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Resaca Exploitation, Inc.
("Resaca" or "the Company")

RESERVES AND OPERATIONS UPDATE

Resaca (AIM:RSOX), the oil and natural gas production, exploitation, and development company focused on the Permian Basin in the USA, is pleased to announce an updated reserve study as of 1 January 2009 for the Company's oil and gas properties, details of progress made in the implementation of its development plan for its properties in the Permian Basin of West Texas and New Mexico, and an update on other corporate events.

Reserves Update

As of 1 January 2009, Resaca's proved and probable ("2P") reserves were 28.4 million barrels ("MMbbls") of oil and 19.1 billion cubic feet ("Bcf") of natural gas for a total of 31.6 million barrels of oil equivalent ("MMboe"). The Company's proved reserves represented 55% of the 2P reserves. Additionally, Resaca's possible reserves were 5.5 MMbbls of oil and 4.2 Bcf of natural gas as of 1 January 2009 for total proved, probable and possible ("3P") reserves of 33.9 MMbbls of oil and 23.3 Bcf of natural gas (37.8 MMboe). All reserves are calculated on a net revenue interest basis (working interest volumes less royalties).

This semi-annual reserve study was prepared by the Company's internal reservoir engineers. At 1 July 2008, the Company commissioned Haas Petroleum Engineering Services, Inc. ("Haas") to prepare its year end reserve report for its primary and secondary recovery (water injection) reserves and Williamson Petroleum Consultants, Inc. ("Williamson") to prepare a year end reserve report considering only those additional reserves which could be recovered through tertiary recovery (CO_2 injection). Together, these reports provided a complete analysis of Resaca's reserves as of 1 July 2008. In preparing the 1 January 2009 reserve study, the Company's internal reservoir engineers performed a mechanical "roll forward" of the Haas and Williamson studies, adjusting for activity conducted during the period from 1 July 2008 to 31 December 2008. Details of the Company's internal study are set out in the table below.

	Oil (MMbbls)	Natural Gas (Bcfe)	MMboe	NPV @ 10% Discount $MM (Pre-Tax)
Proved Producing	2.7	3.9	3.4	$81.7
Proved Non-Producing	6.2	8.1	7.6	213.8
Proved Undeveloped	5.4	5.9	6.3	138.5
Total Proved Reserves	14.3	17.9	17.3	$434.0
Probable Reserves – Waterflood	1.3	1.2	1.5	$43.7
Probable Reserves – CO_2 Flood	12.8	0	12.8	205.3
Total Probable Reserves	14.1	1.2	14.3	$249.0
Total 2P Reserves	28.4	19.1	31.6	$683.0
Possible Reserves – Waterflood	4.2	4.2	4.9	$130.2
Possible Reserves – CO_2 Flood	1.3	0	1.3	20.1
Total Possible Reserves	5.5	4.2	6.2	$150.3
Total 3P Reserves	33.9	23.3	37.8	$833.3

In estimating its oil and gas reserves, the Company follows the oil and gas reporting disclosure rules adopted by the U.S. Securities and Exchange Commission ("SEC") on 29 December 2008, which, when effective, will require companies to use the average price during the twelve month period prior to the ending date covered by the report. This average price shall be determined as an un-weighted arithmetic average of the first-day-of-the-month price for each month within such twelve month period. The oil prices used in the Company's reserve report are based on the un-weighted arithmetic average of the price for NYMEX West Texas Intermediate ("WTI") oil on the first day of the month in each of the twelve months prior to 1 January 2009. This figure was calculated to be $101.65 per barrel and is further adjusted by field for quality, transportation fees, and regional price differentials. The gas prices are based on the un-weighted arithmetic average of the price for NYMEX Henry Hub natural gas on the first day of the month in each of the twelve months prior to 1 January 2009. This figure was calculated to be $9.04 per MMbtu and is also adjusted by field for transportation fees and regional price differentials.

The estimates of reserves and future revenue were prepared in accordance with the definitions and guidelines set forth in the March 2007 Petroleum Resources Management System as sponsored and prepared by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers.

Operations Update

Resaca remains focused on the implementation of its business plan while controlling costs to preserve capital during the current commodity price environment. The Company's business plan is to acquire, exploit and produce oil and gas from known petroliferous areas. Resaca's exploitation plan for its properties in the Permian Basin of West Texas includes the drilling of infill wells, opening behind pipe zones, re-completing wells, reactivating and optimizing waterfloods, improving field infrastructure, and later stage CO_2 flooding. Despite the drop in oil and gas prices, management remains confident in the quality of Resaca's long-life asset base and the strength of its business plan. The Company is pleased to provide the following update on operational matters since its initial public offering in July 2008:

- The Company has completed the final portion of the first phase of its capital programme and continues to reactivate and optimize its waterfloods. In light of the decline in oil and natural gas prices, the Company has delayed implementation of the next phase of the capital programme until commodity prices improve and has taken steps to reduce operating costs as well as corporate general and administrative costs. The price of oilfield services and equipment has softened and should continue to do so. By delaying implementation of the capital programme, Management believes the Company will achieve cost savings of 10% to 25% in this area.

