

FOR IMMEDIATE RELEASE – July 27, 2010

## **GALLEON REPORTS END OF STRATEGIC ALTERNATIVE PROCESS AND PROVIDES SECOND HALF 2010 GUIDANCE**

**CALGARY, ALBERTA** – Galleon Energy Inc. (TSX: GO) ("**Galleon**" or the "**Corporation**") announces that the special committee of the Board of Directors has completed its strategic review process. During the strategic review process, the Board of Directors and management engaged in an exhaustive examination of the Corporation's assets and opportunities to identify strengths, weaknesses and opportunities, and to address each in turn. Galleon has emerged from the strategic review process with a four part operational and financial plan.

- To increase balance sheet strength to give the Corporation the flexibility to execute the operational plan. This has been accomplished through the previously announced asset sale of Puskwa resulting in net debt of approximately \$120 million (approximately one times 2010 cash flow) and available credit facilities of \$250 million. The Corporation will continue to look at non-core asset dispositions to further enhance financial flexibility.
- To adopt a goal of significantly increasing the proportion of total reserves which are proven and proven developed producing. This entails concentrating our capital resources on drilling lands to which proven and probable undeveloped reserves have been assigned and converting those reserves into production and cash flow. The capital budget (approximately \$77 million net of drilling credits) for the remainder of 2010 is allocated 80% towards low risk development locations in our core producing areas. This program is targeted at reducing operational risk and improving production consistency.
- To adopt a strategy of farming out lands some of which are prospective for emerging resource plays, including those in the Nordegg, Duvernay and Slave Point. The goal will be to have third parties fund and prove up the potential of our lands while retaining a significant portion of the net resource. A number of opportunities have been identified on our 810,000 net acres of land.
- To reorganize our technical and operational teams on a business unit basis. The Corporation has been restructured into three business units: Eastern Montney, North Peace River Arch and Kakut.

The Board of Directors and management are confident that this operational and financial plan will benefit shareholders by unlocking the value that is inherent in Galleon's asset base.

Production, net of certain contemplated minor asset sales, is expected to average over 14,000 BOE/d in the second half of 2010. This daily production estimate factors in downtime for major natural gas plant maintenance at Eastern Montney and Eaglesham, delays related to the Kakut oil battery expansion and the shut in of significant production at Kakut pending receipt of regulatory approvals.

Year end production is forecast to range between 14,000 BOE/d and 14,500 BOE/d of which 25-30% will be crude oil and natural gas liquids. This forecast excludes approximately 900 BOE/d of shut in production at Kakut due to the timing of regulatory approvals.

Year end net debt is expected to be approximately \$125 million, with forecasted operating costs in the second half of 2010 to be less than \$10.00/BOE. Planned 2011 capital expenditures are not expected to exceed cash flow.

### Eastern Montney Business Unit

Production results to date have continued to meet Galleon's expectations. Over the past 3 years of development of the Eastern Montney project, Galleon has continuously added production resulting in a solid base. To date, Galleon has drilled a total of 52 horizontal wells and 83 vertical wells in the project area. The project area encompasses a fairway that extends 30 miles long and 10 miles wide that has been mapped and tested. Galleon has identified over 350 horizontal drilling locations based on 4 wells per section on its land. The goal in 2010 is to increase the proven producing reserves by drilling the large existing drilling inventory.

A total of seven (7.0 net) Eastern Montney horizontal wells were drilled in Q2 2010. All of these wells have been placed on production with, on average, daily production exceeding 750 Mcf per well in the first month of production. Galleon plans to continue to develop the Montney to operate at maximum facility capacity. Currently, the facilities are restricting sales to 4,700 BOE/d. The drilling of up to 8 additional development Montney horizontal wells in the second half of 2010 is expected to offset production declines. Capital expenditures of approximately \$11 million are planned in the second half of 2010.

The Eastern Montney project continues to provide low risk locations with continued repeatability resulting in high drilling success. On a per well basis this project continues to deliver low cost production (\$1.3 million on average to drill, complete and tie-in each well) with high liquid yield gas (on average 17 barrels per 1 million cubic feet) therefore allowing this project to continue to be economic within the current low gas price environment of approximately \$3.65/Mcf AECO.

### North Peace River Arch Business Unit ("NPRA")

In this business unit, Galleon has three new projects targeting light oil and one new project targeting natural gas with horizontal drilling technology. Capital expenditures of approximately \$15 million are planned in the second half of 2010 including the drilling of up to 14 wells.

