



*Building Value in Venezuela*

FOR IMMEDIATE RELEASE

PETROFALCON CORPORATION ANNOUNCES THIRD QUARTER 2006  
INTERIM FINANCIAL STATEMENTS AND UPDATE ON OPERATIONS

CARACAS, November 14, 2006 - PetroFalcon Corporation (“PetroFalcon” or the “Corporation”) released its interim consolidated financial statements and related Management Discussion and Analysis (“MD&A”) for the three and nine months ended September 30, 2006, and 2005.

For the three months ended September 30, 2006, the Corporation reported a net loss of US\$1.3 million (loss per share of US\$0.02) compared to net income of US\$1.1 million (earnings per share of US\$0.01) for the three months ended September 30, 2005. The loss for the three months ended September 30, 2006, is due in part to higher operating and depletion expenses incurred since April 1, 2006, and recorded during the three months ended September 30, 2006.

For the nine months ended September 30, 2006, the Corporation reported a net loss of US\$4.2 million (loss per share of US\$0.05) compared to net income of US\$2.1 million (earnings per share of US\$0.03) for the nine months ended September 30, 2005. The loss for the nine months ended September 30, 2006, is due to higher operating and depletion expenses during the transition to the new joint venture structure; and higher interest and stock-based compensation expenses during the period.

Juan Francisco Clerico, the Corporation’s Chairman and CEO, said, “We are pleased to begin reporting our share of the new Empresa Mixta, PetroCumarebo. It has been a long two years of negotiations, but we are now well-positioned to begin aggressively developing our assets. With a firm contract and a new joint venture structure, we look forward to working together with our new partner, PDVSA, to start drilling and to focus on substantially increasing production in the East and West Falcon blocks. In addition, PetroFalcon is actively pursuing new business opportunities outside of PetroCumarebo—both in Venezuela and abroad.”

As at September 30, 2006, the Corporation had working capital of US\$6.5 million compared to working capital of US\$8.7 million on June 30, 2006. Production before royalties for the three months ended September 30, 2006, was 201,864 (80,745 net to PetroFalcon) barrels of oil equivalent (“boe”) as compared to 75,996 boe for the same period in 2005. The average price received for the three months ended September 30, 2006, was US\$67.76 per barrel (“bbl”) of oil and US\$1.50 per thousand cubic feet (“mcf”) of natural gas, for a combined average price received of US\$37.74 per boe, as compared to US\$40.20 per bbl of oil for the same period in 2005. Note that barrels of oil

equivalent may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf per 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.

## CURRENT STATUS OF THE NEW JOINT VENTURE PETROCUMAREBO

As previously announced, PetroFalcon, through its wholly-owned subsidiary, Vinccler Oil and Gas, C.A. (“Vinccler Venezuela”), reached an initial agreement on March 31, 2006, with the Venezuelan government with respect to its oil and natural gas rights in Venezuela. Vinccler Venezuela signed a Memorandum of Understanding (“MOU”) with Petróleos de Venezuela, S.A. (“PDVSA”), the Venezuelan state oil company, and its affiliated entity, Corporación Venezolana del Petróleo (“CVP”), to create the Empresa Mixta (later named PetroCumarebo), which would hold all operating rights to the East Falcon Block and West Falcon Block. The formation of PetroCumarebo transfers Vinccler Venezuela’s interests in the East Falcon Block and West Falcon Block, covering more than 800,000 acres in northwestern Venezuela, into a single development entity, and it gives PetroCumarebo the exclusive right to produce and sell oil and natural gas from the designated area of operations.

On September 29, 2006, Vinccler Venezuela and PDVSA/CVP executed the Empresa Mixta Conversion Agreement (“Conversion Contract”), which created PetroCumarebo and confirmed the ownership structure as 40% held by Vinccler Venezuela and 60% held by CVP. In accordance with the MOU, the Conversion Contract also established the following general terms for the Empresa Mixta:

- The effective date of PetroCumarebo is April 1, 2006;
- PetroCumarebo pays a royalty of 33.3% on oil and natural gas production;
- PetroCumarebo has an applicable income tax rate of 50%;
- PetroCumarebo will pay a “special advantage” tax, which requires that if in any year the aggregate amount of royalties, taxes and certain other contributions is less than 50% of the gross value of the hydrocarbons produced, PetroCumarebo must pay the Venezuelan government the difference;
- PetroCumarebo has the exclusive right to explore, develop and produce oil and natural gas in its area of operations (838,000 acres) for a term of 20 years;
- Vinccler Venezuela expects to receive dividends from PetroCumarebo in US dollars on a quarterly basis derived from its 40% participation; and
- Vinccler Venezuela will be responsible for 40% of PetroCumarebo’s approved capital expenditure budget (currently US\$40.7 million for 2006) and 40% of the operating expenses.

On October 24, 2006, PetroCumarebo was legally incorporated as the joint venture entity described in the Conversion Contract. As a result, Management has included Vinccler Venezuela's proportional share of PetroCumarebo's revenues and earnings in PetroFalcon's consolidated financial statements as of September 30, 2006. Note that PetroFalcon's financial statements for the third quarter of 2006 include Vinccler Venezuela's share in PetroCumarebo during six months of pre-incorporation operations (April 1 to September 30, 2006). Therefore, PetroFalcon's results for the three months ended September 30, 2006, are not comparable to previous three-month periods.

