



Second Wave Petroleum Ltd.

News Release

For Immediate Release
Calgary, Alberta

Monday, February 25, 2008
TSX Venture Exchange: SCS.A & SCS.B
255,180,838 Class A Shares
935,616 Class B Shares

Second Wave Petroleum Announces Agreement to Acquire Milagro Energy

CALGARY, ALBERTA – February 25, 2008. Second Wave Petroleum Ltd. (“Second Wave” or the “Company”) is pleased to announce that it has entered into a formal agreement (the “Bid Agreement”) with Milagro Energy Inc. (“Milagro”) (TSX: MIG) whereby Second Wave will make a formal bid to acquire all of the issued and outstanding common shares (the “Common Shares”) of Milagro (the “Transaction”). Pursuant to the Bid Agreement, Second Wave will offer to acquire all of the outstanding Common Shares of Milagro (the “Offer”) through the issuance of up to 5,000,000 units comprised of 0.0298 of a Class A Share of Second Wave and 0.0298 of a share purchase warrant to acquire one Class A Share of Second Wave. Each whole warrant shall entitle the holder to purchase one Class A Share of Second Wave at a price of \$0.40 for one year from the closing date of the Transaction. Upon closing of the Offer, Second Wave will be assuming all of Milagro’s estimated net debt of approximately \$22 million.

Second Wave intends to prepare and issue a Take-Over Bid Circular in early March, 2008 in accordance with all applicable corporate and securities laws and the rules of applicable stock exchanges including the TSX for Milagro and the TSXV for Second Wave. The Offer is subject to a minimum of not less than 66 2/3% of the Common Shares of Milagro then outstanding, on a fully diluted basis, being validly tendered and not withdrawn under the Offer. The independent directors of Second Wave and the Board of Milagro have unanimously approved the Transaction. In addition, the Board of Milagro has concluded that the Transaction is fair and in the best interests of Milagro’s shareholders and has agreed to recommend that the shareholders of Milagro tender their shares to the Offer. All Officers and Directors of Milagro have entered into Lock-up Agreements with Second Wave whereby they have agreed to support the Transaction and tender their shares to the Offer.

In order to facilitate the Transaction and upon closing of the Offer, Second Wave will be proceeding with a \$23 million financing in which Brookfield Bridge Lending Fund Inc. (“Brookfield”) has agreed to back stop a private placement of up to \$10 million of equity and a new floating rate convertible junior secured debenture financing (the “Debenture”) of \$13 million principal amount to Second Wave. The private placement and Debenture financings will enable Second Wave to eliminate all of the estimated net debt of Milagro on the completion of the Milagro Transaction. On the closing date of the Transaction, Brookfield will own approximately 57% of the issued Class A Shares of Second Wave and upon conversion of the Debenture, Brookfield will own or control approximately 63% of the issued and outstanding Class A Shares of Second Wave.

Transaction Details

In the Transaction, Second Wave will acquire approximately 320 boe/d (60% oil and 40% natural gas), 930 mboe of proven and probable reserves (based on Second Wave's internal estimates), approximately 49,200 acres of undeveloped land and approximately \$46 million of high quality tax pools. Excluding the value associated with undeveloped land, proprietary seismic and the excess tax pools, the Transaction metrics are as follows:

- \$37,312 per flowing boe/d based on estimated production of 320 boe/d.
- \$13.18 per boe on a proven plus probable basis.

The Transaction will provide the shareholders of Milagro with continued participation in the upside of the existing Milagro asset base while providing exposure to Second Wave's emerging light oil play in Tableland, Saskatchewan. Milagro's core areas are complementary to Second Wave's existing acreage and as such, Second Wave expects that the combined entity will realize significant operational and administrative savings through the combination of the two companies and the restructuring of Milagro's debt facilities. Upon closing of the Transaction, the combined entity will have a solid production base consisting of 820 boe/d (62% oil and 38% natural gas) and approximately 74,000 undeveloped acres.

Second Wave Capital Budget for 2008

Second Wave also announces that it has received Board approval for its 2008 budget containing a \$9.8 million capital program resulting in 14.0 gross (10.8 net) wells being drilled in 2008. Second Wave's drilling program is heavily weighted to oil prospects with 10.0 gross (8.6 net) wells targeting oil bearing formations. Based on this drilling program, Second Wave would expect to grow its current production base of approximately 500 boe/d to an exit rate between 725 and 775 boe/d before factoring in the completion of the Transaction with Milagro. Upon closing of the Transaction, Second Wave will provide additional guidance for 2008.

About Second Wave Petroleum

Second Wave Petroleum is a publicly traded, newly recapitalized junior oil and gas company focused on exploration and development of oil and natural gas in Alberta and south eastern Saskatchewan. Second Wave remains focused on organic growth through the drill bit on its existing acreage while continuing a process of adding accretive acquisitions in 2008.

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READER ADVISORY

The TSXV has neither approved nor disapproved the contents of this news release and does not accept responsibility for the adequacy or accuracy of this release.

This news release may contain certain forward-looking statements, including management's assessment of future plans and operations, and capital expenditures and the timing thereof, that involve substantial known and unknown risks and uncertainties, certain of which are beyond the Company's control. Such risks and uncertainties include, without limitation, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, inability to retain drilling rigs and other services, delays resulting from or inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources, the impact of general economic conditions in Canada, the United States and overseas, industry conditions, changes in laws and regulations (including the adoption of new environmental laws and regulations) and changes in how they are interpreted and enforced, increased competition, the lack of availability of qualified personnel or management, fluctuations in foreign exchange or interest rates, stock market volatility and market valuations of companies with respect to announced transactions and the final valuations thereof, and obtaining required approvals of regulatory authorities. The Company's actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits, including the amount of proceeds, that the Company will derive therefrom. Readers are cautioned that the foregoing list of factors is not exhaustive. All subsequent forward-looking statements, whether written or oral, attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. Furthermore, the forward-looking statements contained in this news release are made as at the date of this news release and the Company does not undertake any 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.

The term BOE or BOEs may be misleading, particularly if used in isolation. A BOE (barrel of oil equivalent) conversion rate of 6 Mcf per one (1) BOE is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.