

FOR IMMEDIATE RELEASE

Calvalley Petroleum – 2011 First Quarter Interim Results

Calgary, Alberta, May 12, 2011 – 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 three months ended March 31, 2011.

HIGHLIGHTS

Financial

The key financial indicators in the table below are discussed in more detail in the following sections.

(in thousands of US dollars except per share amounts)	Three months ended March 31⁽¹⁾	
	2011	2010
Revenue (Gross)	14,412	14,449
Revenue from crude oil sales (net of royalties and government share of profit oil)	8,940	8,921
EBITDA ⁽²⁾		
Operating income ⁽²⁾		
Comprehensive income	4,074	3,623
Per share	0.04	0.04
Capital expenditures	6,467	3,152
Funds flow from operations ⁽²⁾	5,154	5,269
Per share	0.05	0.05
Cash flow from operating activities	6,328	5,122

⁽¹⁾ 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 months ended March 31, 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 Q1 2011 Interim MD&A filed on www.sedar.com

⁽²⁾ See “Non-GAAP, Non-IFRS Measures” disclosure in Q1 2011 Interim MD&A filed on www.sedar.com

- Calvalley’s revenue from crude oil sales was \$14.4 million (gross) and \$8.9 million (net) for the quarter ended March 31, 2011 (2009 - \$14.4 million (gross) and \$8.9 million (net)). While sales volume of 142,523bbls in the first quarter of 2011 was 25.1% lower than sales volume of 190,350bbls during the first quarter of 2010, the decrease was offset by a 33.2% increase in the sale price realized in 2011 (\$101.12/bbl) versus 2010 (\$75.91/bbl). The decrease in sales volume is partially due to the timing of lifts and is not directly correlated with production for the quarter, which was 158,703 bbls in 2011 versus 206,885 bbls in 2010.
- Comprehensive income was \$4.1 million (\$0.04 per share) for the three months ended March 31, 2011, as compared to \$3.6 (\$0.04 per share) for the same period in 2010.
- Funds flow from operations was \$5.2 million (\$0.05/share) for the three months ended March 31, 2011, as compared to \$5.3 million (\$0.05/share) for the same period in 2010.

- Operating costs, including transportation and facilities usage fees during the first quarter of 2011 were \$2.0 million (\$14.32/bbl) as compared to \$3.6 million (\$13.91/bbl) for the three months ended December 31, 2010 and to \$1.9 million (\$9.92/bbl) for the quarter ended March 31, 2010. Operating costs for the first quarter of 2011 include a retrospective adjustment for facility usage fees related to 2010 deliveries in the amount of \$0.2 million (\$1.55/bbl).
- Calvalley continues to be well financed and capitalized with no outstanding debt and working capital of \$67.4 million.

Operating

The following table sets forth key operating information:

Production (barrels of oil per day)	Three months ended March 31	
	2011	2010
Total Block 9 production	3,527	4,597
Calvalley working interest (50.0%)	1,763	2,299

- Average daily production from Block 9 for the three months ended March 31, 2011 was 3,527 gross barrels per day (Calvalley working interest 1,763 bopd), a decrease from the previous quarter's average of 4,334 bopd (2,167 bopd working interest share) and a decrease from 2010 first quarter average production of 4,597 bopd (2,299 bopd working interest share). All production came from the partially developed Hiswah oil field, which produces high-quality sweet crude oil that is sold at a price comparable to Dated Brent Crude.
- During the fourth quarter of 2010, the Company conducted a detailed review of its Hiswah field development plan and material requirements. As a result of the review, the Company has chosen to contract with a new supplier of superior downhole production equipment. While the change in supplier will allow for long term optimization of production rates, delays in receiving delivery of certain materials has resulted in a total of 12 producing wells, including 2 new development wells, to be shut-in at Hiswah. As a result of the above factors, overall production rates have declined into 2011. The Company has ordered 14 electric submersible pumps, 2 of which have been received allowing the re-activation of 2 wells. Production was curtailed further during late March 2011 and early April 2011 as a result of interruptions to export pipelines. On April 12, 2011, the Company commenced deliveries to export facilities at Block 51. The Company's working interest oil production is being restored and for May 2011 to date has averaged 1,846 bopd.
- With the completion of the Truck Offloading Facility at Block 51, the Company has started the process of activating existing shut-in wells at the Ras Nowmah and Al Roidhat fields. Calvalley has positioned itself to gradually increase its production of blended crude to 10,000 bopd (5,000 bopd net).
- Calvalley continues development of the pressure maintenance program at the Hiswah field by injecting water and gas into the reservoir. The Company is currently injecting approximately 6,500 barrels per day of water into two horizontal wells, both of which are performing better than expected. These wells have large injection capacity but are limited by the availability of source water at this time. Calvalley has ordered two high volume down hole pumps, for the source water wells, which will enable the Company to relieve this limitation. Up to four additional water injection wells are included in the 2011 drilling program.

