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GALLEON ANNOUNCES 2007 BUDGET AND Q4 2006 OPERATIONS UPDATE

CALGARY, ALBERTA – Galleon Energy Inc. (“Galleon”) – To date, 2006 has been Galleon’s best year for drilling success. These results have set the foundation for building a solid growth oil and gas company with a premium asset base with long life reserves.

Seven major milestones were accomplished in 2006, as follows:

1. Assembled a dominant land position in the Peace River Arch area. Land access exceeds 1 million gross acres (owned = 676,000 net acres).
2. Reached the 10,000 boepd production milestone in mid 2006 and the 12,000 boepd production milestone in October 2006.
3. Created three new core projects: (Dawson Montney natural gas (“Dawson Montney”), Puskwa Beaverhill Lake (“Puskwa BHL”) and Eaglesham oil and natural gas (“Eaglesham”). Together they are currently producing over 5,000 boepd. These core projects have high quality, long life reserves and contain large oil and gas accumulations with the majority of wells drilled to date having high individual well productivity. The projects also provide clear vision for sustained growth through the drill bit.
4. Discovered one large Beaverhill Lake light sweet oil pool at Puskwa, Alberta. This discovery is anticipated to have a major impact on Galleon’s future for two reasons. First, this discovery will add significant light sweet oil reserves, and, second, all producing wells have high deliverability. All producing wells have tested at rates over 1,000 boepd. These rates are currently restricted by a maximum allowable rate determined by the EUB.
5. Discovered large Montney gas pools at Dawson, Alberta. These gas pool discoveries are significant to Galleon due to current production and potential production from the area and reserve development opportunities.
6. Discovered new oil and gas pools at Eaglesham, Alberta. The current wells are high deliverability wells (over 200 boepd for oil and 2 to 3 mmscfd for gas). Development plans have been designed to evaluate the reserves potential in this area, which Galleon believes may be significant. The gas is rich with natural gas liquids. In Q4 2006, a significant natural gas discovery well was drilled.
7. Constructed three natural gas plants with total capacity of 55 mmscfd and two oil batteries with total capacity of 15,000 boepd. These facilities are operational with the exception of the Puskwa oil battery which is expected to be on stream in December 2006.

In 2006, Galleon spent approximately \$70 million on building the facilities noted in 7. above. As shown by the magnitude of this investment, Galleon is committed to building and owning facilities so as to control both costs and direction of future

growth. Galleon is looking forward to utilizing these newly built facilities to process the oil and gas production from the development projects in 2007.

2007 BUDGET

In 2007, Galleon plans to spend approximately 65% of its capital expenditures on drilling projects with a minimum of 125 wells planned. The 2007 drilling program will be larger than the 2006 drilling program due to the successful results in 2006. The 2006 drilling success on the Dawson Montney, Puskwa BHL and Eaglesham projects has created opportunities for new exploration in these areas and for follow up development drilling projects. In 2007, Galleon will also explore seven new areas. The breakdown on the currently planned 2007 drilling program is as follows:

<u>Project</u>	<u>Number of wells</u>
Dawson Montney	50
Puskwa BHL	15
Eaglesham	10
New High Impact Exploration	20 in 5 new areas
New Montney Gas Exploration	10 in 2 new areas
Multi-zone gas	10
Others	10
<hr/> Total	<hr/> 125

Capital expenditures in 2007 are expected to range between \$170 and \$220 million depending on commodity prices and market conditions.

As previously announced, exit 2007 daily production is estimated to range between 17,000 and 21,000 boepd. The upper range of this guidance will be dependent upon receiving good production practice at Puskwa.

Q4 2006 OPERATIONS UPDATE

Dawson Montney project

Galleon is pleased to report a 100% drilling success in Q4 2006 to date. Nine (net 6.9) wells were drilled and cased. An additional 6 to 8 wells are planned prior to the end of 2006.

The Dawson area is located about 60 miles north east of Grande Prairie, Alberta. To date, Galleon has assembled a large contiguous land block at Dawson covering over 600 square miles. In 2006, Galleon increased its land access to over 385,000 acres (602 sections). Galleon operates all of its wells and facilities and has an average production working interest of approximately 90%.

