



MIDNIGHT

Oil Exploration Ltd.

Q1 2009

Midnight Delivers Excellent Results on its Multi-Layer Tight Gas Resource Development in The Deep Basin

CALGARY, ALBERTA—(Marketwire – May 12, 2009) – Midnight Oil Exploration Ltd. (TSX: MOX) (“Midnight” or the “Company”) today announces its financial and operating results for the three months ended March 31, 2009.

Midnight Oil Exploration Ltd. is pleased to report the successful results of its 2008/2009 winter program that focused on de-risking our play concepts and developing the multi-layer tight gas resource potential in the Deep Basin area of Alberta. Midnight’s early identification of the potential of this area allowed us to build a tremendous opportunity base and execute one of the most intensive capital programs targeting tight gas resource development in Alberta this winter. Our successful winter program delivered increased reserves, increased production and established the basis for continued development of this resource play. The results of our program and the excellent potential of this multi-layered tight gas resource fairway in the Cadomin and Nikanassin, along with the conventional gas in the overlying Cretaceous reservoirs, place this opportunity base in the top-tier among resource plays in North America.

Our winter program applied a combination of both horizontal drilling and advanced multi-stage fracture stimulation techniques to validate and substantiate the multi-layered resource potential of the Cadomin and Nikanassin along with the conventional gas reservoirs of the Cretaceous on the fairway extending from Elmworth and West Wapiti to Red Rock and Bilbo. The full impact and results from our winter program were muted in our first quarter results as we delayed putting new wells on stream until April 1, 2009 to take advantage of the royalty incentive program announced by the Alberta Government in early March. This new incentive caps royalty rates at 5% for the first 12 months or 500 mmcf of production, for wells with an on stream date on or after April 1, 2009. By delaying the start-up of production from our wells we greatly reduced our royalties payable thereby increasing our cash flow and substantially improving our return on investment. Subsequent to the end of the quarter we placed on stream a portion of our productive capacity, growing our production by more than 50%, with additional volumes to be added as pipeline restrictions and other constraints are removed.

On April 9, 2009, Midnight closed a bought deal financing and issued 11,710,000 shares that raised gross proceeds of approximately \$9.6 million. We used the proceeds to initially reduce our debt and will use cash flow and draw on our bank line to aid in funding the remainder of our 2009 capital program.

Operating Results

Midnight conducted an extensive winter capital program in the Deep Basin area of Alberta focused on earning an extensive land base on this multi-layered tight gas resource play. In total, we operated the drilling of 9 gross (3.7 net) wells, completed (utilizing multi-stage fracture stimulation techniques) 6 gross (4.5 net) wells and installed over 21 km of pipelines. This program yielded 100% drilling success and, as reported in April 2009, we brought on stream over 1,200 boe/d of new production net to Midnight from a portion (3.0 net wells) of this program. Offsetting base declines and other operational delays we expect Q2 production to increase by approximately 800 – 1,000 boe/d. The results of our drilling and completion program have been very successful with the overall play concept de-risked and even enhanced with additional prospects identified and potential added. Our go-forward plan is to continue to focus our investments on maintaining our landholdings and opportunity base while adding low cost production and reserves from this world class resource base.

Midnight's multi-layered prospects includes both conventional high productivity sweet gas targets in the Cadotte, Notikewin, Falhers, and Bluesky/Gething and the unconventional sweet tight gas reservoirs in the large, aerially extensive resource targets in the deeper Cadomin and Nikanassin zones. Our winter program also proved up a number of additional low permeability uphole zones that were previously considered uneconomic and are now targeted for development under our resource development plans. Midnight holds an interest in over 150 gross sections of land on this high potential regionally extensive play extending from Elmworth in the north to West Wapiti, Red Rock, and Bilbo in the south.

In Elmworth, we completed the first round of our operated drilling program with 3 gross (1.7 net) wells targeting the tight gas in the Cadomin and the conventional sands of the Cretaceous. Two of the wells were Cadomin horizontals and the third well was a Cadomin vertical with measured depths of between 2,800 and 3,800 meters. The vertical well came on production in February and production from the remaining two wells was deferred until April 1, 2009 to take advantage of the royalty incentives. In Elmworth we strategically installed more than 14 km of pipeline (extending from the eastern limit to the western limit of our lands) enabling us to tie-in future drilling and development with minimal cost. Our results in this area are consistent with our expectations of initial production rates of between 3 and 5 mmcf/d per well from various formations including the Cadotte, Falher, Bluesky, Gething zones and the horizontal Cadomin. We hold 9 gross (5 net) sections in the Elmworth area and have received regulatory approval for downspacing the Cadomin wells to two wells per section. Midnight plans additional drilling in this area in 2009 and downspacing in the future.