- At the Cooper Jal Unit, Resaca's largest property:

    - The Company successfully drilled and completed five new wells, cleaned out three water injection wells, completed four behind pipe workovers, added make-up water source capacity, and made facility improvements.
    - The average initial production rates from the newly drilled wells were better than expected. The Company has taken steps to add water injection support for these wells and other wells in the field and will continue to add additional water injection support on this property. The water injection rate on this field continues to increase and we anticipate this water support will result in increased production rates.
    - Resaca continues to add make-up water capacity in the field and is approaching its near term objective of 16,000-18,000 barrels of sustained water injection per day. This level of water injection should be obtained shortly and Management expects to see corresponding field production response to the increased water injection levels.
    - The Company is evaluating the results of its completion methodologies. Management believes there may be production advantages to the utilization of traditional sand fracture stimulation versus foamed acid fracture stimulation procedures.

- At the Company's other primary properties, Resaca has successfully drilled one new well, performed ten water injection well cleanouts, completed nine workovers, and made facility improvements.

- For the three month period from 1 November 2008 through 31 January 2009, Resaca's net production averaged 720 barrels of oil equivalent per day ("boe/d"). With the decline in commodity prices, the Company has elected to defer servicing low volume, high operating cost wells that have temporarily gone off production. When prices increase to acceptable levels, the Company will have the opportunity to reclaim approximately 50 boe/d of net production from these wells.

- The Company's hedging strategy has mitigated the effects of the recent decline in commodities prices. For the remainder of 2009, the Company has approximately 65% of its current production hedged with costless collars. Resaca's oil collars are settled based on the West Texas Sour index and provide the Company with a floor price of $58/bbl (equivalent to a NYMEX WTI price of approximately $62/bbl) and a cap of $66.30/bbl (equivalent to a NYMEX WTI price of approximately $70.30/bbl). The natural gas collars are settled based on the Waha Hub natural gas index and provide the Company with a floor price of $6.30/MMbtu (equivalent to a NYMEX Henry Hub index price of approximately $7.30/MMbtu) and a cap of $11.50/MMbtu (equivalent to a NYMEX Henry Hub index price of approximately $12.50/MMbtu).

- Given the drop in commodity prices, the Company continues to aggressively review all of its operations to reduce costs, while preserving its valuable asset base and positioning the Company to maximize production when prices increase. Specifically, the Company has taken the following measures to reduce lease operating costs:

    - Resaca has reduced field personnel costs by approximately 25%;
    - The Company is rebidding all material operating costs, including services, electricity, and treating chemicals; and
    - Management is evaluating all of its wells to identify candidates to temporarily shut-in due to high operating costs.

- Over the next quarter, Resaca's operations plans include the following:

    - Continued facility improvements at the Cooper Jal property to optimize water injection and oil and gas production.
    - Continued study of existing waterfloods, including the addition of additional water injection wells and the cleanout of existing injection wells to support producing wells.
    - Possible addition of back-up water source well at Cooper Jal.
    - Analyzing potential sand fracture stimulation treatments on recently drilled wells and other existing wells.

Other Corporate Events

- The Company currently has drawn down approximately $32 million of the $60 million available under its senior debt facility. The Company is currently in discussions with numerous energy lenders regarding the refinancing of this facility, which should reduce the Company's cost of borrowing. Despite current market conditions and the credit crisis, Management believes this refinancing will be completed in the second calendar quarter of 2009.

- Resaca continues to have discussions with several parties regarding acquisition and joint venture opportunities both within and outside the Permian Basin. Given the current price environment, the Company is reviewing many attractive acquisition and joint opportunities. Management believes these opportunities may present more attractive economic potential than capital projects on its existing properties.

- The Company plans to issue its interim financial results for the six month period ended 31 December 2009 on 30 March 2009.

Commenting on the Reserve and Operations Update, Jay Lendrum said:

"With the work performed to date, we remain enthusiastic about our current asset base while we continue to refine our exploitation plans and pursue attractive acquisition opportunities. Unfortunately, the low oil and gas price environment has delayed full implementation of our development plan and the achievement of our production goals. Our properties continue to produce steady, predictable cash flows and we will be positioned to fully exploit their potential for primary, secondary, and tertiary recovery when prices improve. With a forward price curve indicating future oil prices at $10-25 per barrel over current prices, prudence dictates that we maintain existing production, watch operating costs, and defer maximization of production until we can receive a more acceptable price for these reserves."

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About Resaca

Resaca is an independent oil and natural gas production, exploitation, and development 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.