is being flared and will be utilized for pressure maintenance once these facilities are completed.

## **Ethiopia**

The early exploration phase has commenced in Ethiopia with the initial completion of a surface geological study of the Metema and Gimbi blocks. Calvalley is currently making the necessary arrangements to conduct an aeromagnetic survey over both blocks to identify areas of interest for further geological examination.

## **Filing of Reports on SEDAR**

Calvalley's Management's Discussion and Analysis and Unaudited Financial Statements for the quarter ended September 30, 2009 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).

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.

For additional information, please contact:  
[investorrelations@calvalleypetroleum.com](mailto:investorrelations@calvalleypetroleum.com)

Edmund Shimoon, Chairman & CEO  
Memet Kont, President & COO  
Bill Cummins, CFO

(403) 297-0490