



## **GALLEON ENERGY**

### **GALLEON REPORTS INCREASED YEAR END RESERVES AND AN INCREASE IN LANDHOLDINGS IN THE DOIG PLAY**

FOR IMMEDIATE RELEASE – February 25, 2010

**CALGARY, ALBERTA** – Galleon Energy Inc. ("Galleon" or the "Corporation") (TSX:GO) is pleased to announce its 2009 year end reserves including significant light oil additions in its Doig light oil resource project at Kakut. In addition, Galleon has successfully expanded its prospective land position in the Doig play from 36 to 53 sections (83% interest).

#### **2009 Performance**

- Gross proved plus probable reserves grew to 84.6 million BOE (50% oil and NGLs), an increase of 5% from 2008;
- Gross proved plus probable oil and NGLs reserves grew to 42.6 million BOE, an increase of 12% from 2008;
- Light oil and NGLs accounted for over 90% of the year over year increase in gross proved plus probable oil and NGLs reserves;
- A reserve life index of 15.8 years based on gross proved plus probable reserves and average Q4 2009 production;
- 2009 average production was replaced 1.7 times based on gross proved plus probable reserves;
- 44 gross wells were drilled resulting in 27 (25.1 net) natural gas wells, 12 (11.8 net) light oil wells, and 2 (1.7 net) heavy oil wells; a success rate of 93%;
- Net capital expenditures were \$97.6 million in 2009. Capital efficiency was approximately \$25,000 per producing BOE. Finding, development and acquisition costs for gross proved plus probable reserves was \$9.84/BOE before future capital and \$18.45/BOE after including future capital;
- 2009 daily production averaged 15,976 BOE: natural gas - 61.5 Mmcf and crude oil and NGLs - 5,728 Bbl; with an operating netback of \$21.08/BOE;
- Galleon's net asset value per share at December 31, 2009 is estimated at \$12.45 per basic share;
- At December 31, 2009, an amount of \$217.2 million was drawn under the Corporation's available credit facilities of \$310 million. Net debt was \$226.9

million at December 31, 2009, a reduction of approximately 20% from December 31, 2008;

- Undeveloped landholdings at December 31, 2009 were 694,466 net acres with an estimated value of \$76.8 million based upon an independent evaluation prepared by Seaton-Jordan & Associates Ltd.; and
- In March 2010, there have been large Crown land postings in the middle of Galleon's landholdings in the Peace River arch area. Galleon's undeveloped land value may increase significantly based on the amounts of the successful bids.

### **Kakut Doig light oil resource project**

Galleon continues to have drilling success in the Kakut Doig light oil resource project. Due to the success in using longer (greater than 1,000 metres) horizontal lengths, the risk profile has been reduced and the consistency of the production results has been confirmed.

Since the news release issued on January 21, 2010, two more horizontal wells have been completed and tested. The well located at 13-33-74-3W6M has a 1,112 metre horizontal length along which 11 fractures were placed. This well flowed on test over the first 48 hours at an average rate of 723 BOE/d recovering the completion fluid. This well subsequently flowed on test over the next 7 days at an average rate of 193 BOE/d. The well located at 16-6-75-3W6M has a 1,180 metre horizontal length along which 11 fractures were placed. This well flowed on test over the first 36 hours at an average rate of 1,100 BOE/d recovering the completion fluid. This well remains on test. Production rates for both of these wells will be determined once they are placed on production.

Galleon has increased its land position in the Doig project to 53 sections (average 83% interest) and has increased the drilling inventory to over 200 horizontal locations based on 4 wells per section. Galleon plans to increase the Doig drilling program to potentially 30 horizontal wells in 2010.

Highlights:

	Twelve months ended December 31		
	2009	2008	Change
Drilling Activity			
Total gross wells drilled	44	107	(59%)
Total gross wells cased	41	95	(57%)
Net wells cased	38.6	89.2	(57%)

Twelve months ended December 31			
	2009	2008	Change
Gross proved plus probable reserves			
Oil & NGLs (MBbls)	42,626	38,100	12%
Natural gas (Mmcf)	251,549	254,036	(1%)
Combined (MBOE)	84,551	80,440	5%
Finding, development & acquisition cost(1)			
Before future capital (\$/BOE)	\$ 9.84	\$ 16.66	(41%)
Recycle ratio(1) before future capital	2.14	2.54	(16%)
After including future capital (\$/BOE)	\$ 18.45	\$ 20.49	(10%)
Recycle ratio(1) after including future capital	1.14	2.07	(45%)

(1) FD&A cost and recycle ratio relating to 2009 have been calculated using unaudited financial information.

