

Calvalley Petroleum Inc. announces 2011 Reserves Report.

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CALGARY, Feb. 21, 2012 /CNW/ - [Calvalley Petroleum Inc.](#) ("Calvalley" or the "Company") announces the results of its December 31, 2011 independent engineering evaluation.

Calvalley is pleased to report, for the fourth consecutive year, an increase in proved developed producing reserves, a key indicator of cash flow generating capability. The Company's proved developed producing reserves increased 45 per cent to 5.5 million barrels at December 31, 2011 up from 3.8 million barrels in 2010.

In spite of the many challenges which impacted the Company's operating and capital programs throughout 2011, company interest proved reserves of crude oil of 14.7 million barrels declined less than 4 per cent from 15.3 million barrels in 2010. Similarly company interest proved plus probable reserves of crude oil of 29.3 million barrels declined approximately 7 per cent from 31.5 million barrels in 2010. Capital expenditures in 2011 were approximately US\$16.5 million with only US\$8 million related to drilling activities.

Calvalley's proved plus probable plus possible reserves of crude oil are 43.6 million barrels down slightly from 47.2 million barrels in 2010.

The total proved plus probable original oil in place estimate for Block 9 of 331 million barrels is 2 per cent lower than the estimate of 338 million barrels in 2010.

Company interest best estimate (2C) contingent resources at the end of 2011 include 3.8 million barrels of crude oil compared to 3.6 million barrels in 2010 and 41 bcf of natural gas compared to 47 bcf in 2010.

The company interest future development costs included in the evaluation of proved reserves are US\$54 million representing US\$5.88 per barrel. For proved plus probable reserves, future development costs included are US\$97 million representing US\$4.07 per barrel. Per barrel amounts are calculated as company interest future development costs divided by barrels of undeveloped recoverable reserves in each category.

Three year average finding and development costs ("F&D") before and after future development costs for proved reserves are US\$8.37 per barrel and US\$10.92 per barrel, respectively and based on proved plus probable reserves are US\$6.75 per barrel and US\$9.42 per barrel, respectively. Recycle ratios, based on a three year average operating netback of US\$32.60, range from 3 to 5 according to the F&D metric selected.

Based on property gross total proved crude oil reserves of 29.4 million barrels and gross production capability of 7,000 bopd the reserve life index is 11.5 years. The Company's Production Sharing Agreement has an initial term that expires in the latter part of 2025 with an option to extend the term by five years.

The engineering evaluation was conducted by McDaniel & Associates Consultants Ltd. who prepared an independent engineering evaluation of the reserves attributable to the Company's 50% working interest in Block 9 in a report dated February 16, 2012 with an effective date of December 31, 2011 (the "McDaniel Report") in accordance with National Instrument 51 101 Standards of Disclosure for Oil and Gas Activities ("NI 51-101") and the Canadian Oil and Gas Evaluation Handbook ("COGE Handbook").

The following information is derived from the McDaniel Report.

Summary of Oil and Gas Reserves

Light and Medium

Oil Heavy Oil Total Crude Oil

Reserves Category Company

(Mbbl) Net

(Mbbl) Company

(Mbbl) Net

(Mbbl) Company

(Mbbl) Net

(Mbbl)

Proved(1)

Developed Producing 4,618 2,423 846 444 5,464 2,867

Undeveloped	5,705	2,506	3,537	1,649	9,242	4,155
Total Proved	10,323	4,929	4,383	2,093	14,706	7,022
Probable(2)	12,254	5,300	2,315	942	14,569	6,242
Total Proved plus Probable	22,578	10,230	6,698	3,035	29,276	13,265
Possible(3)	11,985	4,554	2,354	837	14,339	5,391
Total	34,563	14,784	9,052	3,872	43,615	18,656

Notes:

- (1) "Proved" reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.
- (2) "Probable" reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.
- (3) "Possible" reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a ten per cent probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves.

Summary of Net Present Value of Future Net Revenue

Before Future Income Tax Expenses Discounted at

(%/year)

Reserves Category 0

(M\$US) 5

(M\$US) 10

(M\$US) 15

(M\$US) 20

(M\$US)

Proved

Developed Producing 175,974 154,249 137,901 125,212 115,099

Undeveloped 290,223 228,207 184,962 153,668 130,293

Total Proved 466,197 382,456 322,863 278,880 245,392

Probable 475,302 349,720 267,489 211,354 171,611

Total Proved plus Probable 941,499 732,176 590,352 490,234 417,003

Possible 542,899 354,851 249,109 185,113 143,831

Total 1,484,398 1,087,026 839,462 675,347 560,833

After Future Income Tax Expenses Discounted at

(%/year)

Reserves Category 0

(M\$US) 5

(M\$US) 10

(M\$US) 15

(M\$US) 20

(M\$US)

Proved

Developed Producing 127,602 113,416 102,630 94,177 87,379

Undeveloped 188,184 147,760 119,504 99,024 83,711

Total Proved 315,786 261,175 222,134 193,201 171,090

Probable 309,524 227,302 173,491 136,776 110,793

Total Proved plus Probable 625,309 488,477 395,626 329,977 281,883

Possible 352,491 230,005 161,041 119,259 92,290

Total 977,800 718,482 556,667 449,236 374,174

Notes:

(1) The McDaniel Report employed the following pricing assumptions for Brent Crude Oil as of January 1, 2012 in estimating the reserves data using forecast prices and costs: 2012 US\$ 107.50; 2013 US\$ 102.60; 2014 US\$102.60; 2015 US\$103.50; 2016 US\$104.40; 2017 US\$105.50; 2018 US\$106.40.

(2) The weighted average realized sales price for Block 9 crude oil for the year ended December 31, 2011 was \$108.39 per barrel.

Combining the current working capital fair value estimate of approximately US\$ 82 million and the after tax value of reserves discounted at ten per cent, the calculated net asset value of the Company is approximately US\$ 478 million on the basis of proved plus probable reserves (US\$ 5.04 per basic share), US\$ 304 million on the basis of total proved reserves (US\$ 3.21 per basic share) and US\$ 185 million on the basis of proved developed producing reserves (US\$ 1.95 per basic share).

The Company currently has 94,821,439 basic shares outstanding.

About Calvalley

Calvalley is an international oil and gas company, with offices in Calgary, Alberta, Canada, that operates Block 9 of the Masila Basin, in The Republic of Yemen and the Metema Block of the Blue Nile Basin, in The Republic of Ethiopia.

Forward Looking Statements

Certain information included in this press release constitutes forward-looking information under applicable securities legislation. Such forward-looking information is provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that reliance on such information may not be appropriate for other purposes, such as making investment decisions. 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. Forward-looking information in this press release may include, but is not limited to, information with respect to: the number of Acquisition Shares to be issued pursuant to the Transaction; the anticipated benefits of the Transaction; receipt of all necessary approvals for completion of the Transaction; and timing for completion of the Transaction. 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.

Statements relating to "reserves" are by their nature forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the reserves described can be profitably produced in the future. The recovery and reserve estimates provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. As a consequence, actual results may differ materially from those anticipated in the forward looking statements

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. The material risk factors affecting the Company and its business are contained in the Company's annual information form for the year ended December 31, 2010 dated March 31, 2011 and Management's Discussion and Analysis which are available under the Company's issuer profile on SEDAR at www.sedar.com

The forward-looking information contained in this press release is made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, unless required by applicable securities laws. The forward looking information contained in this press release is expressly qualified by this cautionary statement.

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

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