



Building Value in Venezuela

FOR IMMEDIATE RELEASE.

**PETROFALCON CORPORATION ANNOUNCES ITS FIRST QUARTER 2006
INTERIM FINANCIAL STATEMENTS, THE CORPORATION'S AGREEMENTS
WITH PDVSA AND UPDATE ON OPERATIONS.**

CARACAS, May 15, 2006 - PetroFalcon Corporation ("PetroFalcon" or the "Corporation") released its interim consolidated financial statements and related Management's Discussion and Analysis for the three months ended March 31, 2006, and 2005. For the three months ended March 31, 2006, the Corporation reported net loss of US\$1,180,680 (loss per share of US\$0.02) compared to net income of US\$621,827 (earnings per share of US\$0.01) for the three months ended March 31, 2005. The loss for the three months ended March 31, 2006, includes the final tax settlement for the period December 31, 2001, to December 31, 2004, reached during the first quarter of 2006 with the Venezuelan Tax Authorities regarding the tax assessments received by the Corporation's wholly own subsidiary Vinccler Oil and Gas, C.A. ("Vinccler Venezuela") in late 2005. The final settlement includes (i) additional income tax expense of US\$542,389, and (ii) an interest charge of US\$236,977 in addition to the income tax expense. In addition, the Corporation incurred higher operating expenditures during the three months ended March 31, 2006, due to the commencement of natural gas production and compression for delivery at the La Vela Field as well as greater oil trucking charges.

As at March 31, 2006, the Corporation had working capital of US\$5,304,684 compared to working capital of US\$10,287,642 on March 31, 2005. Production for the three months ended March 31, 2006, was 106,394 barrels of oil equivalent ("boe") as compared to 82,562 boe for the same period in 2005. Boes 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. The average price received was US\$39.08 per barrel ("bbl") of oil and 1.33 per thousand cubic feet ("mcf") of natural gas for a combined average price received of \$29.41 per boe, as compared to US\$30.83 per bbl of oil for the same period in 2005.

As previously announced, during the three months ended March 31, 2006, Vinccler Venezuela completed the acquisition of West Falcon Samson Hydrocarbons, SRL (“WFSH”) which operated and held 100% of the West Falcon Block adjacent to the Corporation’s East Falcon Block. The Corporation did not record revenues from the WFSH acquisition for the three months ended March 31, 2006, as the acquisition closed at the end of the period. The Corporation did record in its consolidated balance sheet the account receivable for WFSH’s first quarter oil and gas revenues in the amount of \$1.4 million.

CONTRACT NEGOTIATIONS UPDATE

On March 31, 2006, Vinccler Venezuela reached initial agreement with the Venezuelan government with respect to its oil and natural gas rights in Venezuela. Vinccler Venezuela signed a memorandum of understanding with Petroleos de Venezuela (“PDVSA”) and its affiliated entity, Corporacion Venezolana de Petroleo (“CVP”), to create a jointly owned entity which would hold all operating rights to the East and West Falcon Blocks (the “Empresa Mixta”). On May 5, 2006, the National Assembly of Venezuela published on its Official Gazette the Accord which authorizes and legalizes the incorporation of the Empresa Mixta and the conversion of the Operating Service Agreements for the East and West Falcon Blocks (“OSA”). The Accord also confirmed Vinccler Venezuela’s 40% proposed ownership of the Empresa Mixta. The Empresa Mixta converts Vinccler Venezuela’s interests in the East and West Falcon Blocks, which were held under Operating Service Agreements, into a single development entity and gives the Empresa Mixta the exclusive right to produce and sell oil and associated natural gas from the two Blocks.

“The approval of the Empresa Mixta by the National Assembly of Venezuela represents an important milestone that strengthens PetroFalcon’s stability in Venezuela,” said Juan Francisco Clerico, Chief Executive Officer of the Corporation.

The written agreement evidencing the Empresa Mixta has not yet been executed and the final agreements have not yet been fully negotiated between the parties, however, Vinccler Venezuela has been advised by PDVSA and CVP that the Empresa Mixta is expected to have an April 1, 2006, effective date. The Corporation has accordingly determined that it is prudent to govern their actions in accordance with the following intended general structure of the Empresa Mixta: (i) the Empresa Mixta will pay a royalty at the rate of 33.3% on oil and natural gas production from the East and West Falcon Blocks; (ii) the Empresa Mixta will have an applicable income tax

rate of 50%; (iii) the Empresa Mixta will have a term of 20 years; (iv) Vinccler Venezuela will receive dividends from the Empresa Mixta on a quarterly basis derived from its 40% holding of the Empresa Mixta; and (v) Vinccler Venezuela will be responsible for 40% of the approved 2006 capital expenditure budget of U.S.\$40.7 million and 40% of the Empresa Mixta's operating costs.