In Red Rock, Midnight has 3 gross (2.3 net) wells producing from various formations from the deeper tight gas reservoirs of the Nikanassin and Cadomin to shallower conventional Cretaceous reservoirs. This winter Midnight completed 1 gross (1.0 net) well (using a limited-entry fracture technique), tied in 1 gross (0.8 net) well and installed 4 km of pipeline to add to our take-away capacity. Midnight holds over 36 gross (31 net) sections (over 26 sections 100% working interest) of mineral rights in the Red Rock area. Future development in this area will target the multi-zone potential of the conventional Cretaceous reservoirs and the multi-layered tight gas resource targets of the Cadomin and the Nikanassin.

In Bilbo, we operated the drilling of 4 gross (1.2 net) vertical Nikanassin wells and 1 gross (0.3 net) Cadomin horizontal well. We completed and tied in 2 (0.6 net) of the Nikanassin vertical

wells and the 1 (0.3 net) Cadomin horizontal well before spring break-up but held production from these wells until after April 1, 2009. Subsequent to the end of the first quarter Midnight purchased a cased well bore (vertical Nikanassin) located on the farm-in lands that the parties agreed to include as the sixth earning test well drilled under this farmin. Within the Bilbo area we were able to access some pre-existing infrastructure and also constructed over 2 km of pipeline. We plan to complete the three remaining vertical Nikanassin test wells and drill an additional Cadomin horizontal well during the remainder of the year.

In West Wapiti, we drilled 1 gross (0.5 net) farm-in well on a 17 gross section block that we acquired earlier in 2008. This well was drilled into the Nikanassin at a total depth of 3,700 meters and was completed using a limited entry fracture technique with initial test rates of over 8 mmcf/d. This well is currently producing through a downhole choke at a restricted rate of 2 mmcf/d due to nearby infrastructure restrictions. With additional pipeline work scheduled later this summer, we anticipate that we will be permitted unrestricted production into the local gathering system. Given the encouraging results from this well and from wells drilled by other operators in the area we and our 50% partner have elected to drill another farmin well on this block that will commence as soon as surface access permits and all regulatory approvals have been obtained.

Outlook

Our winter capital program focused on de-risking our play concept and developing the tremendous multi-layered tight gas resource potential of this portion of the Deep Basin by applying horizontal drilling and new multi-staged, limited entry, hydraulic fracture techniques to improve the productive capability of low permeability rock. The successful results of our winter program validated the potential and established this area as the key to growing production and reserves for the Company. Results from our tight gas resource development in the Deep Basin program are very positive and validate this development as a top tier resource play in North America. We achieved our production forecast for Q1 2009, despite delaying the start up of our new wells until the beginning of Q2 2009 to take advantage of the lower royalty rates effective April 1, 2009. Subsequent to the end of the quarter in April 2009, we placed on stream a portion of the wells from the winter program and added an additional 1,200 boe/d.

In the current economic environment and with lower commodity prices, we continue to be judicious in our capital deployment. Similar to our decision to delay the start-up of a portion of production to benefit from the reduced Alberta royalties we are also deferring traditional investments (i.e. adding field compression, uphole completions etc.) that would add to our production base in order to limit the amount of gas we sell at current prices. With our planned program and forecasted production declines, intermittent outages and constraints imposed from third parties we expect our production to average between 2,300 and 2,500 boe/d for Q2 and Q3 2009. Midnight's capital program is expected to be approximately \$40 million for 2009 and will be flexible to respond to changes in gas prices and capital market conditions. Midnight plans to drill an additional 4 gross (1.7 net) wells and complete an additional 7 gross (2.8 net) wells for approximately \$11 million and has budgeted an additional \$4 million for facilities, land and geological and geophysical activities. With continued success from the remainder of the capital program, Midnight expects its Q4 2009 production to be in the range of 2,500 and 3,000 boe/d and production for 2009 to average approximately between 2,200 and 2,500 boe/d. Our winter program has de-risked our play concepts and validated our thesis of the tremendous resource

potential of this portion of the Deep Basin area. We have leveraged our technical experience and expertise to build an unequalled opportunity base and have the proven tools and techniques for its development to deliver material long-term growth to our shareholders.

Q1 2009 financial and operational highlights with comparative data are as follows:

	Q1 2009	Q4 2008	Q1 2008
Financial			
(000's, except for per share amounts)			
Petroleum and natural gas sales	\$ 5,148	\$ 7,828	\$ 11,243
Royalties	1,320	1,515	2,541
Operating expenses	1,413	1,683	2,154
Transportation expenses	51	64	207
Netback	\$ 2,364	\$ 4,566	\$ 6,341
G&A – cash charge	571	1,012	811
Interest	54	257	396
Other income	(23)	(1,385)	(103)
Funds from operations	\$ 1,762	\$ 4,682	\$ 5,237
Per share – Basic	0.04	0.10	0.11
– Diluted	0.04	0.10	0.11
Net income (loss)	\$ (1,907)	\$ 760	\$ 8
Per share – Basic	(0.04)	0.02	0.00
– Diluted	(0.04)	0.02	0.00
Petroleum and natural gas additions	\$ 24,285	\$ 13,423	\$ 11,632
Property dispositions	-	(30,371)	-
Net debt	30,804	8,730	34,996
Net proceeds from April 9, 2009 equity issue	(9,175)	-	-
Total assets	183,219	177,056	169,706
Shares outstanding			
Basic	46,175	46,175	47,423
Diluted	50,353	50,318	52,430
Shares issued on April 9, 2009	11,710	-	-
Operations			
Average daily production			
Natural gas (mcf/d)	4,867	5,465	5,239
Oil & NGLs (bbls/d)	708	803	883
Combined (boe/d)	1,519	1,714	1,756
Average prices received			
Natural gas (\$/mcf)	\$ 5.26	\$ 6.96	\$ 7.95
Oil & NGLs (\$/bbl)	44.08	58.54	91.88
Revenue (\$/boe)	\$ 37.64	\$ 49.65	\$ 70.35
Royalties	9.65	9.61	15.90
Operating expenses	10.33	10.67	13.48
Transportation expenses	0.37	0.41	1.30
Netback received (\$/boe)	\$ 17.29	\$ 28.96	\$ 39.67

