



MONTEREY EXPLORATION LTD. ANNOUNCES 2009 YEAR-END RESERVES AND PROVIDES AN OPERATIONAL UPDATE AND GUIDANCE FOR THE FIRST HALF OF 2010

CALGARY, January 19, 2010: Monterey Exploration Ltd. ("Monterey" or the "Corporation") (TSX: MXL) is pleased to announce its reserves as at December 31, 2009 and its 2009 average production rates, cash flow and year end net debt. In respect of 2010, Monterey is pleased to provide an update of its first quarter operations and guidance for the first six months of 2010. A copy of the most recent corporate presentation, dated January 2010, is available on Monterey's website at www.montereyexploration.com.

Monterey is very encouraged by operational results to date on its natural gas project at Groundbirch in north east British Columbia. The Corporation is continuing to evaluate the ultimate potential of this asset and is targeting the commissioning and start-up of a 28 million cubic feet per day natural gas processing facility for the Groundbirch project within the next 12 months.

Highlights

- Proved plus probable reserves of 38.5 billion cubic feet of natural gas equivalent ("BCFGE") were assigned to the upper Montney formation at Groundbirch based exclusively on the drilling, completion and flow test results of the horizontal discovery well located at 4-30-80-20 W6M ("4-30"). Monterey expects to initiate a second reserve assessment following the completion of first quarter 2010 scheduled operations.
- New pool Doig sand discovery in the recently drilled and cased 2-21-80-21 W6M ("2-21") horizontal test well in addition to the primary Montney formation.
- Proved plus probable reserves increased to 14.6 million barrels of oil equivalent ("MMBOE") or 87.6 BCFGE as at December 31, 2009, a 45 percent increase from 10.0 MMBOE or 60.5 BCFGE as at December 31, 2008.
- Finding, development and acquisition costs including the change in future development capital for proved plus probable reserve additions of \$8.48 per barrel of oil equivalent. This is based on an estimated \$8.1 million of incurred exploration and development capital expenditures net of dispositions during 2009.
- The best estimate of Discovered Petroleum Initially-In-Place ("DPIIP") on Monterey's Montney landholdings at Groundbirch increased to 1.3 trillion cubic feet net to Monterey as at December 31, 2009, up significantly from 659 billion cubic feet as at March 31, 2009. Additional drilling activities scheduled in the first quarter of 2010 will evaluate the remaining 4 (3 net) sections of Monterey landholdings in the Groundbirch project area.
- Monterey has initiated the construction of the 100 percent working interest 28 million cubic feet per day ("mmcf/d") processing facility at 6-19-80-20 W6M. Clearing and preparation of the plant site is scheduled to begin prior to the end of the first quarter for second half 2010 construction activities.

Operational Update

Monterey had a very successful and operationally intensive fourth quarter of 2009 and has continued the elevated activity level into the first quarter of 2010. The Corporation's first Montney horizontal development well at 4-30 located in the middle of the 100% working interest 5 section eastern land block (the "Eastern Block") at Groundbirch was successfully drilled and completed in mid November. Also in November, Monterey spud a second 100% working interest horizontal test well at 2-21, located on the 10 (8.0 net) section western land block (the "Western Block"). The 2-21 well was drilled vertically for evaluation and testing purposes, then drilled horizontally in the Upper Montney zone to approximately 4,200 meters total length and cased in the second week of January. The Montney formation at 2-21 has approximately 140 meters of continuous porosity in the Upper Montney exhibiting the log characteristics present in the 3-25-80-21W6M vertical well drilled in the first quarter of 2009.

Monterey has received licenses for the first 2 multi-well horizontal development pads on the Western Block with the drilling rig scheduled to move this upcoming weekend to the first of these two horizontal pads at 13-27-80-21 W6M ("13-27"). A vertical stratigraphic test location at 16-31-80-21 W6M ("16-31") has also been constructed and a second drilling rig is scheduled to commence drilling operations in early February. One additional multi-well horizontal development pad on the Eastern Block is currently being surveyed and will be submitted for license application in mid February. The licensing activities combined with the 3 existing surface pads will result in Monterey having an initial development footprint in place for up to 20 horizontal well locations prior to the end of the first quarter of 2010 and will amass a six to eight year drilling inventory supporting the initial development and construction of the processing facility discussed below.

