



## NEWS RELEASE

October 21, 2008

### **MIDNIGHT OIL EXPLORATION LTD. PROVIDES OPERATIONAL UPDATE WITH EXPANDED DEEP BASIN PROGRAM AND SALE OF NON-CORE WEST CENTRAL AREA ASSETS**

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CALGARY, ALBERTA – (Marketwire - October 21, 2008) – Midnight Oil Exploration Ltd. (TSX – MOX)

Midnight Oil Exploration Ltd. is pleased to announce an update of its recent activities including continued success in its Deep Basin program and the sale of its non-core West Central area assets.

In the Deep Basin area Midnight has assembled a large land base and plans an aggressive drilling and completion program this winter. Midnight continues to enjoy success applying new technologies to identify and unlock the potential of this tight gas resource play.

Midnight is confident in the potential of its Deep Basin lands and plans to pursue an aggressive drilling and completion program. In order to expedite this program and provide financial flexibility Midnight has agreed to the sale of its non core assets in the West Central area of Alberta to Daylight Resources Trust (“Daylight”) in exchange for \$2.0 million cash and 3.75 million units of Daylight Resources Trust (TSX - DAY.UN). Midnight’s West Central assets account for approximately 550 boe/d of Midnight’s current production and 2 million boe of proved and probable reserves. Midnight plans to hold the units on a short term basis and will conduct an orderly sale of the units into the market. The sale is effective October 1, 2008 and is scheduled to close on or before October 31, 2008. The sale is subject to customary conditions including regulatory approval.

Midnight’s drilling program targets both conventional and tight gas in the Deep Basin. As part of our winter program we have arranged a farmout and participation with Daylight under standard industry terms in a portion of this program. Midnight plans to operate and drill 10 gross (4.0 net) wells and perform 6 (4.2 net) additional recompletions on existing wells prior to spring breakup. The tested and behind pipe volumes from the first two recompletions exceeds the production from the West Central disposition.

Midnight is a publicly listed junior oil and gas exploration and development company based in Calgary, Alberta. Midnight’s shares trade on the TSX under the symbol “MOX”.

**ADVISORY:**

**Forward Looking Statements:** This press release contains certain forward-looking statements and forward-looking information (collectively referred to herein as "forward-looking statements") within the meaning of applicable Canadian securities laws. All statements other than statements of present or historical fact are forward-looking statements. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "believes", "expects", "intends", "projects", "plans", "anticipates", "positions", "potential", "objective", "continuous", "ongoing", "estimates" or "contains" or similar words or the negative thereof. In particular, this press release contains forward-looking statements relating to:

- the estimated production of the assets disposed of,
- the estimated reserves of the assets disposed of,
- the anticipated number of wells and completions to be carried out,
- the anticipated replacement production from our new completions, and
- the anticipated closing of the transaction.

These statements represent management's expectations or beliefs concerning, among other things, future capital expenditures and future operating results and various components thereof or the economic performance of Midnight and include, without limitation, statements with respect to the future financial position, business strategy, budgets, projected costs and plans, objectives of or involving Midnight or any of its respective affiliates; access to credit facilities; capital taxes; income taxes; commodity prices; administration costs; commodity price risk management activities; expectation of future production rates and components of cash flow and earnings. Actual events or results may differ materially. The projections, estimates and beliefs contained in such forward-looking statements are based on management's estimates, opinions and assumptions at the time the statements were made including assumptions relating to the production performance of Midnight's oil and gas assets, the cost and competition for services throughout the oil and gas industry in 2008 and beyond and the continuation of the current regulatory and tax regime in Canada, and necessarily involve known and unknown risks and uncertainties which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted. Midnight does not undertake to update any forward-looking information contained in this press release whether as to new information, future events or otherwise except as required by securities rules and regulations.

**Barrels of Oil Equivalency:** Barrels of oil equivalent (BOE's) may be misleading, particularly if used in isolation. In accordance with NI 51-101, a BOE conversion ratio for natural gas of 6 Mcf:1 bbl has been used, which is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

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