Midnight is a Calgary based junior energy company with big company skills, tools and plays focused on the tremendous natural gas potential of the Wapiti/Elmworth portion of the Deep Basin. Midnight holds over 100 sections along this resource fairway that includes the multi-layered tight gas resource potential of the Cadomin and Nikanassin combined with the high impact conventional gas reservoirs of the Deep Basin that provides strong economics and low risk repeatability for sustainable organic growth. Common shares of Midnight are listed on the Toronto Stock Exchange under the symbol MOX.

Shareholders are invited to attend Midnight's 2008 Annual Meeting of Shareholders scheduled for 10:00 AM, Thursday May 14, 2009 at the Sun Life Plaza Conference Centre, located at 140 4th Avenue S.W., Calgary, Alberta.

Copies of the consolidated interim consolidated financial statements and Management's Discussion and Analysis in respect thereof for the three months ended March 31, 2009 are being filed with Canadian securities regulators today and will be available on SEDAR and can be accessed at www.sedar.com or by visiting Midnight's website at www.midnightoil.ca.

Forward Looking Statements – Certain statements contained within this press release, and in certain documents incorporated by reference into this press release including our interim consolidated financial statements for the three months ended March 31, 2009 and the Management's Discussion and Analysis thereon, constitute forward looking statements. These statements relate to future events or our future performance. All statements other than statements of historical fact may be forward looking statements. Forward looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward looking statements.

In particular, this press release and the documents incorporated by reference within contain the following forward looking statements pertaining to, without limitation, the following: Midnight's future production volumes and the timing of when additional production volumes will come on stream; Midnight's realized price of commodities in relation to reference prices; future commodity prices; the Company's future royalty rates and the realization of royalty incentives; Midnight's expectation of reducing operating costs on a per unit basis; the relationship of Midnight's interest expense and the Bank of Canada interest rates; increases in general and administrative expenses and recoveries; future development and exploration activities and the timing thereof; the future tax liability of the Company; the expected decrease the depletion, depreciation and accretion rate; the estimated future contractual obligations of the Company and the amount expected to be incurred under its farm-in commitments; the future liquidity and financial capacity of the Company; and its ability to fund its working capital and forecasted capital expenditures. In addition, statements relating to "reserves" or "resources" are deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitably produced in the future.

With respect to the forward looking statements contained in this press release and the documents incorporated by reference, Midnight has made assumptions regarding: future commodity prices; the impact of royalty regimes and certain royalty incentives, the timing and the amount of capital expenditures; production of new and existing wells and the timing of new wells coming on stream; future proved finding and development costs; future operating expenses including processing and gathering fees; the performance characteristics of oil and natural gas properties; the size of oil and natural gas reserves; the ability to raise capital and to continually add to reserves through exploration and development; the continued availability of capital, undeveloped land and skilled personnel; the ability to obtain equipment in a timely manner to carry out exploration and development activities; the ability to obtain financing on acceptable terms; the ability to add production and reserves through exploration and development activities; and the continuation of the current tax and regulation.

We believe the expectations reflected in those forward looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward looking statements included in, or incorporated by reference into, this press release should not be unduly relied upon. These statements speak only as of the date of this press release or as of the date specified in the documents incorporated by reference into this press release, as the case may be. The actual results could differ materially from those anticipated in these forward looking statements as a result of the risk factors set forth including: volatility in market prices for oil and natural gas; counterparty credit risk; access to capital; changes or fluctuations in production levels; liabilities inherent in oil and natural gas operations; uncertainties associated with estimating oil and natural gas reserves; competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; stock market volatility and market valuation of Midnight stock; geological, technical, drilling and processing problems; limitations on insurance; changes in environmental or legislation applicable to our operations, and our ability to comply with current and future environmental and other laws; changes in income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry; and the other factors discussed under "Risk Factors" in our Annual Information Form filed on SEDAR. Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward looking statements contained in this press release and the documents incorporated by reference herein are expressly qualified by this cautionary statement. The forward-looking statements contained in this document speak only as of the date of this document and Midnight does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable securities laws.

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