Horizontal completion operations at 2-21 on the primary Upper Montney zone are scheduled to commence in early February to coincide with the estimated completion date of the drilling of the third horizontal well at 13-27. Monterey anticipates realizing significant cost savings and operational synergies by scheduling multiple completion operations to be performed at the same time.

Monterey believes that it has also made a new pool Doig discovery with the 2-21 test well. The Doig sand was drill stem tested in the build section of the wellbore prior to the horizontal leg being drilled in the Montney. After a flow test of approximately two hours to surface and subsequent pressure buildup test and analysis, the well exhibited no pressure depletion in the zone of interest. This type of conventional reservoir has been developed by other operators in the area by drilling up to 3 vertical wells per section. Based upon log information and drill stem test data of the 2-21 well and offset wells, the Corporation anticipates that the Doig sand has the potential to exist across the middle of the entire 10 section Western Block and should be further delineated with the drilling of the 16-31 Montney stratigraphic test.

The Corporation has also initiated the construction of the 100 percent working interest 28 mmcf/d processing facility at 6-19-80-20 W6M and has secured the various service providers and suppliers to begin engineering design and fabrication of the longer time delivery item components including compression and dehydration. Clearing and preparation of the plant site is scheduled to begin prior to the end of the first quarter for second half 2010 construction activities.

Production and Financial Update

The Corporation estimates that average production was approximately 1,890 barrels of oil equivalent per day ("boe/d") in the fourth quarter of 2009 and about 2,190 boe/d for all of the 2009 year, in line with the previous full year guidance of 2,200 boe/d. Monterey's unaudited funds flow from operations for the fourth quarter is estimated to be about \$2 million and net debt at the end of 2009 was approximately \$25 million, significantly less than the Corporation's existing bank line of \$45 million.

Oil and Gas Reserves

The Corporation's oil and gas reserves were evaluated for the year ended December 31, 2009, by GLJ Petroleum Consultants Ltd. ("GLJ"), independent reserves evaluators, in accordance with National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities ("NI 51-101"). The proved plus probable company interest reserves were 14.6 MMBOE or 87.6 BCFGE as at December 31, 2009. This represents a 45% increase from 10.0 MMBOE or 60.5 BCFGE at the end of 2008. Total proved reserves increased by 22.3% to 7.07 MMBOE (42.4 BCFGE) and comprised 48.4% of the Corporation's total proved plus probable reserves. The following table provides summary information presented in GLJ's report effective December 31, 2009 and is based on GLJ's pricing forecast summary as of January 1, 2010. Detailed reserve information will be presented in the Statement of Reserves Data and Other Oil and Gas Information section of Monterey's Annual Information Form anticipated to be filed on SEDAR prior to March 31, 2010:

	<u>Light/medium oil</u>		<u>Natural gas liquids</u>		<u>Natural gas</u>		<u>Barrels of oil equivalent</u>	
	<u>Comp. Gross (mdbl)</u>	<u>Comp. Net (mdbl)</u>	<u>Comp. Gross (mdbl)</u>	<u>Comp. Net (mdbl)</u>	<u>Comp. Gross (mmcf)</u>	<u>Comp. Net (mmcf)</u>	<u>Comp. Gross (mboe)</u>	<u>Comp. Net (mboe)</u>
	Proved:							
Producing	270	234	331	258	15,045	12,869	3,108	2,636
Non-Producing	6	5	17	14	2,321	1,997	410	351
Undeveloped	65	53	54	44	20,312	17,209	3,504	2,965
Total Proved	341	291	402	316	37,678	32,075	7,023	5,953
Probable	131	110	315	243	42,474	36,088	7,525	6,367
Total Proved plus Probable	472	401	717	559	80,152	68,163	14,548	12,320

Notes on Reserves data:

- "Comp. Gross" refers to working interest reserves before deduction of royalty burdens payable and without including any royalty interests.
- "Comp. Net" refers to working interest reserves after deduction of royalty burdens payable and including any royalty interests.
- Oil equivalent amounts have been calculated using a conversion rate of six thousand cubic feet of natural gas per barrel of oil (6 mcf: 1 bbl).
- One thousand barrels is equal to 1 mdbl, and one thousand boe is equal to 1 mboe.
- Columns may not add due to rounding.