In Q2 2010, Galleon drilled 1 (1.0 net) Montney horizontal gas well in the NPRA. The cost to drill and complete this well was \$1.3 million. The well has produced approximately 750 Mcf/d on average over the first 3 months of production. This is the initial well in the 2010 NPRA drilling program that will target low permeability Montney sands at depths of approximately 1,000 metres (total vertical depth).

Many of the locations will target Montney oil in plays that are analogous to the Grimshaw Triassic D pool which has seen substantial horizontal drilling activity over the past year. Based on public data, the initial production of these wells has been approximately 100 BOE/d.

One horizontal oil well is planned at Grimshaw in Q3 2010 on a play that immediately offsets the Grimshaw Triassic D pool. This play was defined by 3D seismic and 2 vertical wells have

confirmed the zone. Although at an early stage Galleon anticipates drilling follow up wells in Q4 2010. The Grimshaw Triassic D pool is currently being developed on 4 wells per section.

The Flood Montney C oil pool is a defined Montney pool of approximately 2 sections (65% interest) in size. Current development is through vertical wells. Galleon plans to drill at least two horizontal multi-stage fracture development oil wells into this pool in the second half of 2010. These wells will be drilled in undrilled spacing units and will offset vertical oil wells that had an initial gross production rate of 50 Bbl/d and stabilized at a gross rate of 20 Bbl/d. The production rates for horizontal multi-stage fracture wells are anticipated to be 2 to 3 times higher than the rates from vertical wells. A holding is in place for 2 wells per quarter section which allows for a number of low risk development locations. Additional development wells are planned to be drilled in 2011. This project represents a low risk opportunity to add light oil production and reserves.

Up to 4 additional Montney wells are planned in the NPRA during the second half of 2010. Galleon also plans to target medium depth liquid rich gas in the Berwyn and Whitelaw areas.

### Kakut Business Unit

The development plan for the Kakut Doig light oil/natural gas resource project is proceeding as planned. Drilling has confirmed a productive fairway of at least 15 miles in length. Galleon expects to have the Kakut battery expansion completed by September 1, 2010. The expansion will increase fluid handling capacity from 1,000 to 10,000 barrels per day. The Kakut gas plant capacity is 28 Mmcf/d and is currently processing approximately 18 Mmcf/d.

The Kakut Doig light oil/natural gas play is a regional resource that is defined by over 40 vertical wells and occurs at a relatively shallow depth of 1,550 metres. The pay zone has good porosity. The zone has relatively low permeability such that it is similar to other plays such as the Bakken and Cardium in which horizontal wells with multi-stage fracturing technology have been very successful.

Galleon drilled its first horizontal well at Kakut in late 2008. The well was drilled with only a short horizontal length of 400 metres to test the concept and to control costs. The well successfully proved the viability of the application of horizontal well with multi-stage fracturing technology to exploit the resource.

The 2009 drilling program focused on optimizing well productivity and capturing reserves. Based on the results to date, Galleon has seen that the optimal length of the horizontal lateral is approximately 1,200 metres with 100 metre fracture spacing and 3 tonnes fracture stimulation per stage. The improvement in the design of the length, fracture spacing and fracture size has resulted in well productivity increases of between 50 and 100 percent compared to the early short horizontal wells. The total well costs have increased by only 10 to 15 percent.

Galleon has drilled 11 (10.6 net) Doig horizontal wells to date at Kakut. Three of the wells were delineation wells that tested hydrocarbons but have not been tied in. One well is being equipped

for production and the remaining 7 wells have produced to the Kakut battery. At June 30, 2010, net production from the project reached 1,437 BOE/d including 427 Bbl/d of oil.

After June 30, 2010, 2 wells (100% interest) which were producing approximately 900 BOE/d (83% natural gas and 17% oil and NGLs) were shut in after the 4 month new oil production period came to an end. The well located at 16-6-75-3W6M produced 12,750 barrels of oil and 0.227 BCF (average of 420 BOE/d) to June 30, 2010. The well located at 4-28-74-3W6M produced 5,530 barrels of oil and 0.368 BCF (average of 550 BOE/d) to June 30, 2010. Galleon is in the process of composing applications for these 2 wells which could result in the two wells being placed back on production at optimal rates. No other Doig producing wells are required to be shut in as their gas production is below the ERCB determined maximum rate limit.

Galleon has received a down spacing approval for 4 horizontal wells per section on 4 sections of land. Application for down spacing to include another 7 sections of land is underway.

