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## RALLY ENERGY UPDATES ON PAKISTAN DRILLING

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**Contact:** Abby Badwi, President & CEO  
Douglas Urch, Vice President, Finance & CFO

**Tel:** (403) 538-0000  
**Fax:** (403) 538-3705

“RAL”-TSX Exchange “RLE”-Frankfurt Stock Exchange

[www.rallyenergy.com](http://www.rallyenergy.com)

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Rally Energy Corp. would like to provide the following update on its development drilling well at the Safed Koh concession in Pakistan. After setting surface casing at 200 meters in the Dewan-5 development well, severe mud losses and emission of minor amounts of H<sub>2</sub>S gas were encountered while drilling below the surface casing. These unforeseen circumstances caused drilling progress delays, and combined with the drill pipe being stuck in the hole, it was decided to plug and abandon the well at shallow depth.

A new well design and mud system is currently being recommended and the well will be re-drilled on the same structure close to the original well bore. We expect to spud the new location shortly.

Re-drilling this well will not have any effect on the startup timing for first gas production from the existing two wells. The operator advises that production from the Salsabil gas plant is expected to commence during the second quarter of 2007, upon finalizing the Gas Price Agreement pursuant to the newly released 2007 Petroleum Policy.

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*Based in Calgary, Alberta, Canada, Rally Energy is an oil and gas exploration, development and production company. The Corporation's primary area of operation is in Egypt, where it has a 100% operating interest in the Issaran oilfield, a significant heavy oil development opportunity with strong growth potential. In Pakistan, the Corporation holds a 30% interest in the Safed Koh Block, where it is participating in the development of a large natural gas/condensate discovery.*

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### **FORWARD-LOOKING STATEMENTS**

*Except for statements of historical fact, all statements in this news release - including, without limitation, statements regarding production estimates, potential reserves and future plans and objectives of Rally - are forward-looking statements that involve various 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. Important factors that could cause actual results to differ materially from anticipated results include risks and uncertainties most of which are beyond Rally's control such as: risks relating to estimates of reserves and recoveries; production rates and operating cost assumptions; development risks and costs; the risk of commodity price and currency fluctuations; general economic and industry conditions; political and regulatory risks; environmental risks; stock market volatility; access to sufficient capital from internal and external sources; and other risks and uncertainties as disclosed under the heading "Risk Factors" and elsewhere in Rally's documents filed from time-to-time with the Toronto Stock Exchange and other regulatory authorities. The reader is cautioned that assumptions used in the preparation of such information, while considered reasonable by Rally at the time, may prove to be incorrect. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.*

*The TSX has neither approved nor disapproved of the contents of this news release.*