## Reserves

The reserves information is based upon an independent reserve assessment and evaluation prepared by DeGolyer and MacNaughton Canada Limited ("DeGolyer and MacNaughton") effective December 31, 2009 ("DeGolyer Report"). The following presentation summarizes the Corporation's crude oil, natural gas and natural gas liquids reserves and net present values before income taxes of future net revenues for the Corporation's reserves using forecast prices and costs based on the DeGolyer Report. The DeGolyer Report has been prepared in accordance with the standards contained in the COGE Handbook and the reserve definitions contained in NI 51-101.

Gross reserves are the total of the Corporation's working interest share before deduction of royalties owned by others and without including any of the Corporation's royalty interests. 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.

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Summary of Reserves  
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	Oil and NGLs (MBbls)		Natural Gas (Mmcf)		Total (MBOE)	
	Gross	Net	Gross	Net	Gross	Net
Proved developed producing	6,927	4,998	78,931	65,058	20,082	15,841
Proved developed non-producing	1,856	1,468	21,765	17,813	5,484	4,437
Proved undeveloped	13,354	10,019	63,269	53,675	23,899	18,964
Total proved	22,137	16,485	163,965	136,546	49,465	39,242
Probable	20,489	14,188	87,584	69,648	35,086	25,796
Total proved plus probable	42,626	30,673	251,549	206,194	84,551	65,039

Note: totals may not add due to rounding

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Net Present Value of Future Revenue  
Before Income Taxes as of December 31,  
2009 (\$MM)  
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Gross reserves category	Undisc	Discounted at:			
		5%	8%	10%	15%
Proved developed producing	608	480	431	405	354
Proved developed non-producing	141	106	91	82	66
Proved undeveloped	656	433	348	305	223
Total proved	1,405	1,018	870	792	643
Probable	1,006	617	484	418	299
Total proved plus probable	2,411	1,635	1,354	1,210	942

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Note: Net present value of future revenues does not represent fair market value. Totals may not add due to rounding.  
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The net present value of future revenues was determined using Alberta's New Royalty Framework ("NRF") which became effective January 1, 2009. The Alberta Government has announced, and has enacted, provisions that allow for transitional royalties ("Transitional Royalties") to the NRF for certain elected wells. Transitional Royalties were utilized in the DeGolyer Report where an election was considered appropriate. In addition, the Alberta Government has enacted the New Well Royalty Reduction and Drilling Credit programs for new wells drilled between April 1, 2009 and March 31, 2011. The effects of this program are reflected in the DeGolyer Report.

DeGolyer and MacNaughton's December 31, 2009 price forecast was used in the DeGolyer Report. The following is the price forecast for the first five years.

Pricing assumptions	WTI @ Cushing (\$US/Bbl)	NYMEX HH Natural gas (\$US/Mcf)	Alberta Spot Natural gas (\$Cdn/GJ)	USD/CAD Exchange (\$US)
2010	80.00	6.70	5.47	0.95
2011	82.88	7.40	6.13	0.95
2012	85.83	7.50	6.21	0.95
2013	88.88	7.75	6.45	0.95
2014	92.01	8.25	6.93	0.95
5 year average	85.92	7.52	6.24	0.95