During the second and third quarters of 2006, Vinccler Venezuela delivered oil and natural gas to PDVSA on behalf of PetroCumarebo. In accordance with the terms of the Conversion Contract, PetroFalcon's share of PetroCumarebo's revenues and accounts receivable (US\$5.7 million) have been recorded for the period April 1 to September 30, 2006. As of November 14, 2006, no cash has been received by PetroCumarebo from PDVSA related to this revenue. While PDVSA has paid the royalties, operating and capital expenditures for this period, it is possible that the amounts receivable under the terms of the Conversion Contract may not be paid by PDVSA.

#### OPERATIONS UPDATE

Current gross production in the East Falcon Block and West Falcon Block is approximately 1,200 barrels of oil per day ("bbls/d") and 12 million cubic feet of natural gas per day ("MMcf/d"). PetroFalcon's net share of production before royalties is 480 bbls/d and 4.8 MMcf/d. PetroCumarebo has a comprehensive development and exploitation program designed to increase natural gas and oil reserves, production, earnings, cash flow and net asset value.

During the three months ended September 30, 2006, Vinccler Venezuela (on behalf of PetroCumarebo) continued the construction of the second phase of facilities at the La Vela Field. These facilities will include compression and dew point processing equipment allowing PetroCumarebo to produce natural gas from various proven reservoirs for up to 20 MMcf/d of natural gas and 1,700 bbls/d of oil. At the Cumarebo Field, Vinccler Venezuela (on behalf of PetroCumarebo) continued expansion and upgrades of existing facilities designed to process 30 MMcf/d of natural gas and 5,000 bbls/d of oil. The expansion and tie-in to PDVSA's Interconnection Centro Occidente ("ICO") natural gas pipeline at the Cumarebo Field was completed in early August, resulting in initial additional hydrocarbons production from the Cumarebo field of 10 MMcf/d of natural gas and 285 bbls/d of associated oil. At the West Falcon Block, PetroCumarebo plans to begin development of the previously discovered Los Moroches field.

Before the end of 2006, PetroCumarebo intends to mobilize a drilling rig in the East Falcon Block to commence a development and exploratory drilling program. PetroCumarebo is currently permitting and building locations for 11 wells at the La Vela Field to develop the shallow oil and natural gas discovery in 2005 offsetting the LV-10 well. Vinccler Venezuela (on behalf of PetroCumarebo) has already permitted and built

locations for a development well and an appraisal well at the Cumarebo Field. In West Falcon, PetroCumarebo is also planning a long-term test of an apparent oil and gas discovery at Los Moroches drilled in 1995 by the previous operator.

Continued re-processing and mapping of the 85-kilometer 2-D seismic program acquired by Vinccler Venezuela in 2005 has delineated several new structural prospects in the area around Cumarebo. These prospects, along with PetroCumarebo's existing prospect portfolio, will be prioritized, permitted and slated for drilling in late 2006 and throughout 2007.

Due to the delay in the incorporation of the joint venture, PetroCumarebo will not be able to spend its complete 2006 capital budget. Management expects the PetroCumarebo 2006 capital budget to be pushed into 2007. The completion of PetroCumarebo's rolling 12-month capital budget of US\$40.7 million is estimated to significantly increase production for the East Falcon Block and West Falcon Block above the present gross level of approximately 3,200 boe/d (40% net to Vinccler Venezuela). Additional financing will be needed to meet the budget requirements in 2007, but funding may not be available on terms and conditions acceptable to the Corporation.

PetroFalcon has filed its interim consolidated financial statements and related Management Discussion and Analysis for the three and nine months ended September 30, 2006, with Canadian securities regulatory authorities on the System for Electronic Document Analysis and Retrieval ("SEDAR"). Copies of the financial statements and related Management Discussion and Analysis of PetroFalcon for the three and nine months ended September 30, 2005, may be accessed electronically on SEDAR at [www.sedar.com](http://www.sedar.com) or at [www.petrofalcon.com](http://www.petrofalcon.com).

PetroFalcon Corporation is a natural resource company currently engaged in oil and gas operations in Venezuela through its wholly-owned subsidiary, Vinccler Oil and Gas, C.A. The Common shares of PetroFalcon trade on the Toronto Stock Exchange under the symbol "PFC".

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*Cautionary Statement regarding Forward-Looking Information*

*Except for statements of historical fact, all statements in this press release, without limitation, regarding the Empresa Mixta, joint ventures, new projects, forecasted production, future plans, objectives and results constitute forward-looking information within the meaning of applicable Canadian securities legislation, which involve risks, uncertainties and assumptions, many of which are beyond our control. All such forward-looking information is based on certain assumptions and analyses made by us in light of*

*our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the circumstances. Actual results, performance or achievements could differ materially from those expressed in, or implied by, such forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits will be derived there from. Except as required by law, PetroFalcon Corporation and its subsidiaries expressly disclaim any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise. The forward-looking information contained herein is expressly qualified by this cautionary statement.*