



Building Value in Venezuela

FOR IMMEDIATE RELEASE

PETROFALCON CORPORATION: VINCCLER OIL AND GAS, C.A. ANNOUNCES EXECUTION OF CONVERSION AGREEMENT CREATING PETROCUMAREBO JOINT VENTURE

CARACAS, October 2, 2006 - Vinccler Oil and Gas, C.A. (“Vinccler Venezuela”), the wholly-owned subsidiary of PetroFalcon Corporation (the “Corporation”), is pleased to announce the execution of the conversion agreement with Petróleos de Venezuela, S.A. (“PDVSA”) and its affiliated entity, Corporación Venezolana del Petróleo (“CVP”).

As previously announced, Vinccler Venezuela was negotiating with PDVSA and CVP on the creation of a jointly-owned entity (the “Empresa Mixta”) to hold all the operating rights to the West Falcon Block and the East Falcon Block. On September 29, 2006, the final conversion contract was executed creating the Empresa Mixta, Petrocumarebo.

Juan Francisco Clerico, the Corporation’s Chairman and CEO, said, “We are very happy to conclude our negotiations in the transition of the former operating service agreements to the new Empresa Mixta. This stabilizes and strengthens our position in the oil and gas business in Venezuela, and we look forward to substantially increasing Petrocumarebo’s production as an equity partner with PDVSA.”

The transition to the Empresa Mixta converts Vinccler Venezuela’s interests in the East Falcon Block and the 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 two blocks.

The final contract relating to the Empresa Mixta was executed in accordance with the Memorandum of Understanding (“MOU”) signed on March 31, 2006, between Vinccler Venezuela and PDVSA/CVP, confirming the following general structure for Petrocumarebo:

- The effective date of Petrocumarebo is April 1, 2006
- Petrocumarebo will pay a royalty of 33.3% on oil and natural gas production
- Petrocumarebo will have an applicable income tax rate of 50%
- Petrocumarebo will have a term of 20 years

- Vinccler Venezuela will receive dividends from Petrocumarebo in US dollars on a quarterly basis derived from its 40% participation
- Vinccler Venezuela will be responsible for 40% of Petrocumarebo's approved 12-month capital expenditure budget of \$40.7 million and 40% of the operating expenses

Petrocumarebo plans to mobilize a drilling rig in the La Vela Field this month 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. The Empresa Mixta is also permitting and building locations for a development well and an appraisal well at the Cumarebo Field, targeting proven natural gas reservoirs, as well as proven, probable and possible oil reserves. In addition, Petrocumarebo is permitting locations in West Falcon for an exploration well and a development well, subject to a successful long-term test of an apparent discovery drilled in 1995 by Samson.

Outside of Petrocumarebo, Vinccler Venezuela was one of 13 companies to recently purchase the "Delta Caribe" technical information package from the Ministry of Energy and Petroleum ("MENPET"). Vinccler Venezuela is now evaluating the data for possible participation in a bidding consortium to develop offshore natural gas production in the La Blanquilla and Punta Pescador areas.

In the Gulf of Venezuela, Vinccler Venezuela holds an exclusive option on the 500,000-acre Castilletes NE II Block. Offsetting operator Gazprom will commence 3-D seismic work on the Urumaco I Block in the fourth quarter of 2006. Repsol and ENI are scheduled to 3-D the Cardon IV Block in the second quarter of 2007. Vinccler Venezuela is waiting on notification from MENPET to exercise its option to a gas license on the Castilletes NE II Block.

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 Hydrocarbons, S.R.L. The Common shares of PetroFalcon trade on the Toronto Stock Exchange under the symbol "PFC".

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Forward-looking statements: Except for statements of historical fact, all statements in this press release, without limitation, regarding new projects, acquisitions, future plans and objectives are forward-looking statements that involve risks and uncertainties. There can be no assurance that such statements will prove to be accurate; actual results and future events could differ materially from those anticipated in such statements.