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Finding, Development and Acquisition Costs  
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	Year ended December 31, 2009	Year ended December 31, 2008	Three year 2007-2009
----- GROSS PROVED RESERVES -----			
Capital expenditures - exploration & development (\$000)	106,095	273,598	588,037
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Change in future capital costs required to develop reserves - exploration & development (\$000)	26,585	41,153	75,477
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Total capital costs - exploration & development (\$000)	132,680	314,751	663,514
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Total capital expenditures (including acquisitions) (\$000)	97,644	454,169	812,113
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Total change in future capital costs required to develop reserves (including acquisitions) (\$000)	26,645	62,285	104,765
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Total capital costs (including acquisitions) (\$000)	124,289	516,454	916,878
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Gross reserve additions - exploration & development (MBOE)	6,314	15,749	31,308
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Total gross reserve additions including acquisitions (MBOE)	5,956	21,538	38,183
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F&D costs, before future capital (\$/BOE)	16.80	17.38	18.78
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FD&A costs, before future capital (\$/BOE)	16.40	21.09	21.27
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F&D costs, including future capital (\$/BOE)	21.01	19.99	21.19
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FD&A costs, including future capital (\$/BOE)	20.87	23.98	24.01
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Operating netback (\$/BOE) (unaudited)	21.08	42.36	31.31
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Recycle ratio (operating netback/F&D)	1.0	2.1	1.5
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Recycle ratio (operating netback/FD&A)	1.0	1.8	1.3
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GROSS PROVED PLUS PROBABLE RESERVES  
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Capital expenditures - exploration & development (\$000)	106,095	273,598	588,037
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Change in future capital costs required to develop reserves - exploration & development (\$000)	84,149	55,210	187,311
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Total capital costs - exploration & development (\$000)	190,244	328,808	775,348
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Capital expenditures (including acquisitions) (\$000)	97,644	454,169	812,113
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Change in future capital costs required to develop reserves (including acquisitions) (\$000)	85,459	104,671	248,275
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Total capital costs (including acquisitions) (\$000)	183,103	558,840	1,060,388
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Gross reserve additions (MBOE)	10,388	18,885	41,292
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Gross reserve additions, including acquisitions (MBOE)	9,923	27,268	51,154
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F&D costs, before future capital (\$/BOE)	10.21	14.49	14.24
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FD&A costs, before future capital (\$/BOE)	9.84	16.66	15.88
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F&D costs, including future capital (\$/BOE)	18.31	17.41	18.78
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FD&A costs, including future capital (\$/BOE)	18.45	20.49	20.73
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Operating netback (\$/BOE) (unaudited)	21.08	42.36	31.31
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Recycle ratio (operating netback/F&D)	1.1	2.4	1.7
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Recycle ratio (operating netback/FD&A)	1.1	2.1	1.5
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(1) 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.

(2) The Corporation calculates finding, development and acquisition ("FD&A") costs which incorporate both the costs and associated reserve additions related to acquisitions net of any dispositions during the year. Since the acquisitions can have a significant impact on the Corporation's annual reserve replacement

costs, Galleon believes that FD&A costs provide a more meaningful portrayal of Galleon's cost structure.

(3) Operating netbacks per BOE are calculated by subtracting royalties and operating and transportation costs from revenues including realized financial derivatives and dividing the result by average production for the period.

(4) Certain financial figures include information based on estimated unaudited financial results that may change on the completion of the audited financial statements.

At December 31, 2009, future development capital was \$199.7 million for gross proved reserves and \$396.5 million for gross proved plus probable reserves. Components of the future capital for gross proved plus probable reserves include 2010 - \$37.3 million (39 wells), 2011 - \$111.7 million (102 wells), 2012 - \$93.1 million (76 wells) and thereafter \$154.4 million (approximately 142 wells). Note that capital for 2010 and the first quarter of 2011 includes expenditures that will be eligible for Alberta Crown drilling credits. At December 31, 2008, future development capital was \$173.1 million for gross proved reserves and \$311.0 million for gross proved plus probable reserves.

Net Asset Value

	December 31, 2009 forecast prices 8% discount rate (\$MM)	December 31, 2009 forecast prices 10% discount rate (\$MM)
Net present value of future revenues of gross reserves, discounted, before tax (1)	1,354.3	1,209.6
Undeveloped land (2)	76.8	76.8
Bank debt (3)	(217.2)	(217.2)
Working capital deficiency and capital leases (3)	(9.7)	(9.7)
Net asset value	1,204.2	1,059.5
Basic common shares outstanding (000's)	85,091	85,091
Net asset value per share (\$/share)	\$ 14.15	\$ 12.45

(1) Derived from the DeGolyer Report.

(2) Based on an independent evaluation prepared by Seaton-Jordan & Associates Ltd. effective December 31, 2009. The values in the evaluation were based on factors including actual cost of the land to the Corporation, recent land sales, recent farm-in agreements and work commitments related to the unproven property.

