

Milagro Oil & Gas, Inc. Announces Second Quarter 2011 Financial Results and Provides an Operational Update

Houston, August 16, 2011 -- Milagro Oil & Gas, Inc. (the "Company") today announced financial results for the second quarter of 2011.

The Company reported net income of \$2.7 million for the second quarter of 2011 relative to a net loss of \$58.3 million for the second quarter of 2010. The primary reason for the improvement was the \$53.0 million deferred tax valuation adjustment that was taken in the second quarter of 2010 and not repeated in the second quarter of 2011. For the six months ending June 30, 2011, the Company reported a net loss of \$19.4 million as compared to a net loss of \$50.3 million for the same period in 2010. The primary driver for this reduction in the Company's net loss was a \$57.4 million deferred tax valuation charge that was taken in the first half of 2010.

Oil and gas revenue for the second quarter of 2011 was \$35.1 million, up 6% from \$33.3 million in the second quarter of 2010. Although production fell from 9.2 MBoe/d for the second quarter of 2010 to 8.2 MBoe/d for the second quarter of 2011, average commodity prices rose from period to period and more than offset the fall in production. In addition, the Company's oil and natural gas liquids production as a percentage of total production increased from 32% to 35% period-over-period. The Company's production volumes in the 2011 period as compared to the 2010 period decreased primarily due to the shutting-in of producing properties in Louisiana due to flooding from the Mississippi River. Production volumes were also affected by natural declines in production from existing wells that was not offset by new wells due to limited development drilling in the first and second quarters on 2011.

EBITDA (earnings before interest, taxes, depreciation, and amortization, a non-GAAP measure) was \$17.8 million in the second quarter of 2011 versus \$29.2 million in the second quarter of 2010. The primary reason for the decline in EBITDA from period to period was the \$11.2 million reduction in realized commodity hedging revenues. EBITDA for the six-month period ending June 30, 2011 was \$49.6 million, which was an 11.9% decline from \$56.3 million in the same period in 2010. This \$6.7 million reduction in EBITDA is primarily the result of a \$6.7 million decline in realized commodity hedging revenues period-over-period.

The Company drilled two operated-wells targeting the Atoka Shale in Oklahoma during the period, the Howard 6-5 well and the Kallee Lane 32-1H well. These wells are waiting to be fracture stimulated. The Company also drilled and completed two operated-wells targeting the Frio Formation in Wharton County, Texas, the HC Cockburn 169 well and the HC Cockburn 170 well.

The Company successfully completed a comprehensive refinancing in May 2011. This included the issuance of \$250.0 million of Senior Secured Second Lien Notes due in 2016, the closing of the \$300.0 million Amended and Restated First Lien Credit Agreement having an initial borrowing base of \$170.0 million, and the conversion of \$234.0 million of preferred debt maturing in 2016 to \$234.0 million of preferred equity with no maturity date. This re-classified preferred debt is now shown as mezzanine equity on the Company's balance sheet as at June 30, 2011.

Company management will hold a conference call to discuss the information described in this press release and in the financial statements for the second quarter of 2011 on August 23, 2011 at 10:00AM Central Standard Time. Participants are invited to dial in to the conference call by dialing 1-877-408-3431 a few minutes prior to the commencement of the call.

Milagro Oil & Gas, Inc. is an independent energy company based in Houston, Texas that is engaged in the acquisition, development, exploitation and production of crude oil and natural gas. The Company's historic geographic focus has been along the onshore Gulf Coast area, primarily in Texas, Louisiana, and Mississippi. The Company operates a significant portfolio of oil and gas producing properties and mineral interests in this region and has expanded its footprint through the acquisition and development of additional producing or prospective properties in North Texas and Western Oklahoma.

Additional information on Milagro Oil & Gas, Inc. is available on the Company's website at <http://www.MilagroExploration.com/>.

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