

FOR IMMEDIATE RELEASE – March 13, 2007

## **GALLEON ANNOUNCES RECORD RESERVES AND STRONG FINANCIAL RESULTS IN 2006**

**CALGARY, ALBERTA** – Galleon Energy Inc. (“Galleon” or the “Corporation”) announces record corporate reserves and strong financial results in 2006.

### **2006 Highlights**

- Net present value of estimated future net revenue before tax from proved plus probable gross reserves based on forecast prices and costs discounted at 10% is \$894 million, a 78% increase over December 31, 2005;
- Proved plus probable gross reserves grew to 50.4 million Boe, an increase of 54% over December 31, 2005 – over 80% of this increase was due to growth in light oil reserves;
- Proved gross reserves grew to 28.3 million Boe, an increase of 37% over December 31, 2005;
- Proved plus probable gross reserve life index of 12.7 years based on average Q4 2006 production;
- Replaced production 5.2 times based on proved plus probable gross reserves;
- Proved plus probable gross reserves comprise 36% light oil, 38% natural gas; 25% heavy oil and 1% natural gas liquids;
- Access to over 1 million gross acres of land, approximately 70% net owned;
- Funds from operations<sup>1</sup> of \$85.2 million (\$1.60/basic share), a 9% increase from 2005;
- Earnings of \$13.8 million (\$0.26/basic share);
- Average daily production of 9,370 Boe, an increase of 43% from 2005; natural gas – 32.6 Mmcf and crude oil and NGLs – 3,939 Bbl;
- Drilling of 118 gross wells resulting in 72 gross (59.9 net) natural gas wells and 34 gross (28.1 net) oil wells; a success rate of 90%;
- Capital expenditures of \$283.3 million including \$92.1 million on facilities, plus property acquisitions of \$25.4 million;
- Share equity issuances for gross proceeds of \$175.2 million and the issuance of 8,995,700 million Class A shares;
- Class A share three for two split in June 2006;
- Increase in the extendible revolving credit facility to \$170 million;
- In February 2007, the extendible revolving facility was increased to \$180 million and a \$28.5 million non-revolving facility was approved to fund the acquisition of properties in the Dawson area of Alberta.
- <sup>1</sup> Funds from operations and funds from operations per share is not a standard measure under generally accepted accounting principles (“GAAP”) and may not be comparable to similar measures presented by other companies. Management believes that funds flow per share is a useful supplementary measure that may assist investors in assessing the underlying per share value of the Corporation.

### **Reserves**

The reserves of the Corporation were evaluated by Degolyer and MacNaughton Canada Limited (“DeGolyer”) as at December 31, 2006. The reserve evaluation has been approved by the Board of Directors of Galleon.

Gross reserves are the total of the Corporation's working interest share before deduction of royalties owned by others. Net reserves are the total of the Corporation's working interest reserves after deducting amounts attributable to royalties owned by others, plus the Corporation's royalty interest reserves.

Galleon's proved plus probable gross reserve life index is 12.7 years based on average fourth quarter 2006 production.

In 2006, capital and reserve additions are as follows:

	Capital expenditures \$MM	Proved reserve additions MMBoe	Proved plus probable reserve additions MMBoe
Exploration & development	283.3	10.8	20.6
Acquisitions	25.4	0.3	0.5
Change in future capital - proven	42.1	-	-
Change in future capital - probable	26.4	-	-
<b>Total</b>	<b>377.2</b>	<b>11.1</b>	<b>21.1</b>

The aggregate of exploration and development costs incurred in the most recent financial year and the change during that year in estimated future development costs generally will not reflect total finding and development costs related to reserves additions for that year.

