



**PRESS RELEASE**

**May 31, 2010**

**PETROLIFERA PETROLEUM PROVIDES OPERATIONS UPDATE**

CALGARY - Petrolifera Petroleum Limited (PDP - TSX) is pleased to provide an operations update for its shareholders.

**ARGENTINA**

*Puesto Morales/Rinconada Concession (100% and Operator)*

Current production is averaging approximately 4,000 boe/d, primarily from the Puesto Morales Norte ("PMN") Field, situated in the onshore Neuquén Basin. Recent pricing for crude oil has been quite favorable, approaching US\$52.00 per barrel. Capacity at the company's water injection plant was recently increased from 25,000 bbl/d to 33,000 bbl/d and the company has acquired a stand-by water injection pump for increased production reliability. Simultaneously, produced water treatment capacity is being increased from 12,000 bbl/d to 33,000 bbl/d, with a scheduled completion date of mid-June 2010. This expanded capacity will enable the company to handle increased fluid volumes, which is anticipated to extend the ability to sustain production and recover increased volumes of crude oil. This was also undertaken in anticipation of the commencement of an additional five well infill drilling campaign, scheduled to be underway by the middle of the third quarter 2010, which will target unproduced reserves from within the Field.

The company is considering and evaluating various proposals to accelerate drilling on its Puesto Morales/Rinconada Blocks, including a multi-well infill program within the Puesto Morales Block to access extensive identified but untapped Loma Montosa crude oil and natural gas reserve and production potential. Also, the company recently completed an agreement to farmout the northern portion of the Rinconada Block, located in La Pampa Province, in exchange for a 35 percent carried working interest in three wells and operatorship of this portion of Rinconada.

*Vaca Mahuida License (25% and Operator)*

At Vaca Mahuida, a total of five wells have recently been drilled by Petrolifera, as operator and with a 25 percent carried interest in the program. All five wells have encountered hydrocarbons in at least one of the Centenario, Loma Montosa, Sierras Blancas, Punta Rosada and Pre-Cuyo Formations. This has validated the geological model through the confirmation of both hydrocarbon migration and trapping in the Vaca Mahuida License. Results to date for these wells are as follows:

VM.x-2014 well - completed as a natural gas well; tested approximately 1.0 MMcf/d dry gas from the Centenario

Los Fenicios - LFe.x-1 well - tested 80 bbl/d of crude oil and 1.5 MMcf/d of dry gas from the Centenario - with the Sierras Blancas to be further evaluated at a later date

Los Griegos - LG.x-1 well - tested 1.45 MMcf/d dry gas from the Centenario, 2.2 MMcf/d dry gas from the Loma Montosa; 1.5 MMcf/d dry gas from the Sierras Blancas

There are two additional wells awaiting to be evaluated which could further expand the potential of the Vaca Mahuida Block:

Pampas - Pa.x-1 well - to be evaluated by testing after encountering shows while drilling

Yaganes - YA.x-1 well - just reached TD with numerous shows to be evaluated.

The full impact of the program and the follow up drilling opportunities will be evaluated and assessed once all testing is completed. Petrolifera is optimistic about the possibility of a multi-well follow-up drilling program on certain of these plays and on the possibility of securing "Gas Plus" and "Oil Plus" pricing for much of the new hydrocarbons to be produced from the discoveries.

#### *Puesto Guevara License (100% and Operator)*

A two well program on the Puesto Guevara Block, also under farmout, is anticipated prior to the end of 2010. Again, Petrolifera is the operator; the company's 100 percent carried working interest in the License will be reduced to 44 percent once work commitments are fulfilled.

## **COLOMBIA**

#### *Sierra Nevada License (100% and Operator)*

The company recently completed a four day drill stem test of the top portion of Upper Porquero Formation in the La Pinta 1X well. The well was shut-in for pressure buildup, which should be completed within the next several days, at which time pressure gauges will be pulled and data used to estimate reservoir permeability. This information will assist in the design of a fracture stimulation program, which would be implemented, if practical, following receipt of a permit for a long-term test. The feasibility of such a long-term test will be decided during June 2010.

The application for a long-term test at Brillante SE-1X well is in the final stages of preparation and we anticipate it will be submitted shortly. Approval might be secured by approximately mid-July 2010, with testing then scheduled to be initiated for late July 2010 or early August 2010. The duration of the test is anticipated to be approximately three weeks.

The 3D seismic program over the La Pinta structure was completed ahead of schedule and data is now with the processor. Final interpretation is anticipated for mid-August 2010.

The CUDD snubbing unit which was utilized in our efforts to test the deeper Cienaga de Oro ("CDO") Formation in the La Pinta 1X well has been crated and shipped to Cartagena for export to the USA. The Petrex-22 rig has been stacked temporarily but it is anticipated the rig will be used by another operator to drill a well which is to be completed by mid-October 2010, after which time it will be returned to Petrolifera for the drilling of the first well on the San Angel prospect on the Magdalena License, which is adjacent to and contiguous with the Sierra Nevada License.

## *Turpial License (50%)*

A 2D seismic program to supplement previously-acquired data was concluded on schedule and data acquired is being processed. Final delivery of data and the interpretation is anticipated in mid-August 2010. This will determine the course of future action on the Block, including possible drilling targets.

## *Colombian Farmouts*

Our Colombian properties are currently being evaluated by several companies to determine a basis for introducing joint venture activity to the Sierra Nevada and Magdalena Licenses, in order to accelerate the evaluation of the discoveries to date and if possible, to secure a new drilling commitment to further assess the deeper potential identified in the CDO Formation during the drilling of the La Pinta 1X well.

