



Second Wave Petroleum Inc.

News Release

**For Immediate Release
Calgary, Alberta**

**TSX Venture Exchange: SCS
60,730,959 Common Shares**

Second Wave Announces First Half 2010 \$18 Million Capital Budget and Further Drilling Success in Judy Creek and Milo

CALGARY, Jan. 18 - Second Wave Petroleum Inc. ("Second Wave" or the "Company") is pleased to provide the following operational and capital update for the first half of 2010.

The Company has initiated its 2010 winter drilling program and currently has two rigs actively drilling in its core area of Judy Creek, Northern Alberta with a third rig scheduled to begin drilling in its Milo, Southern Alberta core area in February. Second Wave has set an \$18 million capital budget for the first half of 2010 which plans for the Company to drill, complete and bring on production 9.0 (6.75 net) horizontal oil wells and 2.0 (2.0 net) vertical oil wells.

The focus of 2010 capital spending will be at Judy Creek on the Company's Pekisko oil play with 6.0 (6.0 net) horizontal wells and 2.0 (2.0 net) vertical oil wells being budgeted for the first half of the year.

Judy Creek:

In the fourth quarter, the Company drilled and completed 2 (2.0 net) horizontal oil wells and 1 (1.0 net) vertical oil well in the Pekisko G pool on its North Judy Creek land block. In addition 1 (1.0 net) previously drilled horizontal oil well in the Pekisko G pool was temporarily shut in for a recompletion using new completion techniques. All 3 (3.0 net) horizontal wells were placed on production late in the fourth quarter with the vertical well commencing production in January 2010.

The three horizontal wells have averaged 6 weeks of run time with current production rates per well of 125 boe/d (55% Oil and NGL's). Based on field estimates the Company is currently producing 450 boe/d net in Judy Creek prior to the addition of production volumes from its first quarter 2010 drilling program.

In January 2010 Second Wave continued to successfully utilize its proprietary 3-D seismic to delineate the Pekisko G pool by drilling its 16-33 vertical well. The 16-33 delineation well was drilled 2.7 kilometers (1.6 miles) east from the Company's closest tested well in the pool and intersected 17 meters of Pekisko oil pay using a 6% porosity cut off. The 16-33 vertical well was tested over a 36 hour period on January 16 and 17, 2010 with final test rates of 60 bbl/d of oil with associated solution gas.

The Company is proceeding to license 17 (17.0 net) horizontal oil wells targeting three productive zones (14 Pekisko, 2 Viking and 1 Ellerslie) and 3 (3.0 net) vertical oil wells in Judy Creek. Of these, the Company has budgeted to drill 6 (6.0 net) horizontal Pekisko oil wells and 2 (2.0 net) vertical oil wells in the first half of 2010.

The successful test of the 16-33 well expands the resource potential of the Pekisko G pool and reconfirms the repeatability of this Pekisko play utilizing 3-D seismic technology. To date the Company has drilled 6 wells in the Pekisko G pool with a 100% success rate and has grown production in the area from a first quarter 2009 average of 29 boe/d to a current rate of 450 boe/d. Based on its current internal seismic interpretation and geological mapping the Company estimates that the full development of the Pekisko G pool will require in excess of 70 horizontal oil wells.

In Judy Creek the Company has access to over 66,000 acres of contiguous undeveloped land at a 100% working interest. The Company currently has 23 square kilometers (9 square miles) of proprietary 3-D seismic on its north Judy Creek land block covering 9% of its total land base in the area. In the first quarter of 2010, the Company is scheduled to finish shooting a new 52 square kilometer (20 square miles) 3-D seismic program on its south Judy Creek land block, which will assist it in assessing the Pekisko resource potential of that land block.

Milo:

In Milo, Second Wave has 18,240 net acres of Pekisko mineral rights on a contiguous undeveloped land block.

In order to direct capital to its Judy Creek area, the Company farmed out a portion of its interest in Milo in late 2009. Under this joint venture Second Wave will participate for a 25% working interest in the first 8 (2.0 net) horizontal options wells targeting the Pekisko formation and will retain a 55% working interest in the acreage after capital pay-out has occurred. The Company shall maintain operatorship of the lands throughout the term of the farmout agreement.

In December 2009, the Company drilled 1 (0.25) net horizontal oil well targeting the Pekisko formation which commenced production in January of 2010 at initial rates over the first 3 days of production of approximately 100 bbl/d (25 bbl/d net) of 32 API oil with associated solution gas. It is anticipated that the well will produce at a stabilized gross rate of 30-45 bbl/d after 3 months. The Company has budgeted 3.0 (0.75 net) horizontal oil wells in Milo during the first half of 2010.

Dispositions and Farm-Outs:

The Company closed the previously announced disposition of its South Tableland and Coronation properties, consisting of approximately 130 boe/d and 13,000 acres of net undeveloped land, to TriOil Resources Ltd. ("TriOil") for proceeds of approximately \$5.5 million cash and (after giving effect to the subsequent acquisition of TriOil by OneEx Exploration Inc ("OneEx") as described in Second Wave's last announcement) 12.5 million Class A shares of the newly recapitalized OneEx. Proceeds totaled \$9.3 million based on the closing market price of the OneEx shares on January 14, 2010. The Company currently retains exposure to the developing Sanish light oil play in South Tableland through its share ownership in OneEx while the cash portion of proceeds will be utilized to accelerate the drilling program on its Judy Creek Pekisko oil play.