#### Forecast price case – Remaining Reserves as of December 31, 2006

Reserve category	Light Oil (Mbbbl)		Heavy Oil (Mbbbl)		Sales Gas (MMcf)		Natural Gas Liquids (Mbbbl)		Total (Mboe)	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Proved Developed Producing	3,540	2,693	2,121	1,800	31,738	24,415	150	101	11,101	8,663
Proved Developed Non-Producing	334	262	996	834	17,051	13,227	79	53	4,251	3,354
Proved Undeveloped	4,075	3,035	4,506	3,889	25,380	20,105	137	91	12,948	10,366
<b>Total Proved</b>	<b>7,949</b>	<b>5,989</b>	<b>7,622</b>	<b>6,523</b>	<b>74,169</b>	<b>57,746</b>	<b>365</b>	<b>244</b>	<b>28,298</b>	<b>22,380</b>
Probable	10,012	6,637	5,016	4,164	40,974	32,064	257	174	22,114	16,319
<b>Total proved plus probable</b>	<b>17,961</b>	<b>12,627</b>	<b>12,638</b>	<b>10,687</b>	<b>115,143</b>	<b>89,810</b>	<b>622</b>	<b>418</b>	<b>50,412</b>	<b>38,700</b>

Gross proved plus probable reserves at Puskwa, Dawson Montney gas, Eaglesham and Edam combined represent approximately 79% of corporate reserves volumes and 80% of corporate reserves value.

Forecast Price Case	Future Net Revenue Before Income Taxes as of December 31, 2006 (\$M)			
	Undisc	Discounted at:		
Reserve category		5%	8%	10%
Proved Developed Producing	307,210	267,779	249,465	238,832
Proved Developed Non-Producing	90,232	76,002	69,112	65,058
Proved Undeveloped	279,270	198,760	165,685	147,836
<b>Total Proved</b>	<b>676,712</b>	<b>542,541</b>	<b>484,262</b>	<b>451,726</b>
Probable	617,028	519,773	471,420	442,460
<b>Total proved plus probable</b>	<b>1,293,740</b>	<b>1,062,314</b>	<b>955,682</b>	<b>894,186</b>

Note: Future net revenue does not represent fair market value

DeGolyer used the following price assumptions in the forecast reserves pricing and costs case as released by DeGolyer effective December 31, 2006.

Pricing assumptions	WTI Cushing Oklahoma (\$U.S./Bbl)	Edmonton Oil Price (\$Cdn./Bbl)	Alberta Spot (\$Cdn./Mcf)
2007	65.00	75.12	7.32
2008	65.52	75.71	7.91
2009	64.27	74.26	7.72
2010	61.73	71.30	7.48
2011	59.07	68.20	7.68
2012	59.11	68.25	7.77
2013	60.29	69.62	7.92
2014	61.50	71.01	8.07

### **Production, operations and acquisition**

Production averaged 10,869 boepd during the fourth quarter of 2006. Galleon expects that production growth will vary from 5-15% per quarter during 2007. Based on field receipt estimates and planned production additions, production growth in Q1 and Q2 2007 is expected to be in the mid-range of this guidance. Based on weekly field estimates, recent production has averaged between 12,500 and 13,000 boepd. Estimated 2007 exit production is targeted between 17,000 and 21,000 boepd (based on obtaining regulatory approvals removing restrictions on production at Puskwa during 2007).

During Q1 2007, production at Edam was affected by pump failures and cold weather. At Puskwa, new pumps designed for two horizontal wells caused temporary mechanical problems which have been resolved. At Dawson, in the highly successful Montney gas play, initial flush decline rates were higher than budgeted. Due to better performance on new wells, Eaglesham production was higher than forecast.

In Q1 2007, Galleon acquired an interest in a partnership holding approximately 500 boepd (70% oil and 30% gas) in the Dawson area of Alberta. Approximately 30,000 net acres of undeveloped land was included. Galleon has identified significant upside in the undeveloped land for Montney gas and plans to drill up to 10 wells in the next 12 months. Cash consideration of \$28.4 million including closing adjustments was paid.

Galleon is considering an asset divestiture of approximately 500 boepd of non-core assets in the near future.

