



# DIAZ RESOURCES LTD.

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The following is for immediate release in Canada, Wednesday, May 16, 2007

## **DIAZ ANNOUNCES FINANCIAL AND OPERATING RESULTS FOR THE FIRST THREE MONTHS OF 2007**

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Diaz Resources Ltd. (TSX: DZR) announces that its financial results during the first quarter of 2007 were hampered by lower gas prices and declining production volumes. However, gas prices have strengthened since the first quarter and with the addition of new production, Diaz anticipates the financial results should steadily improve in the second quarter of 2007.

Diaz continues with its drilling program in Canada and the United States. Drilling commenced on the Cheney #1 well, Colorado County, Texas, on April 17, 2007. The proposed total depth of the well is 18,100 feet targeting multiple Wilcox gas zones. Diaz estimates that the well should reach the proposed depth by mid to late July 2007.

At Hays, Alberta, completion operations, construction of a battery and a solution gas sales line will be completed once government approvals have been received, which is anticipated to occur in the second quarter of 2007. Additional development drilling should commence during the third quarter of 2007.

### **Financial**

Revenue for the three months ended March 31, 2007, totaled \$3.2 million compared with \$4.6 million in 2006. Cash flow from operations decreased to \$1.6 million, or \$0.02 per share compared with \$3.3 million or \$0.05 per share in Q1 2006. Diaz reported a loss for the three month period of \$278,000, or nil per share compared with earnings of \$1.0 million, or \$0.02 per share, reported in Q1 2006.

Capital expenditures for the first quarter totaled \$1.9 million compared with \$5.2 million in Q1 2006 and were financed from cash flow and the proceeds from capital dispositions.

Diaz completed the first quarter with net debt of \$11.7 million which includes \$7.1 million of convertible debentures issued during the quarter. This compares with net debt of \$11.2 million at the beginning of the period.

### **Production**

Natural gas production for the first quarter decreased to 5.6 MMcfd from 6.2 MMcfd for 2006 and oil production declined to average 90 Bopd for the quarter compared with 157 Bopd for the same period in 2006. The majority of the natural gas production decline was the result of the Hancock #2 well which was shut-in during most of the first quarter. It is anticipated that the well will be returned to production in the second half of 2007.

## Business Outlook

Natural gas storage levels in the United States and Canada have dropped substantially below last year's levels as cold temperatures in Canada and the eastern United States contributed to larger than expected draw downs during the first quarter of 2007. Meanwhile, gas targeted rig activity in Canada has reached a historic low. Both of these factors have contributed to the strengthening of natural gas prices in Q1 2007 and Diaz anticipates strong gas prices for the balance of the year. The Company plans to continue its gas-targeted activities throughout the year.

## Summary of Financial and Operating Results

<i>(Unaudited)</i> <i>(Thousands, except per share amounts)</i>	Three Months Ended March 31	
	2007	2006
<b>Financial</b>		
Total revenue	\$ 3,249	\$ 4,645
Cash flow from operations	\$ 1,556	\$ 3,319
per share, diluted	\$ 0.02	\$ 0.05
(Loss) earnings for the period	\$ (278)	\$ 1,007
per share, diluted	\$ -	\$ 0.02
Capital additions	\$ 1,866	\$ 5,249
Dispositions	\$ 459	\$ -
Net debt	\$ 11,648	\$ 9,310
Total assets	\$ 59,480	\$ 56,657
<b>Operations</b>		
<b>Production</b>		
Gas (MMcfd)	5.6	6.2
Oil (Bopd)	90	157
BOEd (6Mcf = 1Bbl)	1,017	1,196
<b>Product Prices</b>		
Gas (\$/Mcf)	\$7.26	\$ 8.76
Oil (\$/Bbl)	\$56.22	\$ 60.50
<b>Total shares outstanding, at period end</b>	63,861	61,845

## SEDAR Filings

Further information regarding financial and operating results may be obtained at [www.sedar.com](http://www.sedar.com), where the Company's MD&A and financial statements have been filed.

**BOE Presentation** – *the term barrels of oil equivalent (BOE) may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf: 1Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. All BOE conversions in this report are derived by converting gas to oil in the ratio of six Mcf of gas to one Bbl of oil.*

**Financial Reporting** – *all numbers are reported in Canadian dollars.*

*Diaz is an oil and gas exploration and production company based in Calgary, Alberta. Diaz's current focus is on deep gas exploration in Texas and on shallow gas developments in southern Alberta and natural gas exploration in central and southern Alberta.*

FOR FURTHER INFORMATION, PLEASE CONTACT:

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*Forward-looking statements – the press release today contains “forward-looking” information. Actual results could differ materially from the conclusions, forecasts or projections in the forward-looking information. Certain material factors and assumptions were applied in drawing the conclusions or making the forecasts or projections as reflected in the forward-looking information. Additional information about the material factors that could cause actual results to differ materially from the conclusion, forecast or projection in the forward-looking information and the material factors or assumptions that were applied in drawing the conclusion or making the forecast or projection as reflected in the forward-looking information is contained in the press release.*

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