## **PERU**

### *Block 107*

We anticipate receiving drilling permits for five locations on this Block by mid-year 2010. Farmout discussions are continuing with two major multinational companies, while a third company continues to evaluate the opportunity and is anticipated to respond in June 2010.

### *Corporate*

We are in the final stages of negotiations with our reserve-backed lenders to extend the term of and finalize repayment provisions of our loan facility.

## **Outlook**

Our recent drilling success in Argentina and completion of our water injection and water treatment facilities should add an element of stability to our production base, while we await the outcome of our infill drilling program at PMN Field. Modestly higher realized prices for our crude oil reflect an increasing move to more market pricing influences in Argentina. Industry interest in our assets, acreage and its potential has resulted in our ability to farmout work commitments in a productive and successful manner. We anticipate further activity at both Rinconada and Puesto Morales Norte (for the Loma Montosa potential) could expand and sustain our productive base and potential.

Our next drilling in Colombia will be at San Angel on the Magdalena License in October 2010. In the interim we anticipate being able to proceed with long-term tests of both the Porquero Formation in the La Pinta 1X well and of the Brillante SE-1X natural gas discovery.

Our discussions and evaluation on ways to develop, transport and produce our recent discoveries will continue alongside our technical evaluations. Also, our farmout discussions for both Colombia and Peru, aimed at accelerating our appraisal of these significant opportunities, will continue until successfully concluded.

Petrolifera is a Calgary-based crude, natural gas and natural gas liquids exploration, production and development company with extensive holdings in Argentina, Colombia and Peru.

## **Forward-Looking Information:**

*This press release contains forward-looking information including, but not limited to anticipated increases in the production of crude oil from the PMN Field as a result of investments to increase capacity in the company's water injection and water treatment facilities, the planned drilling of five infill wells in the PMN Field and the timing associated therewith, additional exploration and development activities in respect of the Puesto Morales/Rinconada Concession, planned testing of several recently drilled wells in the Vaca Mahuida License and possible application of "Gas Plus" and "Oil Plus" pricing in respect of natural gas and crude oil production from this License, further evaluation and possible long term testing of the La Pinta IX well in Colombia and planned testing of the Brillante SE-IX in Colombia and the anticipated timing associated therewith, possible utilization of the Petrex-22 rig by a third party operator which would reduce standby costs to the company pending utilization of the rig by the company to drill the San Angel well on the Magdalena License in Colombia anticipated in October 2010, continued discussions and negotiations regarding farmout and joint venture opportunities in respect of the company's properties in Colombia, Argentina and Peru, timing for receipt of drilling permits in respect of Block 107 in Peru, the anticipated finalization of a revised credit facility which is expected extend the term of the facility and provide for regular debt reduction payments and anticipated debt repayments to be made against the company's reserve-backed credit facility. Forward-looking information is not based on historical facts but rather on Management's expectations regarding the company's future growth, results of operations, production, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, plans for and results of drilling activity, environmental matters, business prospects and opportunities and expectations with respect to general economic conditions. Such forward-looking information reflects Management's current beliefs and assumptions and is based on information currently available to Management. Forward-looking information involves significant known and unknown risks and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking information, including but not limited to, risks associated with the oil and gas industry (e.g. operational risks in development, exploration and production, delays or changes to plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of geological interpretations; the uncertainty of estimates and projections in relation to production, costs and expenses and health, safety and environment risks), the risk of commodity price and foreign exchange rate fluctuations, the uncertainty associated with negotiating with foreign governments and third parties located in foreign jurisdictions and the risk associated with international activity. There can be no assurance that the company will be successful in its efforts to secure planned farmouts and/or joint venture arrangements. Petrolifera may have to bring participants into its acreage holdings and planned evaluation activities on less attractive terms than might otherwise have been the case due to the combination of tighter economic conditions and the influence of contractual commitments and deadlines on the terms of trade. In order to secure an extension of the term of its reserve-backed credit facility, Petrolifera may be required to make additional repayments under this facility and/or pay certain renewal fees to its lender. In addition, borrowings under an amended reserve-backed credited facility may be subject to increased interest rates, depending on market conditions at the time of renewal. There can be no assurance that the reserve-backed credit facility will be renewed on the terms and on the timing currently anticipated. Additional risks and uncertainties associated with Petrolifera's future plans are described in Petrolifera's Annual Information Form for the year ended December 31, 2009. Although the forward-looking information contained herein is based upon assumptions which Management believes to be reasonable, the company cannot assure investors that actual results will be consistent with this forward-looking information. This forward-looking information is made as of the date hereof and the company assumes no obligation to update or revise this information to reflect new events or circumstances, except as required by law. Because of the risks, uncertainties and assumptions*

*inherent in forward-looking information, prospective investors in the company's securities should not place undue reliance on this forward-looking information.*

*All references to barrels of oil equivalent (boe) are calculated on the basis of 6 Mcf :1 bbl. Boe may be misleading particularly if used in isolation. This conversion is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.*

**For more information:**

Petrolifera Petroleum Limited

R. A. Gusella

Executive Chairman

(403) 538-6201

Or

Gary D. Wine

President and Chief Operating Officer

(403) 539-8450

Or

Kristen J. Bibby

Vice President Finance and Chief Financial Officer

(403) 539-8450

[Inquiries@petrolifera.ca](mailto:Inquiries@petrolifera.ca)

[www.petrolifera.ca](http://www.petrolifera.ca)