### **Puskwa update**

A vertical well located at 16-24-71-26W5M (100% interest) was drilled and cased in Q1 2007. This well is located approximately 6.5 miles from the original discovery well at 16-32-71-26W5M. The 16-24 well encountered 17 feet of oil pay and completion operations are underway. The well located at 2-5-71-26W5M (100% interest) is currently drilling and is expected to be finished drilling in late March or early April. The 2-5 well is located approximately 9 miles from the 16-32 well.

Depending upon the success of the drilling program, up to 25 wells are planned at Puskwa in the remainder of 2007 and 2008.

**GALLEON ENERGY INC.****Balance Sheets****As at December 31**

(\$000s)	2006	2005
<b>ASSETS</b>		
CURRENT		
Accounts receivable	24,639	23,234
Deposits and prepaid expenses	1,839	961
Fair value of financial derivative	190	-
	26,668	24,195
Goodwill	10,139	10,139
Property and equipment	577,758	318,285
	<b>614,565</b>	<b>352,619</b>
<b>LIABILITIES</b>		
CURRENT		
Accounts payable and accrued liabilities	54,695	42,677
Bank loan	122,996	75,301
	177,691	117,978
Asset retirement obligation	21,432	11,186
Future income taxes	32,287	26,395
	231,410	155,559
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	339,869	174,463
Contributed surplus	11,619	4,756
Retained earnings	31,667	17,841
	383,155	197,060
	<b>614,565</b>	<b>352,619</b>

**GALLEON ENERGY INC**  
**Statements of Earnings and Retained Earnings**  
**Years ended December 31**

(\$000s, except per share amounts)

	<b>2006</b>	<b>2005</b>
<b>REVENUE</b>		
Petroleum and natural gas revenue	157,931	135,050
Royalties, net of ARTC and GCA	(23,529)	(29,805)
Other income	5	25
	<b>134,407</b>	<b>105,270</b>
<b>EXPENSES</b>		
Operating	33,675	15,805
Transportation	4,507	3,601
General and administration	5,590	4,438
Interest	4,527	2,389
Stock-based compensation	7,713	3,950
Accretion	631	363
Depletion and depreciation	60,929	40,920
Gain on financial derivative	(190)	-
	<b>117,382</b>	<b>71,466</b>
<b>Earnings before taxes</b>	<b>17,025</b>	<b>33,804</b>
<b>Income taxes</b>		
Capital and other taxes	957	958
Future income taxes	2,242	13,226
	<b>3,199</b>	<b>14,184</b>
<b>NET EARNINGS</b>	<b>13,826</b>	<b>19,620</b>
<b>RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR</b>		
	17,841	(1,779)
<b>RETAINED EARNINGS, END OF YEAR</b>		
	<b>31,667</b>	<b>17,841</b>
<b>NET EARNINGS PER SHARE</b>		
<b>Basic</b>	\$0.26	\$0.45
<b>Diluted</b>	\$0.25	\$0.42
Weighted average Class A shares – basic	53,343,857	43,882,430
– diluted	55,907,653	46,569,053

**GALLEON ENERGY INC.**  
**Statements of Cash Flows**  
**Years ended December 31**  
(\$000s)

**2006**

**2005**

**Cash provided by (used in):**

**OPERATING ACTIVITIES**

Net earnings	13,826	19,620
Items not requiring cash:		
Future income taxes	2,242	13,226
Depletion and depreciation	60,929	40,920
Accretion	631	363
Stock-based compensation	7,713	3,950
Gain on financial derivative	(190)	-
Abandonment costs	(614)	-
Change in non-cash working capital	(39)	(6,125)

84,498

71,954

**FINANCING ACTIVITIES**

Issue of common shares	178,300	103,878
Share issue costs	(10,092)	(6,424)
Bank loan	47,694	26,895

