

Calvalley Petroleum Inc. – Yemen Operations Update

Calgary, Alberta, July 20, 2006 – *Calvalley Petroleum Inc. (TSX: CVI.A)*

Calvalley Petroleum Inc. (the “**Company**”), an international junior oil and gas company based in Calgary, Alberta, is pleased to announce the following operating accomplishments.

Drilling activities

During the past month, the Company drilled a vertical well (the “HQ-1” well) in a Qishn structure identified from a 3-D seismic approximately 300 meters above the existing Hiswah Saar-Naifa formation, which is the source of the current production. The HQ-1 well encountered 10 meters gross (8.2 net meters) of oil column. The well will be completed and tested with a work over rig and put on production.

Following HQ-1, the Company completed a vertical appraisal well in the north-east sector of the Hiswah field (the “HNE” well). This well was drilled to extend the eastern boundary of the known reserves in the Hiswah field. The HNE well encountered greater than 100 gross meters of hydrocarbons and extended the Hiswah field beyond the original assessed boundaries. The lower part of the well was cemented to convert it to a horizontal producing well. Drilling of the horizontal segment should be completed within a week.

Upon completion of the HNE well the Company intends to drill an exploratory vertical well into a structure south of the Hiswah field. A fault divides the two structures. All other exploration and development wells have been drilled into the north side of this fault.

Marketing Agreement

Calvalley had previously announced (June 26, 2006) that it had entered into a crude oil sales agreement with Occidental Crude Sales Inc. (International), a wholly owned subsidiary of Occidental Petroleum Corporation. Under the terms of the agreement Calvalley and its joint venture partners will sell 500,000 barrels of Marib light oil during the month of August 2006 from the Ras Isa terminal on the Red Sea, Yemen.

The Company has commenced negotiations for a long term crude oil sales agreement from various major crude buyers and will be executing a short-term agreement for the September and October shortly.

Seismic Program

The 2D seismic program reported on June 15, 2006 has commenced with mobilization of the equipment and crew. Set-up, preparation, surveying and technical audit of the equipment are expected to commence on July 27, 2006 and recording operations should begin by August 22, 2006. The total program is approximately 750 kilometers and will be completed within 6 months.

Central Processing Facility

The construction of the Central Processing Facility continues and is anticipated to be operational by the end of 2006. All major equipment have arrived Yemen and installation is underway.

Pipeline Transmission System

During June the Company reached a tentative agreement with the Government of Yemen for the construction of a pipeline from the Block 9 production facilities to the Safer Facility. Calvalley's legal counsel is working with the legal counsel for the Yemen Minister of Minerals in the preparation of a Tariff and Facilities Usage Agreement in respect of the Safer facility and pipeline transmission system to the Ras Isa terminal on the Red Sea.

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

This press release may contain forward-looking statements, including expectations of future production, cash flow and earnings. These statements are based on current expectations that involve a number of risks and uncertainties, which could cause actual results to differ materially from those anticipated or implied in the forward-looking statements. These risks include but are not limited to: the risks associated with the oil and gas industry (e.g. operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainties of reserve estimates; the uncertainty of estimates and projections related to production, costs and expenses, and health, safety and environmental risks), commodity price, price and exchange rates fluctuations and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. Additional information on these and other factors that could affect Calvalley's operations or financial results are included in Calvalley's reports on file with Canadian securities regulatory authorities.

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