Estimated Future Net Revenues:

The estimated future net revenues associated with Monterey's reserves effective December 31, 2009, and based on GLJ's pricing forecast summary as of January 1, 2010 are summarized in the following table:

	Discounted at					
	0% (\$MM)	5% (\$MM)	8% (\$MM)	10% (\$MM)	15% (\$MM)	20% (\$MM)
Proved:						
Producing	73.20	58.00	51.81	48.46	41.92	37.15
Non-Producing	5.96	4.50	3.80	3.41	2.61	2.02
Undeveloped	61.58	30.02	19.51	14.36	5.39	(0.29)
Total Proved	140.74	95.52	75.12	66.22	49.92	38.88
Probable	181.55	90.66	65.45	53.93	35.05	23.83
Total Proved plus Probable	322.29	183.18	140.57	120.15	84.97	62.71

Notes on Future Net Revenues:

- Future net revenue values are stated before deducting income taxes and future estimated site restoration costs and is reduced for estimated future abandonment costs and estimated capital for future development associated with the reserves.
- It should not be assumed that the undiscounted and discounted future net revenues estimated by GLJ represent the fair market value of the reserves.
- Columns may not add due to rounding.

Finding, Development and Acquisition Costs

The following table summarizes each of the finding and development ("F&D") cost and finding, development and acquisition ("FD&A") cost information for the year compared with prior periods based on NI 51-101 methodology:

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>Three Year</u>
Finding & Development Costs:				
F&D costs excluding Future Development Capital ("FDC") (\$ millions)	\$16.9	\$33.9	\$29.0	\$79.8
Proved F&D:				
F&D costs including change in FDC (\$ millions)	\$47.4	\$42.1	\$39.5	\$129.0
Change in proved reserves (mboe)	2,737	1,479	1,395	5,611
F&D cost excluding FDC (\$/boe)	\$6.17	\$22.93	\$20.81	\$14.23
F&D cost including FDC (\$/boe)	\$17.31	\$28.46	\$28.30	\$22.98
Proved plus Probable F&D:				
F&D including change in FDC (\$ millions)	\$61.8	\$61.7	\$50.4	\$173.9
Change in proved plus probable reserves (mboe)	6,262	2,702	2,194	11,158
F&D cost excluding FDC (\$/boe)	\$2.70	\$12.55	\$13.23	\$7.15
F&D cost including FDC (\$/boe)	\$9.87	\$22.84	\$22.96	\$15.58
Finding, Development & Acquisition Costs:				
FD&A costs excluding FDC (\$ millions)	\$8.1	\$66.6	\$36.5	\$111.3
Proved FD&A:				
FD&A including change in FDC (\$ millions)	\$31.1	\$75.3	\$47.0	\$153.4
Change in proved reserves (mboe)	2,075	2,049	1,661	5,785
FD&A cost excluding FDC (\$/boe)	\$3.92	\$32.52	\$21.98	\$19.24
FD&A cost including FDC (\$/boe)	\$15.00	\$36.75	\$28.29	\$26.52
Proved plus Probable FD&A:				
FD&A including change in FDC (\$ millions)	\$45.0	\$92.2	\$60.9	\$198.0
Change in proved plus probable reserves (mboe)	5,304	3,707	2,488	11,499
FD&A cost excluding FDC (\$/boe)	\$1.53	\$17.98	\$14.67	\$9.68
FD&A cost including FDC (\$/boe)	\$8.48	\$24.88	\$24.46	\$17.22

Notes to Finding, Development and Acquisition costs information

- The aggregate of the exploration and development costs incurred in the most recent financial year and the change during that year in estimated future development costs generally will not reflect total finding and development costs related to reserve additions for that year.
- Finding and development costs are calculated in accordance with NI 51-101 as exploration and development costs incurred in the year along with the change in estimated future development costs related to the applicable reserves, divided by the applicable reserve additions.
- Monterey also calculates finding, development and acquisition costs which incorporate both the costs and associated reserve additions related to acquisitions net of any dispositions during the year. Since acquisitions can have a significant impact on Monterey's annual reserve replacement costs, the Corporation believes that FD&A costs provide a more meaningful portrayal of Monterey's cost structure.
- The 2009 F&D and FD&A costs are unaudited estimates and are subject to revision.