Second Wave also entered into two previously announced strategic farm-outs with OneEx (as successor to TriOil) in respect of its Milo and North Tableland areas. Under both agreements the Company retains a majority working interest after pay-out and operatorship of the land blocks.

The Company currently maintains control of 11,756 undeveloped acres in North Tableland in Southeast Saskatchewan and 18,240 undeveloped acres in Milo in Southern Alberta.

Corporate:

Current production after the disposition of 130 boe/d to OneEx on January 14, 2010 is 1,150 boe/d (55% Oil and NGL's). Production is expected to increase by 55% to 1,800 boe/d (60% Oil and NGL's) by the end of the second quarter based on the drilling activities outlined in the Company's capital budget. The \$18 million capital budget targets a debt to cash flow ratio of 1:1 as Second Wave exits the second quarter. The capital program may be curtailed or expanded as results dictate. For the first half of 2010 the Company has budgeted for commodity prices of US\$80 per barrel WTI and \$5.75 per mcf AECO. Approximately 45% of the Company's production is hedged for the first half of 2010.

On January 15, 2010 approximately 443,000 outstanding warrants were exercised at a price of \$2.00 per share for total proceeds of approximately \$886,000. Current management of the Company exercised all of their respective warrants representing approximately 55% of this placement. The remaining warrants expired unexercised.

Taking into account the asset dispositions and the warrant exercise described herein the Company's current debt is approximately \$4.0 million. The Company's capital program during the first half of 2010 is projected to be funded from cash flow and existing credit facilities. Second Wave's lending facility of \$20.0 million is scheduled for review on or before May 31, 2010 as part of its annual borrowing base review.

To view the Company's current Corporate Presentation, please visit the Second Wave website at www.secondwavepetroleum.com.

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Barrels of Oil Equivalent (BOEs). The term BOE refers to barrel of oil equivalent. BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of six mcf (six thousand cubic feet) to one bbl (one 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.

Forward-Looking Statements. *This news release contains forward-looking statements as to the Company's internal projections, expectations and beliefs relating to future events or circumstances. Forward-looking statements are typically (but not necessarily) identified by words such as "anticipate", "believe", "plan", "estimate", "expect", "plan", "intend", "potential", "may", "will", "should" or similar words suggesting future outcomes. Although the Company believes that these forward-looking statements are reasonable, undue reliance should not be placed on them as they are subject to known and unknown risks and uncertainties, many of which are beyond the Company's control. Forward-looking statements are not guarantees of future outcomes. There can be no assurance that the plans, intentions or expectations contained in the forward-looking statements or upon which they are based will in fact occur or be realized, and actual results may differ from those expressed or implied in the forward-looking statements. The difference may be material.*

Second Wave is subject to the inherent risks associated with the exploration, development, exploitation and production of oil and gas. More particularly, material risk factors that could cause actual results to differ materially from those expressed or implied in the forward-looking statements contained in this news release include: adverse changes in commodity prices, interest rates or currency exchange rates; accessibility of capital when required and on acceptable terms; lower than expected production of crude oil and natural gas; production delays; lower than expected reserve volumes on the Company's properties; increased operating costs; ability to attract and retain qualified personnel or to secure drilling rigs and other services on acceptable terms; competition for labour, equipment and materials necessary to advance the Company's projects; unforeseen engineering, environmental or geological problems; ability to obtain all required regulatory approvals on a timely basis and on satisfactory terms; and changes in laws and governmental regulations (including with respect to taxes and royalties). This list is not exhaustive. Readers should also review the risk factors described in other documents filed by the Company from time to time with securities regulatory authorities in Canada, including its most recent annual information form, copies of which are available electronically at www.sedar.com and at www.secondwavepetroleum.com.

Specific forward-looking statements contained in this news release include statements regarding: scheduled commencement of drilling operations at Milo in February 2010; the number and general location of wells budgeted to be drilled during the first half of 2010; completion of a new 52 square kilometer seismic program at South Judy Creek; anticipated stabilized production rate of the one horizontal well drilled at Milo in December 2009; intended use of proceeds from the disposition of the Company's properties at South Tableland and Coronation; budgeted production rate and target debt to cash flow ratio as at the end of the second quarter of 2010; and projected funding of the first half 2010 capital program from cash flow and existing credit facilities. In making such forward-looking

statements, Second Wave has made various assumptions regarding, among other things: the accuracy of geological and geophysical data and interpretations of that data; estimates of future production rates and product mix; future oil and natural gas prices; future capital requirements; future exchange rates; the accessibility and cost of capital (including credit); the Company's ability to economically produce oil and gas from its properties and the timing and cost to do so; and its ability to obtain qualified staff, equipment and supplies in a timely and cost-efficient manner.

The forward-looking statements included herein are made as of the date of this news release and Second Wave undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by securities laws.

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