Capital expenditures of approximately \$48 million are planned at Kakut in the second half of 2010. Galleon expects to drill up to 17 Doig horizontal wells in the second half of 2010 including 4 delineation step-out wells. The step-out wells are expected to further confirm the 15 mile fairway and further de-risk the extension of the fairway. Galleon currently has access to 53 sections (83% interest) of land in this fairway.

#### Other

Galleon intends to actively farm out opportunities on its 810,000 net acres of land. These activities combined with its exposure to the emerging Nordegg, Duvernay and Slave Point resource plays may lead to value enhancement in the next 12 to 24 months.

The Corporation has available credit facilities of \$250 million which includes a revolving facility of \$225 million and a non-revolving facility of \$25 million.

Details of the commodity hedging program are:

|             |               |                             |                    |
|-------------|---------------|-----------------------------|--------------------|
| Crude oil   | 500 bbl/day   | \$74.30 WTI CAD             | Jan 1/10-Dec 31/10 |
| Crude oil   | 500 bbl/day   | \$74.50 WTI CAD             | Jan 1/10-Dec 31/10 |
| Crude oil   | 500 bbl/day   | \$76.50 WTI CAD             | Jan 1/10-Dec 31/10 |
| Crude oil   | 500 bbl/day   | \$77.00 WTI CAD             | Jan 1/10-Dec 31/10 |
| Crude oil   | 500 bbl/day   | \$75 WTI CAD - \$94 WTI CAD | Jan 1/10-Dec 31/10 |
| Crude oil   | 500 bbl/day   | \$75 WTI CAD - \$95 WTI CAD | Jan 1/10-Dec 31/10 |
| Crude oil   | 500 bbl/day   | \$92.00 WTI CAD             | Jan 1/11-Dec 31/11 |
| Natural gas | 5,000 GJs/day | \$5.75 GJ CDN               | Jan 1/10-Dec 31/11 |
| Natural gas | 5,000 GJs/day | \$5.85 GJ CDN               | Jan 1/10-Dec 31/11 |
| Natural gas | 5,000 GJs/day | \$5.76 GJ CDN               | Apr 1/10-Mar 31/11 |

Galleon plans to announce its second quarter 2010 financial and operating results on August 12, 2010. An updated corporate presentation will be available on Galleon's website at that time.

FOR FURTHER INFORMATION SEE [www.galleonenergy.com](http://www.galleonenergy.com)  
OR CONTACT (403) 261-6012:

Glenn R. Carley, Executive Chairman, or Steve Sugianto, President and Chief Executive Officer, or Shivon Crabtree, Vice President and Chief Financial Officer.

*Forward-Looking Statements and Advisories*

Statements herein that are not historical facts may be considered forward looking statements including management's assessment of future plans and operations, plans for certain minor asset sales, goals and plans to convert reserves to production and cash flow, plans to farm out certain lands, timing of facilities expansion and the effects thereof, expected production rates and impact of facility down time, forecast year end production rates and commodity mix and effects of shut-in wells, drilling plans and the timing thereof, capital expenditures, the timing thereof, nature of expenditures and the method of funding thereof, expected year-end debt level, forecast second half 2010 operating costs, expectation that drilling will offset declines at Eastern Montney, expected effect of applications for production from certain wells and the expected timing of release of second quarter 2010 financial and operating results. These forward-looking statements sometimes include words to the effect that management believes or expects a stated condition or result. All estimates and statements that describe the Corporation's objectives, goals or future plans are forward-looking statements. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties including, without limitation, 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, 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, Galleon's actual results may differ materially from those expressed in, or implied by, the forward-looking statements.

Forward-looking statements or information are based on a number of factors and assumptions which have been used to develop such statements and information but which may prove to be incorrect. Although Galleon believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because Galleon can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified in this document, assumptions have been made regarding, among other things: the impact of increasing competition; the general stability of the economic and political environment in which Galleon operates; the timely receipt of any required regulatory approvals; the ability of Galleon to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects which Galleon has an interest in to operate the field in a safe, efficient and effective manner; the ability of Galleon to obtain financing on acceptable terms; field production rates and decline rates; drilling success rates; the ability to replace and expand oil and natural gas reserves through acquisition, development or exploration; the timing and costs of pipeline, storage and facility construction and expansion; the ability of Galleon to secure adequate product transportation; future oil and natural gas prices; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which Galleon operates; and the ability of Galleon to successfully market its oil and natural gas products.

Readers are cautioned that the foregoing list of factors and assumptions 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)), or 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.

*BOEs*

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.