(3) Based on 2009 unaudited financial information

In March 2010, there have been large Crown land postings in the middle of Galleon's landholdings in the Peace River arch area. Galleon's undeveloped land value may increase significantly based on the amounts of the successful bids.

## Credit Facilities

The Corporation has extendible revolving term credit facilities of \$310 million in place with a bank syndicate comprised of five banks. An annual review is scheduled to occur on or before May 27, 2010. At December 31, 2009, an amount of \$217.2 million was drawn under these credit facilities.

The Corporation has entered into a fixed interest rate contract for a two year period commencing on January 20, 2009. The Corporation will pay a fixed rate of 1.1% on \$100 million and receive a 3 month CDOR floating rate from the counterparty to the contract.

### Hedging Activity

At February 25, 2010, the Corporation has the following financial contracts in place:

#### Natural gas swap price:

Mar 1/09-Mar 31/10	5,000 GJs/day	\$5.96 GJ CDN
Mar 1/09-Mar 31/10	5,000 GJs/day	\$6.01 GJ CDN
Jan 1/10-Dec 31/11	10,000 GJs/day	\$5.75 GJ CDN
Jan 1/10-Dec 31/11	5,000 GJs/day	\$5.85 GJ CDN
Apr 1/10-Mar 31/11	5,000 GJs/day	\$5.76 GJ CDN

#### Natural gas costless collar:

Aug 1/09-Mar 31/10	5,000 GJs/day	\$3.00 - \$6.60 GJ CDN
Aug 1/09-Mar 31/10	5,000 GJs/day	\$3.00 - \$6.53 GJ CDN

#### Crude oil swap price:

Jan 1/10-Dec 31/10	500 bbl/day	\$74.30 WTI CAD
Jan 1/10-Dec 31/10	500 bbl/day	\$74.50 WTI CAD
Jan 1/10-Dec 31/10	500 bbl/day	\$76.25 WTI CAD
Jan 1/10-Dec 31/10	500 bbl/day	\$76.50 WTI CAD
Jan 1/10-Dec 31/10	1,000 bbl/day	\$77.00 WTI CAD
Jan 1/11-Dec 31/11	1,000 bbl/day	\$92.00 WTI CAD

#### Crude oil costless collar:

Jan 1/10-Dec 31/10	500 bbl/day	\$75 WTI CAD - \$94 WTI CAD
Jan 1/10-Dec 31/10	500 bbl/day	\$75 WTI CAD - \$95 WTI CAD

Galleon has approximately 85.1 million shares issued and outstanding which trade on the TSX under the symbol "GO".

Galleon is scheduled to release 2009 audited financial results on or about March 11, 2010. Additional reserve disclosure tables, required under NI 51-101, will be contained in the Annual Information Form expected to be filed on SEDAR before March 30, 2010.

**FOR FURTHER INFORMATION:**

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*Certain information regarding Galleon Energy Inc. in this news release including management's assessment of future plans and operations including the Corporation's planned 2010 capital projects, the method of funding thereof and the future development capital, may constitute forward-looking statements under applicable securities laws and necessarily involve risks 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, capital expenditure costs, including drilling, completion and facilities costs, 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. The recovery and reserve estimates of Galleon's reserves provided herein are estimates only and there is no guarantee that the estimated reserves or resources will be recovered. 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 affect 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.*

*All evaluations and reviews of future net revenues are stated prior to any provisions for interest costs or general and administrative costs and after the deduction of estimated*

*future capital expenditures for wells to which reserves have been assigned. It should not be assumed that the estimates of future net revenues presented in the tables herein represent the fair market value of the reserves. There is no assurance that the forecast prices and cost assumptions will be attained and variances could be material. The recovery and reserve estimates of crude oil, natural gas and natural gas liquids reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas and natural gas liquids reserves may be greater than or less than the estimates provided herein.*

*Certain financial and operating information included in this news release for the period ended December 31, 2009, such as finding and development costs, acquisition costs, production information, recycle ratios, operating netbacks and net asset value, are based on estimated unaudited financial results for the period then ended, and are subject to the same limitations as discussed in this advisory. These estimated amounts may change upon completion of the audited financial statements for the year ended December 31, 2009 and the changes could be material.*

*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.*