Groundbirch Montney Resource Evaluation

Monterey engaged GLJ to prepare an updated independent evaluation effective December 31, 2009 of the Discovered Petroleum Initially-In-Place ("DPIIP") as defined in the Canadian Oil and Gas Evaluation Handbook ("COGE Handbook") on 11 (10 net) of the 15 gross sections of Montney landholdings in the Groundbirch area of NEBC. GLJ has estimated that there exists a best estimate of 1.3 trillion cubic feet of DPIIP net to the Corporation on the above noted lands. Monterey's 2009 exploration and development activities and the current 2010 scheduled operations will continue to provide additional information to help assess the ultimate potential of the above noted lands and additional Monterey lands immediately offsetting the 11 sections of DPIIP evaluated lands. The total Montney proved reserves assigned to the Groundbirch project area of 17.3 BCFGE and total proved plus probable reserves of 38.5 BCFGE as at December 31, 2009 represents about 1% and 3%, respectively, of the current DPIIP. The assigned reserves are booked

based on the 4-30 well and will require an additional 4 wells to be drilled with future development capital of \$47 million including the completion of 4 wells, the tie in of 5 wells and the construction of a processing facility.

GLJ has provided a best estimate of the DPIIP for the Montney formation on 11 (10 net) sections of prospective lands at Groundbirch. It should be noted that given the early stages of development, the best estimate of DPIIP may change significantly in the future with further exploration and development activity and the amount of contingent resources, as defined in the COGE Handbook, has yet to be determined. Additional drilling, testing and development are required to confirm commercial economic development. The resource estimates provided herein are estimates only and the actual resources may be greater or less than the estimates provided herein. Other than the resources which have been booked as reserves as described above, a recovery factor for the remaining resources has not been estimated by GLJ and a recovery project cannot be defined for these volumes of DPIIP at this time. There is no certainty that it will be commercially viable to produce any portion of the natural gas currently classified as DPIIP except to the extent identified as proved or probable reserves.

2009 First Half Capital Expenditure and Production Guidance

The Board of Directors has approved a capital expenditure program totaling \$15 million for the first six months of 2010. This capital program will be allocated 100 percent towards exploration and development activities at Groundbirch. The Corporation's production is expected to decline modestly and average 1,600 to 1,700 boe/d over the first six months of 2010.

Management is encouraged by the results to date at Groundbirch and remains committed to executing its business plan in a manner that is focused on adding shareholder value to Monterey's current and future shareholders.

For further information, please contact:

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Forward Looking Statements & Advisories

This press release contains forward-looking statements, including but not limited to statements concerning, outcome of the evaluation of the asset potential of the Groundbirch project, capacity and timing of the commissioning and start-up a natural gas processing facility in the Groundbirch project area, timing and outcome of drilling and completion activities, timing of submission and approval of applications and requests to regulatory authorities, initiation of an additional resource report, identification of drilling and facility locations, timing of site preparation, construction and capacity of new processing facilities, anticipation of cost savings and operational benefits, the discovery, potential extent and delineation of a natural gas discovery, the amount and on-stream timing of new production, the performance characteristics of production from Monterey's developed oil and gas properties, the timing of start-up of new production facilities, the access to and availability of production facilities, anticipated market prices received by Monterey for its production, the amount of future net revenues from the sale of crude oil and natural gas reserves, expectations regarding the ability to continually add to reserves through exploration and development activities, projections concerning production, funds flow, net debt and costs and expenses, crude oil and natural gas production levels, Monterey's continued access to existing credit facilities, future operating and financial results, expectations regarding exploration, development and operating costs, anticipated interest and foreign exchange rates, supply and demand for crude oil and natural gas and average royalty rates. Additionally, the use of any of the words "guidance", "initial", "scheduled", "will", "prior to", "estimate", "anticipate", "believe", "potential", "should", "unaudited", "forecast", "future", "continue", "may", "expect", "project" and similar expressions are intended to identify forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, certain of which are beyond the Corporation's control, including the impact of general economic conditions; volatility in market prices for crude oil and natural gas; industry conditions; volatility of commodity prices; currency fluctuation; imprecision of reserve estimates; liabilities inherent in crude oil and natural gas operations; environmental risks; incorrect assessments of the value of acquisitions and exploration and development programs; competition from other producers; the lack of availability of qualified personnel or management; changes in income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry; hazards such as fire, explosion, blowouts, cratering, and spills, each of which could result in substantial damage to wells, production facilities, other property and the environment or in personal injury; stock market volatility; and ability to access sufficient capital from internal and external sources. As a consequence, Monterey's actual results may differ materially from those expressed in, or implied by, the forward-looking statements. Although Monterey believes that the

expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements as the Corporation can give no assurance that such expectations will prove to be correct. Actual results may differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, Monterey. In addition to other factors and assumptions which may be identified in this press release and other documents filed by the Corporation, assumptions have been made regarding, among other things: the impact of increasing competition; the general stability of the economic and political environment in which Monterey operates; the ability of the Corporation to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects which the Corporation has an interest in to operate the field in a safe, efficient and effective manner; Monterey's ability to obtain financing on acceptable terms; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development or exploration; the timing and costs of pipeline, storage and facility construction and expansion; the ability of the Corporation to secure adequate product transportation; future oil and natural gas prices; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which the Corporation operates; and Monterey's ability to successfully market its oil and natural gas products. Readers are cautioned that the foregoing list of factors is not exhaustive. Forward-looking statements contained in this press release are made as at the date of this press and Monterey disclaims any intent or obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

However, in the event that subsequent events are reasonably likely to cause actual results to differ materially from material forward-looking statements or information previously disclosed by Monterey for a period that is not yet complete, Monterey will provide disclosure on such events and the anticipated impact of such events.

Discovered Petroleum Initially in Place

This press release contains references to estimates of gas classified as Discovered Petroleum initially in Place ("DPIIP") in the Corporation's Groundbirch area in British Columbia which are not, and should not be confused with oil and gas reserves. "Discovered Petroleum Initially in Place" is defined in the COGE Handbook as the quantity of hydrocarbons that are estimated, as of a given date, to be contained in known accumulations. DPIIP is divided into recoverable and unrecoverable portions, with the estimated future recoverable portion classified as reserves and contingent resources. There is no certainty that it will be commercially viable to produce any portion of this DPIIP except to the extent identified as proved or probable reserves. Resources do not constitute, and should not be confused with, reserves.

There are a number of assumptions associated with the development of the Corporation's lands at Groundbirch relating to performance from new and existing wells, future drilling programs, the lack of infrastructure, well density per section, recovery factors and development necessarily involves known and unknown risks and uncertainties, including those risks identified in this press release. Significant positive and negative factors include: (i) net gas pay could be thicker or thinner than that established by the wells drilled to date; (ii) porosity and water saturation could be higher or lower than that estimated to date; and (iii) the reserves for the 04-30 well and offset drilling locations are based on type curves derived from analogous wells; given the limited data in the immediate vicinity of the Corporation's lands, it is possible that the Monterey formation could perform better or worse than the analogous wells.

BOE Disclosure

Disclosure provided herein in respect of barrels of oil equivalent (boe) may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

BCFGE Disclosure

Disclosure provided herein in respect of billion cubic feet of natural gas equivalent (Bcfge) may be misleading, particularly if used in isolation. A Bcfge conversion ratio of 1 million bbl: 6 billion cubic feet is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Non-GAAP Measures

Within this press release, references are made to terms commonly used in the oil and gas industry. Management uses funds flow from operations, capital expenditures and net debt to analyze operating performance and liquidity. These measures do not have standardized meanings prescribed by GAAP, and may not be comparable to similar measures presented by other companies. For this press release the measures used are: (i) Funds flow from operations is determined by using cash flow from operations before changes in non-cash operating working capital and asset retirement expenditures; (ii) Capital expenditures is equal to expenditures incurred for property and equipment additions (including but not limited to outlays to/for: acquire mineral rights, mineral and surface lease rentals on undeveloped lands, geological and geophysical information, drilling, completing, equipping and placing oil and gas wells on-stream, oil and gas production equipment and facilities, capitalized general and administrative expenditures, office leaseholds and equipment) plus the outlays in respect of oil and gas properties acquisitions and corporate acquisitions (excluding the costs of the acquisition and the allocation to long lived asset retirement), less the net proceeds received from the disposition of oil and gas properties; and (iii) Net debt is equal to total bank indebtedness plus capital lease obligations less/(plus) non-cash working capital/(deficit), excluding financial instrument assets or liabilities. For additional information concerning Monterey's use of non-GAAP measures and reconciliations to the applicable GAAP measures, please see Monterey's management's discussion and analysis for the three and nine months ended September 30, 2009.