



MIDNIGHT

Oil Exploration Ltd.

Q2 2009

MIDNIGHT'S SUCCESSFUL DEEP BASIN RESOURCE PLAYS DRIVES PRODUCTION GROWTH AND LOWER OPERATING COSTS

PRESS RELEASE - CALGARY, ALBERTA - (Marketwire – August 10, 2009) – Midnight Oil Exploration Ltd. (TSX: MOX) (“Midnight” or the “Company”) today announces its financial and operating results for the three and six months ended June 30, 2009.

Midnight enjoyed an excellent second quarter driven by strong production growth (up 44%) and reduced operating costs per boe (down 14%). Despite a significant decline in natural gas prices (down 31%), our increased production combined with our sixth consecutive quarter of reduced operating costs contributed to Midnight generating an increase (up 17%) in funds from operations over the prior quarter. Our second quarter production growth was the result of our staged production adds from our successful Deep Basin program conducted over the past winter. During the quarter, Midnight executed a responsible program of focused and controlled spending, deferring a number of projects, and taking a number of steps to strengthen our balance sheet and provide additional financial flexibility.

During the second quarter, we placed on stream a number of the wells from our Deep Basin winter program and grew production 44% from an average of 1,519 boe/d in Q1 2009 to 2,189 boe/d. Production growth and capital investments in infrastructure contributed to an overall 14% decrease in operating and transportation costs on a per boe basis from a \$10.70/boe to \$9.16/boe. Our production growth came as we layered in behind pipe capacity from the successful winter program that focused on our stacked conventional sands and tight gas resource play in the Deep Basin. The increased production combined with our reduced operating costs resulted in a 17% increase to funds from operations from \$1.8 million in Q1 2009 to \$2.1 million in Q2 2009.

At Elmworth, we placed on stream three gross (1.65 net) wells from our winter program that focused on the tight gas conglomerate of the Cadomin formation. The combined rates for both the Cadomin and the uphole “conventional” reservoirs resulted in initial production exceeding our expected range of 3 – 5 mmcf/d gross per well. In Elmworth we hold nine highly prospective sections (5 net) and have received governmental authority to downspace to four wells per section. We have made the early capital investments in the necessary pipelining and have the takeaway capacity to drill and place these wells on stream once a more favourable gas price environment is realized. We are very pleased about our results and excited about prospects on this acreage base, targeting the high potential stacked uphole Cretaceous reservoirs and the tight gas conglomerate of the Cadomin. Midnight has a great deal of experience in both of these geological play types and we are confident that we will continue to deliver solid results to our shareholders from this program.

Since our last report, Midnight has added another successful Cadomin/Nikanassin well to the Bilbo area. This well has a thickened Cadomin section that we plan to offset with a horizontal well before the end of the year. With the drilling of this well during the balance of the year we will complete the earning of a total of 42 gross (12.6 net) sections of land in this stacked multi-zone resource play. We have been successful in continuing all of these lands for another year allowing Midnight and its partners additional time to further develop these prized mineral rights. We have assembled a large highly prospective landholding and are executing our planned operations including the completion and tie-in of four (1.2 net) wells. We are very focused on reducing costs in our summer program as we drive cost control and operating efficiencies in this area.

In Q1 2009, at Bilbo, Midnight drilled five (1.5 net) successful multi-zone discovery wells that identified Cadomin potential similar to our Elsworth wells with the additional potential in the tight gas sands of the thick Nikanassin. During the second quarter, spring break-up necessitated a delay in completing some wells from our winter program. We have recently commenced the completion operations on the first of these wells and expect to place all of these wells on stream during the second half of the year.

Based on our technical work and study, combined with our successful winter program, Midnight continues to add to its acreage portfolio amassing rights to over 77,000 gross (47,000 net) acres (over 120 gross sections) of highly prospective mineral rights in the Deep Basin all of which target the same reservoirs as our successes in Elsworth and Red Rock/Bilbo.

At Chinook Ridge Midnight plans to drill another well in the third quarter. This well targets the stacked resource plays of the Nikanassin and Cadomin along with the uphole conventional Cretaceous sands. This is a follow up to our highly successful Nikanassin well drilled in our winter program. Based on our results to date and significant amount of area activity we are very excited about the potential of this area

On our light oil property at Red Earth, Midnight continues to control its capital program. During the second quarter we saw sustained production levels of 585 boe/d. In addition, the benefits of our waterflood and water handling facilities installed in 2008 contributed to a reduction in operating costs. This investment continues to benefit Midnight as incremental reserves are recognized and operating costs, particularly with respect to trucking, are controlled. Midnight's light oil asset base in Red Earth continues to provide us with a solid financial footing through a predictable production profile and strong cash flow enjoyed by current oil prices. This asset balances Midnight's cash flow and provides a platform to pursue opportunities in our Deep Basin stacked sands and tight gas resource plays.

In Q2 2009, in response to continued weak natural gas prices, Midnight restricted its capital program to \$4 million. During the quarter we layered in production additions from our winter drilling program to reap the benefit from the Alberta Government's royalty incentive program but continued to hold back natural gas production volumes. Significant behind pipe production and related production optimization projects have been delayed in response to low natural gas prices. A number of routine operations including removing the bottom hole choke on wells, completion of uphole zones from currently producing wells and adding compression to increase gas production have been deferred. These optimization options still exist but will not be executed until stronger natural gas prices prevail. We plan to continue to limit investment and restrict and defer production additions. We expect Q3 2009 production to experience natural declines from Q2 and that the completion and tie-ins related to our Bilbo program in Q3 will lead to increased production in Q4. For the balance of the year we have a planned capital program of staged investments in drilling, completion and tie-in related to our Deep Basin program.