The Montney gas reservoirs in the Dawson pools are large regional fine grained sand deposits. Currently, Galleon has explored only about 40% of the 602 sections and drilled 57 wells on one well per section spacing with 98% success.

The current net production is between 16 and 17 mmscfd with 7 mmscfd of additional production awaiting tie-in. Galleon has expanded the natural gas facility twice in 2006. The most recent expansion will increase processing capacity to 30 mmscfd.

Galleon plans to continue to expand the drilling program and facility because the economics of the project are outstanding at current natural gas prices. Based on Galleon's results and costs incurred to date, the breakeven price for this project is approximately \$2.60/mcf. Based on current commodity prices, costs and average well productivity, the payout of each well is less than one year.

The future plan for this project is to continue to explore for new Montney pools along trend and to further develop the existing projects including down spacing to 2 wells per section. Currently, Galleon has identified over 300 locations and plans to drill 50 locations at Dawson and 10 locations in 2 new Montney exploration areas in 2007.

Puskwa BHL project

The Puskwa area is located about 30 miles east of Grande Prairie, Alberta. Galleon has assembled a large block of land along the BHL fairway covering over 30 sections and has shot over 80 square miles of 3-D seismic. Galleon's working interest is 100% with the exception of one section of land (50%). Galleon operates all of its wells and facilities.

The Puskwa BHL sand oil reservoir has large areal extent and is part of a regionally extensive sand deposit. The reservoir is clean and has good porosity and permeability. The current production is under primary recovery however, the zone lends itself to enhanced oil recovery in order to increase recovery percentages of original oil in place. Based on analogies to reservoirs similar to the Puskwa BHL reservoirs, enhanced recovery may double the primary recovery percentage. Galleon plans to implement a pilot waterflood in 2007.

To date, Galleon has drilled ten wells at Puskwa: 6 wells have tested significant deliverability and are currently producing at restricted rates as allowed by the EUB; 2 wells have been cased and are awaiting further evaluation; 1 well has been re entered and is currently drilling horizontally and 1 well on the western edge was tight. Five sections of land have had test wells drilled on them. More development drilling will follow on each of these sections. In addition, Galleon intends to aggressively step out in the area in 2007.

Galleon's first horizontal well location at 8-5 tested in excess of 5,000 boepd. The second horizontal well located at 9-10 is currently producing at 400 boepd on pump. This well has been tested at a rate exceeding 1,000 boepd. In aggregate, tested capacity from the 6 producing wells is approximately 10,500 boepd. Production is currently restricted pending approval of good production practice by the EUB.

Two rigs are currently drilling horizontal development wells (including the re entry well mentioned above) and one rig is drilling an exploration vertical well. In 2007, Galleon plans to drill up to 15 wells, of which 10 wells will be drilled horizontally.

A 10,000 boepd oil battery is currently under construction and is expected to be on stream in December 2006.

Eaglesham project

Eaglesham area is located about 50 miles north east of Grande Prairie, Alberta. Galleon has assembled a large block of land covering 70 sections and has shot over 60 square miles of 3-D seismic. Galleon's average working interest in the wells is approximately 60 - 65%. Galleon operates all of its wells and owns 100% of its facilities.

Eaglesham is characterized by multi-zone oil and gas pools ranging from the shallow Dunvegan formation to the 2,000+ metre Leduc formation. The Debolt is the main producing zone. The Debolt contains high deliverability gas with long life reserves.

In Q4 2006, Galleon drilled 2 (1.2 net) natural gas wells including one significant discovery well (60% interest) with two productive zones identified. The zones from the discovery well tested at a combined absolute open flow capacity of over 40 mmscfd. Galleon plans to manage the production of this well by producing at a restricted rate of 4.2 mmscfd (700 boepd). Tie in of this well is expected in January 2007. Three follow up development wells are planned in the next 6 months. One rig is currently drilling with up to 3 additional wells planned prior to the end of 2006.

Galleon plans to drill up to 10 wells in the Eaglesham area in 2007. The 15 mmscfd gas plant came on stream in November 2006.

Galleon has approximately 57.7 million Class A shares and 922,500 Class B shares issued and outstanding which trade on the TSX under the symbols "GO.A" and "GO.B".

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Disclosure provided herein in respect of barrels of oil equivalent (boe) may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf: 1 Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.