215,902

124,349

**INVESTING ACTIVITIES**

Additions to equipment inventory	(1,429)	(272)
Additions to oil and gas properties	(283,348)	(106,929)
Acquisition of oil and gas properties	(25,396)	(103,462)
Change in non-cash working capital	9,773	14,360

(300,400)

(196,303)

**CHANGE IN CASH**

-

-

**CASH, BEGINNING OF YEAR**

-

-

**CASH, END OF YEAR**

-

-

**SUPPLEMENTARY INFORMATION**

Cash interest paid	5,040	2,389
Cash taxes paid	1,208	958

## Performance by Property

Years ended December 31	2006			2005			2006 Funds from operations 2
	Production		Operating netbacks/ BOE <sup>1</sup>	Production		Operating netbacks/ BOE <sup>1</sup>	
	BOE/d	%		BOE/d	%		
Puskwa	657	7	55.55	-	-	-	15
Dawson Montney gas	1,120	12	23.18	200	3	43.29	11
Eaglesham	280	3	35.42	-	-	-	4
Dawson	4,010	43	28.62	4,123	63	39.06	48
Calais	1,002	11	26.62	815	13	33.28	12
Edam and other heavy oil	1,846	20	7.57	788	12	10.89	6
Other	455	4	22.32	613	9	32.62	4
	<b>9,370</b>	<b>100</b>	<b>25.39</b>	<b>6,539</b>	<b>100</b>	<b>34.46</b>	<b>100</b>

1. Operating netbacks/BOE exclude ARTC and GCA and are calculated by subtracting royalties and operating costs from revenues.

2. Funds from operations and funds from operations per share is not a standard measure under GAAP and may not be comparable to similar measures presented by other companies. Management believes that funds flow per share is a useful supplementary measure that may assist investors in assessing the underlying per share value of the Corporation.

## Quarterly Highlights

	2006			
	Q4	Q3	Q2	Q1
<b>Production</b>				
Light oil (Bbl/d)	2,419	1,823	1,753	1,859
Heavy oil (Bbl/d)	2,100	1,984	1,705	1,580
Natural Gas (Mcf/d)	36,733	33,068	30,014	30,445
Liquids (Bbl/d)	230	102	100	93
<b>BOE/d</b>	<b>10,869</b>	<b>9,420</b>	<b>8,560</b>	<b>8,606</b>
Total BOE produced	999,982	866,646	778,992	774,578
<b>Daily BOE of production per million Class A shares – basic</b>	<b>191</b>	<b>172</b>	<b>165</b>	<b>173</b>
<b>Prices</b> (net of transportation)				
Light oil (\$/Bbl)	61.12	75.65	75.63	65.66
Heavy oil (\$/Bbl)	31.16	47.01	42.69	24.71
Crude oil (\$/Bbl)	47.19	53.35	59.39	46.78
Natural Gas (\$/Mcf)	6.84	5.58	5.97	7.36
NGLs (\$/Bbl)	56.02	69.83	65.71	57.62
<b>Per BOE</b> (\$)				
Revenues	45.26	46.06	46.88	46.77
Royalties, net of ARTC & GCA	(6.02)	(7.20)	(4.34)	(10.18)
Transportation costs	(1.37)	(1.25)	(1.22)	(1.43)
Operating costs	(9.65)	(10.66)	(9.91)	(9.12)
<b>Net</b>	<b>28.22</b>	<b>26.95</b>	<b>31.41</b>	<b>26.04</b>
Other revenue	-	-	-	-
G&A	(2.67)	(0.80)	(1.37)	(1.50)
Interest	(1.49)	(1.39)	(1.41)	(0.95)
Capital and other taxes	(0.21)	(0.33)	(0.30)	(0.29)
<b>Funds from operations</b> 1	<b>23.85</b>	<b>24.43</b>	<b>28.33</b>	<b>23.30</b>

