

FOR IMMEDIATE RELEASE – May 14, 2007

## **GALLEON ANNOUNCES RECORD Q1 2007 FINANCIAL RESULTS**

**CALGARY, ALBERTA** – Galleon Energy Inc. (“Galleon” or the “Corporation”) announces, during Q1 2007, a record production level in the history of the company was set.

Results for the first quarter of 2007:

- Daily production averaged 11,888 BOE, an increase of 9% from Q4 2006, and 38% compared to Q1 2006;
- Funds from operations were \$30.2 million (\$0.52 per basic share), an increase of 26% from Q4 2006, and 67% compared to Q1 2006;
- Earnings were \$3.9 million (\$0.07 per basic share), an increase of 106% from Q4 2006, and 125% compared to Q1 2006;
- Operating costs of \$8.86/BOE decreased by 8% compared to Q4 2006.
- Drilled 30 gross wells resulting in 17 (15.1 net) natural gas wells and 9 (8.7 net) light oil wells; a success rate of 87%;
- Spent \$61.2 million on exploration and development activities;
- A key consolidation acquisition was completed for \$28.7 million;
- Subsequent to March 31, 2007, completed an equity offering of flow-through shares for gross proceeds of \$30.0 million;
- Subsequent to March 31, 2007, increased available credit facilities to \$210 million.

In 2007, Galleon plans to drive production growth by drilling low risk development wells and by taking maximum advantage of the major facilities expansion completed in 2006. Galleon will also aggressively expand exploitation projects at Puskwa – light sweet oil discovery; at Dawson – large Montney natural gas project; and at Eaglesham – multi-zone oil and natural gas project. An exciting exploration program will be layered in with 10 to 15% of the capital budget being committed to new high impact drilling projects. Seven new exploration projects on the Peace River Arch are being worked up with 2 of these having large 3D seismic programs (90 square miles in total) covering them. Multiple high impact locations have been identified and will be drilled in the third and fourth quarters of 2007. The existing opportunity portfolio gives Galleon clear visibility to multiyear drilling which will allow continued growth of production and reserves on a per share basis thereby creating and delivering significant shareholder value.

In the Dawson Montney gas project, production from this project continues to grow and currently exceeds 20 mmscfd. This is a new production record for this project. Two rigs are contracted to drill continuously for the remainder of 2007. Galleon has over five years drilling inventory or over 300 locations on this project which covers an area 25 miles long and 12 miles wide. Based on the drilling inventory, the project has the potential to grow production to over 50 mmscfd. Up to 50 wells are planned in 2007.

At Puskwa, Galleon plans to expand the waterflood projects and the Good Production Practice (“GPP”) areas. The first phase of the waterflood injection facility to serve sections 5-72-26W5M and 32-71-26W5M is currently being constructed. This facility is expected to be on stream in June 2007. Galleon plans to gradually ramp up production

on the wells which have been granted GPP. To date, Galleon has drilled 15 wells over a 9 mile fairway of Beaverhill lake sand at Puskwa. Based on geological and geophysical interpretation, Galleon expects to drill continuously over the next two to three years to fully exploit the large oil pool at Puskwa. Up to 30 wells are planned in 2007 and 2008.

Two new high impact light oil exploration projects have been identified in the general Puskwa area. Two wildcat deep test wells exceeding 10,000 feet are planned for the third and fourth quarter of 2007.

At Eaglesham, Galleon continues to drive production higher. Current production is over 1,700 boepd. Three or four deep test wells are planned in the second half of 2007.

Looking forward to Q2 and Q3 2007:

- Expansion of the waterflood/GPP areas at Puskwa;
- Production increases between 5-15% per quarter on average;
- Additional consolidation acquisitions are being considered; and
- Update key high impact exploration drilling projects in several new areas and at Puskwa.

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).

Galleon has a dominant land position that will sustain strong multiyear growth, repeatable low risk drilling opportunities and control of infrastructure in its operating areas. Galleon has a portfolio of 3D defined high impact exploration projects, access to over 1 million gross acres land and has an inventory of over 500 locations. Galleon plans to drill approximately 125 wells in 2007 based on a capital program of \$170 to \$220 million.

Comparative financial results for the quarter are as follows:

Three months ended March 31	2007		2006	
	1,069,915 BOE	\$/BOE	774,578 BOE	\$/BOE
(\$000s)				
Revenues	52,974	49.51	36,230	46.77
Royalties	(11,016)	(10.30)	(8,861)	(11.44)
ARTC and gas cost allowance	2,634	2.46	975	1.26
Transportation costs	(1,587)	(1.47)	(1,106)	(1.43)
Operating costs	(9,478)	(8.86)	(7,065)	(9.12)
<b>Net</b>	<b>33,527</b>	<b>31.34</b>	<b>20,173</b>	<b>26.04</b>
G&A	(1,264)	(1.18)	(1,160)	(1.50)
Interest costs	(2,246)	(2.10)	(740)	(0.95)
Capital and other taxes	(220)	(0.21)	(226)	(0.29)
Realized gain on financial derivative	373	0.35	-	-
<b>Funds from operations<sup>1</sup></b>	<b>30,170</b>	<b>28.20</b>	<b>18,047</b>	<b>23.30</b>

#### 1 Non-GAAP Measurements

Some terms commonly used in the oil and gas industry, such as funds from operations, funds from operations per share, and operating netback are not defined by GAAP and should not be considered an alternative to, or more meaningful than,

cash provided by operating activities or net earnings as determined in accordance with Canadian GAAP as an indicator of Galleon's performance. Management believes that in addition to net earnings, funds from operations is a useful financial measurement which assists in demonstrating the Corporation's ability to fund capital expenditures necessary for future growth or to repay debt. Galleon's determination of funds from operations may not be comparable to that reported by other companies. All references to funds from operations are based on cash flow from operating activities before changes in non-cash working capital and abandonment expenditures.