During the second quarter in 2009, Midnight added significant financial flexibility as it entered into a bought deal financing in April that raised \$9 million allowing it to reduce its net debt and allocate capital

to investments in our Deep Basin resource play. In addition Midnight was able to increase its credit facility by 25% to \$35 million.

Midnight was early to identify the “game changing” impact technology and resource plays would have in the North American natural gas business. In anticipation, we announced our Deep Basin Tight Gas initiative and put in place a business strategy to focus in our historical core area of the Deep Basin, with the Cadomin and Nikanassin formations as the resource target and the uphole multi-zone potential of the conventional reservoirs as the added economic benefit. The unique characteristics of our Deep Basin Resource Play includes the large resource potential from the stacked nature of these zones (sweet gas with both conventional prospects and the multi-layered Cadomin and Nikanassin targets), the relative ease of access to low cost infrastructure, readily available services and generally year round access. With all of these positive attributes our Deep Basin Resource Play compares favourably to any resource play in North America. The early success of our drilling results and production additions validates the thesis and commitment.

Our strategy over the past year to focus on building the Deep Basin Resource Play has been planned to be flexible and opportunistic. Over the winter we were aggressive to secure additional lands and test and prove additional potential. As a result we have been extremely successful and have built a proven and unequalled long-term high potential resource play. We now have the flexibility to be patient and selectively place and space our development for the next several quarters.

Midnight’s balanced production and revenue base, its high-end technical teams, its proven business execution skills and its enviable opportunity base for the scaleable development of its Deep Basin Resource Play are the foundation for a bright future.

Midnight is optimistic about the long term outlook for commodity prices despite the recent corrections in both oil and natural gas. In this light, Midnight believes that the light oil from Red Earth along with the sweet gas from the Deep Basin expanding opportunity base will deliver solid returns to our shareholders.

Midnight is a top quality junior exploration company with a high-end technical team and a proven track record. Our balanced sweet gas and light oil production base, our strong balance sheet and our tremendous Deep Basin Resource Play prospect inventory positions us well for the future. Common shares of Midnight are listed on the Toronto Stock Exchange under the symbol MOX.

Copies of the consolidated interim consolidated financial statements and Management’s Discussion and Analysis in respect thereof for the three and six months ended June 30, 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.

Q2 2009 and YTD 2009 financial and operational highlights with comparative data are as follows:

Financial (000's, except for per share amounts)	Q2 2009	Q2 2008	Q1 2009	YTD 2009	YTD 2008
Petroleum and natural gas sales	\$ 6,371	\$ 15,576	\$ 5,148	\$ 11,519	\$ 26,819
Royalties	1,293	3,567	1,320	2,613	6,108
Operating expenses	1,770	1,883	1,413	3,183	4,037
Transportation expenses	54	114	51	105	321
Netback	\$ 3,254	\$ 10,012	\$ 2,364	\$ 5,618	\$ 16,353
G&A – cash charge	1,066	1,017	571	1,637	1,828
Interest	150	350	54	204	746
Other income	(16)	(39)	(23)	(39)	(142)
Funds from operations	\$ 2,054	\$ 8,684	\$ 1,762	\$ 3,816	\$ 13,921
Per share – Basic	0.04	0.18	0.04	0.07	0.29
– Diluted	0.04	0.18	0.04	0.07	0.29
Net income (loss)	\$ (3,668)	\$ 2,174	\$ (1,907)	\$ (5,575)	\$ 2,182
Per share – Basic	(0.06)	0.05	(0.04)	(0.11)	0.05
– Diluted	(0.06)	0.05	(0.04)	(0.11)	0.05
Petroleum and natural gas additions	\$ 4,081	\$ 4,695	\$ 24,285	\$ 28,366	\$ 16,327
Net debt	23,944	31,042	30,804	23,944	31,042
Total assets	169,471	172,905	183,219	169,471	172,905
Shares outstanding					
Basic	57,885	47,423	46,175	57,885	47,423
Diluted	62,053	53,543	50,353	62,053	53,543
Operations	Q2 2009	Q2 2008	Q1 2009	YTD 2009	YTD 2008
Average daily production					
Natural gas (mcf/d)	9,004	5,799	4,867	6,947	5,519
Oil (bbls/d)	560	785	584	572	770
NGLs (bbls/d)	128	157	124	126	142
Combined (boe/d)	2,189	1,908	1,519	1,856	1,832
Average prices received					
Natural gas (\$/mcf)	\$ 3.45	\$ 10.44	\$ 5.26	\$ 4.08	\$ 9.26
Oil (\$/bbl)	63.30	124.63	47.35	55.20	110.94
NGLs (\$/bbl)	27.10	78.02	28.76	27.91	71.40
Combined (\$/boe)	\$ 31.99	\$ 89.71	\$ 37.64	\$ 34.29	\$ 80.43
Royalties	6.49	20.54	9.65	7.78	18.32
Operating expenses	8.89	10.85	10.33	9.48	12.11
Transportation expenses	0.27	0.66	0.37	0.31	0.96
Netback received (\$/boe)	\$ 16.34	\$ 57.66	\$ 17.29	\$ 16.72	\$ 49.04

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; the Company's future commodity mix and the impact it will have on revenue per boe in comparison to its peers; future commodity prices; the Company's expectations regarding 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; 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 estimated future capital expenditures of the Company; 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.

FOR FURTHER INFORMATION PLEASE CONTACT:

Fred Woods, President and CEO

Judy Stripling, Executive Vice-President and CFO

Phone: (403) 303-8505

Phone: (403) 303-8502

Fax: (403) 264-0085

Fax: (403) 264-0085

Email: fwoods@midnightoil.ca

Email: jstripling@midnightoil.ca

Website: www.midnightoil.ca