



Resaca Exploitation, Inc.

("Resaca" or "the Company")

RESPONSE TO DROP IN SHARE PRICE

Resaca (AIM:RSOX) notes the recent drop in its share price and is not aware of any operational or other business issues that would justify such a fall. As stated in its previous announcements, the Company's management is focused on the implementation of its business plan and its results to date are in line with expectations. Management is confident in the quality of Resaca's asset base and the strength of its business plan, which is to acquire, exploit and produce oil and gas from known petroliferous areas. The Company is pleased to provide the following brief update on operational issues and corporate events:

- The Company is currently completing the final portion of the first phase of its capital programme. In light of the decline in oil and natural gas prices, the Company will delay implementation of the next phases of the capital programme until early 2009. Management anticipates a significant softening of the price of oilfield services and equipment. It is too early to predict the magnitude of its drilling, completion, and workover cost reductions, but management believes these savings could be 15% to 20% or more. Delaying implementation of the capital programme will allow the Company to achieve the maximum cost savings in this area.
- At its Cooper Jal Unit, Resaca's largest property, the Company is currently converting an abandoned well into a make-up water source well for additional waterflood injection. Once this new water source well is online, water injection rates at the Cooper Jal Unit are expected to increase from a current daily average of approximately 10,000 barrels to approximately 18,000 barrels per day. The Company's only other on-going projects include the completion of the final newly drilled wells and the last stages of the final two workovers in the first phase of the capital programme.
- Over the last 30 days, the Company's net production has ranged from 660 to 874 barrels of oil equivalents per day, depending on the level of water injection and other operating conditions.
- The Company currently has drawn down approximately \$28 million of the \$60 million available under its senior debt facility. The Company believes that the \$32 million of available borrowing capacity borrowing capacity, along with cash flow from operations, will provide adequate capital for the implementation of its development plan and acquisitions.
- Resaca continues to have discussions with several parties regarding acquisition opportunities both within and outside the Permian Basin.
- The Company plans to hold its annual general meeting on 21 January 2009.

For further information please contact:

Resaca Exploitation, Inc.

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About Resaca

Resaca is an independent oil and gas development and production company based in Houston, Texas. Resaca is focussed on the acquisition and exploitation of long-life oil and gas properties, utilizing a variety of primary, secondary and tertiary recovery techniques. Resaca's current properties are located in the Permian Basin of West Texas and Southeast New Mexico. Additional information is available at www.resacaexploitation.com.

In accordance with the AIM Rules, the information in this announcement has been reviewed and approved by Dennis Hammond, President. Mr. Hammond has a Bachelor of Science degree in Petroleum Engineering, is a registered professional engineer in the State of Texas, and has over 29 years relevant experience within the sector.