## Performance by Property

### Three months ended March 31

	2007			2006			2007 Funds from operations <sup>2</sup>
	Production		Operating netbacks/ BOE <sup>1</sup>	Production		Operating netbacks/ BOE <sup>1</sup>	
	BOE/d	%	\$	BOE/d	%	\$	%
Puskwa	1,525	13	49.91	175	2	46.22	22
Dawson							
Montney gas	2,825	24	31.80	590	7	25.33	26
Eaglesham	1,554	13	32.57	-	-	-	15
Dawson	3,038	26	28.48	4,298	50	31.91	25
Edam and other							
heavy oil	2,082	17	10.23	1,585	18	0.98	6
Calais	477	4	20.80	1,444	17	28.31	3
Other	387	3	23.07	514	6	23.76	3
	<b>11,888</b>	<b>100</b>	<b>28.88</b>	<b>8,606</b>	<b>100</b>	<b>24.78</b>	<b>100</b>

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

<sup>2</sup> See "Non-GAAP Measurements".

## Capital Expenditures

Three months ended March 31	2007		2006	
(\$000s)		%		%
Land	3,633	6	6,728	10
Geological and geophysical	2,930	5	12,322	19
Drilling and completion	40,553	66	26,110	40
Plant and facilities	14,048	23	20,135	31
Other assets	45	-	(133)	-
<b>Exploration and Development Expenditures</b>	<b>61,209</b>	<b>100</b>	<b>65,162</b>	<b>100</b>



**GALLEON ENERGY INC****Consolidated Statements of Earnings, Comprehensive Income and Retained Earnings****Three months ended March 31**

(\$000s, except per share amounts) (unaudited)

	<b>2007</b>	<b>2006</b>
<b>REVENUE</b>		
Petroleum and natural gas revenue	52,974	36,230
Royalties, net of ARTC and GCA	(8,382)	(7,886)
	44,592	28,344
<b>EXPENSES</b>		
Operating	9,478	7,065
Transportation	1,587	1,106
General and administration	1,264	1,160
Interest	2,246	740
Stock-based compensation	1,861	1,292
Accretion	317	144
Depletion and depreciation	22,022	12,760
Realized gain on financial derivative	(373)	
Unrealized gain on financial derivative	(479)	-
	37,923	24,267
<b>Earnings before taxes</b>	6,669	4,077
<b>Income taxes</b>		
Capital and other taxes	220	226
Future income taxes	2,528	2,111
	2,748	2,337
<b>NET EARNINGS AND COMPREHENSIVE INCOME</b>	<b>3,921</b>	<b>1,740</b>
<b>RETAINED EARNINGS, BEGINNING OF PERIOD</b>	31,667	17,841
<b>RETAINED EARNINGS, END OF PERIOD</b>	35,588	19,581
<b>NET EARNINGS PER SHARE (note 7)</b>		
<b>Basic</b>	\$0.07	\$0.04
<b>Diluted</b>	\$0.07	\$0.03
Weighted average Class A shares – basic	57,800,899	49,661,598
– diluted	59,947,494	52,220,178

**GALLEON ENERGY INC.**  
**Consolidated Statements of Cash Flows**  
**Three months ended March 31**  
(\$000s) (unaudited)

	2007	2006
<b>Cash provided by (used in):</b>		
<b>OPERATING ACTIVITIES</b>		
Net earnings	3,921	1,740
Items not requiring cash:		
Future income taxes	2,528	2,111
Depletion and depreciation	22,022	12,760
Accretion	317	144
Stock-based compensation	1,861	1,292
Unrealized gain on financial derivative	(479)	-
Abandonment costs	(347)	-
Change in non-cash working capital	(2,063)	7,442
	27,760	25,489
<b>FINANCING ACTIVITIES</b>		
Issue of common shares	800	56,945
Share issue costs	(4)	(3,459)
Bank loan	66,418	(15,215)
	67,214	38,271
<b>INVESTING ACTIVITIES</b>		
Additions to equipment inventory	-	(1,389)
Additions to oil and gas properties	(61,209)	(65,162)
Acquisition of oil and gas properties	(28,706)	(1)
Change in non-cash working capital	(5,059)	2,792
	(94,974)	(63,760)
<b>CHANGE IN CASH</b>	-	-
<b>CASH, BEGINNING AND END OF PERIOD</b>	-	-
<b>SUPPLEMENTARY INFORMATION</b>		
Cash interest paid	2,235	740
Cash taxes paid	165	226

Galleon has approximately 59.4 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.*