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Quarterly Highlights	2005			
	Q4	Q3	Q2	Q1
<b>Production</b>				
Light oil (Bbl/d)	2,271	2,213	1,393	670
Heavy oil (Bbl/d)	1,135	1,205	594	206
Natural Gas (Mcf/d)	32,212	27,452	21,813	15,511
Liquids (Bbl/d)	99	71	21	37
<b>BOE/d</b>	<b>8,874</b>	<b>8,064</b>	<b>5,643</b>	<b>3,499</b>
Total BOE produced	816,420	741,917	513,535	314,887
<b>Daily BOE of production per million Class A shares – basic</b>	<b>186</b>	<b>169</b>	<b>130</b>	<b>96</b>
<b>Prices (net of transportation)</b>				
Light oil (\$/Bbl)	67.44	73.64	65.35	59.72
Heavy oil (\$/Bbl)	29.31	48.19	32.21	26.45
Crude oil (\$/Bbl)	54.73	62.54	54.86	51.91
Natural Gas (\$/Mcf)	11.16	9.13	6.99	6.51
NGLs (\$/Bbl)	58.84	56.64	53.94	44.75
<b>Per BOE (\$)</b>				
Revenues	63.68	59.99	48.18	43.86
Royalties, net of ARTC & GCA	(15.01)	(11.69)	(11.11)	(10.08)
Transportation costs	(1.48)	(1.64)	(1.37)	(1.51)
Operating costs	(7.73)	(6.98)	(5.31)	(5.04)
<b>Net</b>	<b>39.46</b>	<b>39.68</b>	<b>30.39</b>	<b>27.23</b>
Other revenue	-	-	0.03	0.02
G&A	(1.82)	(1.58)	(2.01)	(2.38)
Interest	(0.91)	(0.90)	(1.09)	(1.33)
Capital and other taxes	(0.40)	(0.38)	(0.49)	(0.32)
<b>Funds from operations 1</b>	<b>36.33</b>	<b>36.82</b>	<b>26.83</b>	<b>23.22</b>

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## Capital Expenditures

(\$000s)	
Property & equipment balance at December 31, 2005	318,285
Additions to equipment inventory	1,429
Additions to property and equipment	283,348
Acquisition of property and equipment	25,396
Asset retirement obligation	10,229
Depletion and depreciation	(60,929)
<b>Property &amp; equipment balance at December 31, 2006</b>	<b>577,758</b>

Year ended December 31	2006		2005	
(\$000s)		%		%
Land	31,385	11	5,735	5
Geological and geophysical	22,947	8	11,882	11
Drilling and completion	136,740	48	57,748	55
Plant and facilities	92,144	33	31,189	29
Other assets	132	-	375	-
<b>Exploration and Development Expenditures</b>	<b>283,348</b>	<b>100</b>	<b>106,929</b>	<b>100</b>

Galleon is a technically oriented high growth oil and gas company with focused operations in the Peace River area of Alberta. Galleon has access to over 1 million gross acres of land.

Galleon has approximately 57.9 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".

FOR FURTHER INFORMATION SEE [www.galleonenergy.com](http://www.galleonenergy.com) OR CONTACT:

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*ADVISORY: Certain information regarding Galleon Energy Inc. in this news release including management's assessment of future plans and operations, number, type and timing of wells to be drilled, the plan and development of certain prospects, production estimates, and expected production growth may constitute forward-looking statements under applicable securities laws and necessarily involve risks including, without limitation, risk that regulatory approval to allow increased production at Puskwa will not be obtained or be delayed for an extended period of time, 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, capital expenditure costs, including drilling, completion and facilities costs, whether the potential sale of non-core assets will be completed, unexpected decline rates in wells, wells not performing as expected, incorrect assessment of the value of acquisitions, failure to realize the anticipated benefits of acquisitions, delays resulting from or inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could effect Galleon's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)), at Galleon's website ([www.galleonenergy.com](http://www.galleonenergy.com)). Furthermore, the forward-looking statements contained in this news release are made as at the date of this news release and Galleon 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.*

*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.*