- The Company is currently injecting more than 2MMcf/d of produced gas into the Hiswah field. The Company expects to increase gas injection volume to 5MMcf/d by the end of the year.

Truck Offloading Facility (TOF)

- On April 12, 2011, the Company commenced delivery of Block 9 production of crude oil into the Masila Export Pipeline System ("MEPS") through the Company's Truck Offloading Facilities ("TOF") located at Block 51 on a temporary basis utilizing the spare metering system provided by the operator of Block 51. Calvalley's metering system has been installed and the commissioning of the TOF is nearing the final stage. Thus, management expects the TOF to be fully commissioned mid-May at which time blended crude from all fields from Block 9 will be delivered through this facility.

Ethiopia

- Calvalley has recently completed its initial interpretation of an Aeromagnetic survey at the Matema Block in Ethiopia. The interpretation, combined with previous completed surface geological maps, indicate the presence of three sub-basins with thick sedimentary sections. Calvalley will further refine the interpretation to design the next phase of the capital work program for the Matema Block.

DRILLING, COMPLETION, AND TESTING

Ras Nowmah

Site preparation for the Ras Nowmah 4 well is currently under way with drilling scheduled to commence within the next two weeks.

Qarn Qaymah

Calvalley also continues its evaluation of the Qarn Qaymah-3 ("QQ-3") well. As previously announced, QQ-3 was drilled to a total depth of 4,460 meters, including a highly deviated openhole section of approximately 1,000 meters in the Fractured Granitic Basement ("FGB"). As per the evaluation reports from two independent petrophysical consulting firms, in Calgary, the wellbore image logs and electrical logs indicate that the FGB reservoir is extensively fractured and fully oil saturated. QQ-3 intersected a total hydrocarbon column of 434 meters, including 172 meters of condensate rich gas and 262 meters of oil column. The oil column could be potentially thicker, as no oil water contact has been encountered. These independent petrophysical evaluations also highlight that average fracture porosity, which is a direct indicator of storage capacity or reserve potential of the reservoir, was significantly higher than QQ-2. This interpretation is in line with the improved rate of penetration experienced while drilling QQ-3, as compared to QQ-2.

During the QQ-3 initial testing phase, the test recovered a significant volume of drilling fluid which was used in drilling of the adjacent well (QQ-2) but this gradually turned to oil flow. However, the oil production was unsustainable due to limited inflow. Having produced the drilling loss fluid of QQ-2 from QQ-3 indicates that there is open communication between QQ-2 and QQ-3, which confirms the presence of a wide network of interconnected fractures in the FGB. However, as intermittent flow and build-up testing proceeded, the permeability of the formation gradually declined, indicating impairment to fluid inflow to the well-bore from the formation due to a potential precipitation of hydrocarbon solids (such as Paraffin and Asphaltene), in the openhole section of the QQ-3 well-bore. A number of fluid samples were collected for lab analysis.

While Calvalley is encouraged with the increased hydrocarbon column and presence of an extensive network of natural fractures in the basement of the Qarn Qaymah structure, the key

challenge ahead for the Company is to remove any impairment that limits oil inflow. The Company is optimistic that the pending lab test results will indicate the potential of down-hole chemical treatment to prevent the future deposit of paraffinic and asphaltenic compounds, which is a common production impairment phenomenon in many oil fields around the globe.

Calvalley's plan, going forward, includes the completion of the currently proceeding laboratory analyses of formation fluids, followed by the design of a remedial stimulation program to enhance oil inflow. The Company is in communication with a number of experienced global oil services companies to assist in designing a suitable stimulation program for QQ-3.

FILING OF REPORTS ON SEDAR

Calvalley's Management's Discussion and Analysis and Unaudited Condensed Consolidated Financial Statements for the three months ended March 31, 2011 can be found for viewing by electronic means on The System for Electronic Document Analysis and Retrieval at www.sedar.com. They can also be found on the Company's website at 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.

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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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