



# DIAZ RESOURCES LTD.

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## **DIAZ COMPLETES SIGNIFICANT DEBT REDUCTION AND ANNOUNCES THIRD QUARTER 2009 RESULTS**

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**Diaz Resources Ltd. (TSX: DZR)** announces that it has filed its Interim Report for the nine months ended September 30, 2009.

Diaz recently closed the sale of its Parkman, Saskatchewan, property. Net proceeds from the sale totaled \$2.5 million and were used to reduce bank debt and to accelerate the Company's heavy oil drilling program at Lloydminster, Alberta.

The sale was the fourth transaction which Diaz has completed since April of this year that has provided working capital enabling the Company to increase its exploration and development focus and to reduce its bank debt. These transactions include:

- Sale of a Carmangay, Alberta, oil property for \$1.0 million (May),
- Sale of undeveloped Texas acreage realizing \$0.8 million (September),
- Sale of the Parkman, Saskatchewan, property for \$2.5 million (October), and the
- Closing of a common share private placement for net \$0.92 million (October).

Through these financial transactions Diaz raised \$5.2 million in total. As a result, Diaz has reduced its net current debt from \$8.5 million in January 2009 to approximately \$7.2 million at the end of the third quarter and further reduced pro forma net current debt to approximately \$3.8 million with the sale of the Parkman property and the closing of an equity private placement in October.

The Company plans to continue to rationalize non core assets with the sale of its remaining U.S. producing assets, which, being principally natural gas, will be marketed when natural gas prices recover to what management regards as an acceptable level.

With this substantial improvement in financial condition the Company can increase its heavy oil exploration and development efforts in East Central Albert and West Central Saskatchewan.

During October 2009, Diaz drilled its second oil well at Lloydminster, Alberta. The well was drilled horizontally to 1,513 meters and a production liner was set. Production is expected by mid November once facility tie-in work has been completed. This is the first of a multi-well program in the area. The next well at Lloydminster is planned for late November. Diaz is the operator and holds a 50% working interest.

## **Financial**

Diaz's revenue and cashflow results for the nine months ended September 30, 2009, were significantly lower when compared with the prior year nine month period, as production declines in Canada and in the U.S. combined with low oil and natural gas prices.

Revenue for the nine month period ended September 30, 2009, decreased to \$5.4 million compared with \$11.7 million for the prior year. Revenue for the third quarter reduced to \$1.2 million compared with \$4.0 million in Q3 2008. Cash flow from operations for the first nine months of 2009 decreased to \$1.5 million or \$0.02 per share compared with \$6.6 million or \$0.10 per share for the prior year. Cash flow for the third quarter of \$86,000 was down compared with \$2.2 million for Q3 2008. Diaz reported a loss for the nine month period of \$11.4 million or (\$0.17) per share versus a loss of \$526,000 or (\$0.01) per share in the prior year nine month period, as it took an impairment write down against its oil and gas assets of \$11.4 million during Q1 2009. For the third quarter, Diaz reported a loss of \$1.1 million compared with a loss of \$277,000 in Q3 2008.

Capital expenditures for the nine month period ended September 30, 2009, totalled \$2.1 million compared with \$5.7 million in the prior year. Capital expenditures and debt retirement were financed from cash flow from operations and the sale of two oil and gas properties. At September 30, 2009, Diaz had net current debt of \$7.2 million versus \$8.5 million at the beginning of the year. Diaz also had convertible debentures outstanding of \$7.1 million (face value) that mature on March 26, 2012.

## **Production**

The Company's production for the nine month period ended September 30, 2009, decreased 24% to 680 BOEd compared with the prior year average of 890 BOEd. For the third quarter, production rates declined 36% to 578 BOEd compared with 899 BOEd in Q3 2008. The steep production declines in the third quarter resulted in Canada from the shut-in of production at the Big Bend field which will be put back on production in late fall as the location is only accessible during the winter months, and in the U.S. resulting from the abandonment of the Black Owl field combined with declining production rates at the Provident City, Hound Dog and Allen Ranch fields.

## **Land Acquisition**

During 2009, Diaz has acquired 16,707 acres (12,448 net acres) in Alberta and Saskatchewan. Diaz's primary exploration focus is in Saskatchewan where the Company now has acreage on prospective Shaunavon, Bird Bear, and Viking oil plays.

## **Business Outlook**

Weak natural gas pricing has led to a sharp reduction in the number of rigs drilling for natural gas over the last year. The drop of rig activity in Canada and the U.S. has resulted in a decrease of domestic supply as production rates from existing wells decline without offsetting new production. However, there is still considerable uncertainty as to when prices will again rise to satisfactory levels due to the current high natural gas storage levels and the slow recovery in demand from the U.S. manufacturing sector. Because of ongoing weakness in the gas market and the underlying economy Diaz expects that natural gas prices will stay in the \$4.50 range per Mcf for the remainder of 2009.

Diaz has successfully undertaken an asset disposal program over the last four months and recently completed a small equity financing. These achievements have strengthened Diaz's fiscal capabilities thus enabling the Company to begin development of its Lloydminster heavy oil property.

## Corporate Summary

<i>(Thousands, except per share amounts, unaudited)</i>	<b>Nine Months Ended</b>	
	<b>September 30</b>	
	<b>2009</b>	<b>2008</b>
<b>Financial</b>		
Revenue	\$ 5,405	\$ 11,710
Cash flow from operations	1,522	6,591
per share, diluted	0.02	0.10
Loss for the period	(11,443)	(526)
per share, diluted	(0.17)	(0.01)
Capital additions	2,139	5,737
Dispositions	1,944	19
Net capital additions	195	5,718
Pro forma net current debt, see Note 13, "Subsequent Events"	3,798	7,891
Net current debt	7,218	7,891
Convertible debentures*	6,304	6,027
Total assets	37,725	62,927
Total shares outstanding at period end **	67,178	67,192
<b>Operations</b>		
Production		
Gas (MMcfd)	3.5	4.5
Oil (Bopd)	98	143
BOEd (6 Mcf = 1 Bbl)	680	890
Product Prices		
Gas (\$/Mcf)	\$4.65	\$8.57
Oil (\$/Bbl)	\$53.13	\$93.39

\* Convertible debentures have a face value of \$7.1 million and mature on March 26, 2012. See Note 8, "Convertible Debentures", in the notes to the financial statements for the nine months ended September 30, 2009.

\*\* As of November 5, 2009, Diaz had 76,576,752 common shares issued and outstanding. See Note 13, "Subsequent Events", in the notes to the financial statements for the nine months ended September 30, 2009.

*Diaz is an oil and gas exploration and production company based in Calgary, Alberta. Diaz's current focus is on oil development and exploration in Alberta and Saskatchewan.*

FOR FURTHER INFORMATION, PLEASE CONTACT:

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*ADVISORY: This press release contains forward looking statements. Although Diaz believes that the expectations reflected in these forward looking statements are reasonable, undue reliance should not be placed on them because Diaz can give no assurance that they will prove to be correct. Since forward looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. The forward looking statements contained in this press release are made as of the date hereof and Diaz undertakes no obligations to update publicly or revise any forward looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.*

*Where amounts are expressed on a barrel of oil equivalent (boe) basis, natural gas volumes have been converted to barrels of oil at six thousand cubic feet (mcf) per barrel (bbl). Boe figures may be misleading, particularly if used in isolation. A boe conversion of six thousand cubic feet per barrel is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. References to oil in this discussion include crude oil and natural gas liquids (NGLs).*

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