OPERATIONS UPDATE

Current production in the East and West Falcon blocks is 1,250 barrels of oil per day ("bbls/d") and 4 million cubic feet of gas per day ("MMcf/d"). The Corporation has an ongoing comprehensive development and exploitation program designed to increase natural gas and oil reserves, production, earnings, cash flow and net asset value. At the Cumarebo Field, construction of the tie-in between the gas processing facilities and the under construction Interconecion Centro Occidente ("ICO") natural gas pipeline is scheduled to be completed by July, 2006. At that time, the Corporation anticipates that approximately 12 MMcf/d of natural gas and 100 to 200 bbls/d of oil from 5 shut-in wells, will be put on production.

The Corporation has received approval for a total 2006 capital expenditures budget for the Empresa Mixta of U.S.\$40.7 million which includes a Drilling and Workovers budget of U.S.\$28.1 million. This budget includes the drilling of 11 development wells at the La Vela Field, 1 development well and 1 appraisal well at the Cumarebo Field and an exploration well at the West Falcon Block, the 20 million barrels ("bbls") of oil potential Cuarenta Pesos Prospect. The Corporation is currently in the bidding process for a drilling rig and expects to have the Empresa Mixta mobilize and begin drilling in the East Falcon Block by early August 2006. In preparation for drilling at the La Vela Field, 2 large pads are currently being constructed and each pad will accommodate three development well locations. These development locations are offsets to the LV- 10 well which was drilled in 2005 and discovered reserves of 5 million boe and has potential upside of 15 million boe. Tie-in to the nearby La Vela Field Processing Facilities has been planned and incremental production from this developmental program should go on line shortly after well completion. At the Cumarebo Field, one development pad is complete and a second pad is scheduled for completion in September, 2006. At the West Falcon Block the Los Moroches 2-X well, which was drilled in 1996 and tested 9.2 MMcf/d of natural gas and 330 bbls/d of oil, will be re-entered, completed and put on long term production test.

The approved 2006 capital expenditure budget for the Empresa Mixta also includes Processing Facilities and Infrastructure budget for U.S.\$12.6 million. These facilities will include compression and dew point processing equipment allowing the Empresa Mixta to produce oil and natural gas at the La Vela Field from various proven reservoirs for up to 20 MMcf/d of gas and 2,000 bbls/d of oil. At the Cumarebo Field, the Empresa Mixta will also begin expansion and upgrades of existing facilities designed to process 15 MMcf/d of natural gas and 5000 bbls/d of oil . At the West Falcon Block, the Empresa Mixta plans to build a 12 kilometer gas pipeline between Los Moroches Field and the main PDVSA pipeline to initially deliver approximately 6.0 MMcf/d of natural gas and 300 bbls/d of oil by the end of 2006.

The approved 2006 capital expenditures budget represents the gross budget of the Empresa Mixta, 40% of which Vinccler Venezuela is responsible. The Corporation is anticipating a Q4 2006 exit rate of 7,000 boe/d for the Empresa Mixta of which Vinccler Venezuela will have a 40% share.

Upon completion of the 2006 drilling campaign it is anticipated that the same drilling rig will be utilized for continuous drilling into 2007. In preparation for this expectation, 4 high impact exploration and field extension wells are currently in the planning and permitting process. These wells include the San Patricio 3-X well, the re-drill of a well which was drilled in 1943 by Exxon and logged over 100 feet of apparent hydrocarbons and is located just 3 kilometers from the Cumarebo Field facilities; the La Cruz 1-X prospect location which is a 100 million bbls of oil and 300 billion cubic feet of natural gas potential prospect located along the ICO natural gas pipeline route between the Cumarebo and La Vela fields; and the Los Moroches 4-X, which is a field extension offset well contingent upon the Los Moroches 2-X recompletion and long term test.

PetroFalcon has filed its interim consolidated financial statements and related Management's Discussion and Analysis for the three months ended March 31, 2006 with Canadian securities regulatory authorities on the System for Electronic Document Analysis and Retrieval ("SEDAR"). Copies of the financial statements and related Management's Discussion and Analysis of PetroFalcon for the three months ended March 31, 2005 may be accessed electronically on SEDAR at www.sedar.com or at www.petrofalcon.com. PetroFalcon Corporation is a natural resource company currently engaged in oil and gas operations in Venezuela through its wholly owned subsidiaries, Vinccler Oil and Gas, C.A. and West Falcon

Samson Hydrocarbons, S.R.L. 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 therefrom. 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.