



February 15, 2007

Rally Energy Reports 104 Million BOE Proved and Probable Oil and Gas Reserves and Provides Operational Update

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Rally Energy Corp. is pleased to announce a 129% increase during 2006 of its total Proved and Probable Reserves to 104 million barrels of oil equivalent (“BOE”) with 91.7 million barrels of oil recognized in the Issaran Field, Egypt and 12.7 million BOE in the Salsabil Field, Pakistan. The Appraisal Report, prepared by the Corporation’s independent reserves evaluator, DeGolyer and MacNaughton Canada Limited (“D&M”), indicates future cash flow value assigned to the reserves, discounted at 10%, is \$538 million. D&M recognizes an additional 41 million BOE of Possible Reserves for a total 10% discounted value of \$582 million. The Corporation currently has 101 million shares outstanding; 110 million shares on a fully diluted basis. At December 31, 2006 net debt was approximately \$21 million.

Summary of Proved and Probable Reserves

	MBOE 2006	MBOE 2005	% Change	Remarks
<u>EGYPT</u>				
Total Proved	33,775	10,038	236%	Produced 1,633 MBBLs in 2006 (4,474 BOPD)
Total Probable	57,883	25,233	129%	
Total 2P	91,658	35,271	160%	
<u>PAKISTAN</u>				
Total Proved	10,801	8,328	30%	Increased by acquisition of additional 7.5% interest
Total Probable	1,897	1,451	31%	
Total 2P	12,698	9,779	30%	
<u>CANADA</u>				
Total Proved	12	278	-96%	Produced 46 MBOE in 2006 (127 BOE/D)
Total Probable	18	337	-95%	Properties sold in 2006, Gold Creek retained
Total 2P	30	615	-95%	
<u>TOTAL COMPANY</u>				
Total Proved	44,588	18,644	139%	
Total Probable	59,798	27,021	121%	
Total 2P	104,386	45,665	129%	

All amounts represent the Corporation’s working interest before royalties and related burdens; BOE is based on a conversion rate of six thousand cubic feet of natural gas to one barrel of oil.

EGYPT

At the Corporation's Issaran Field, recognized "oil-in-place" volumes increased from 520 million to 713 million barrels with an estimated 91.7 million barrels of recoverable proved and probable reserves. The largest part of the recoverable reserves increase was attributed to probable reserves assigned to thermal recovery.

Rally Energy is the first operator to utilize Cyclic Steam Stimulation ("CSS") in Carbonate Dolomite rocks in Egypt. The Corporation initiated the first Issaran CSS pilot in April 2004 from one well and two additional wells were drilled in December 2005. An expansion of seven CSS wells was completed in the fourth quarter of 2006 for a current total of ten CSS wells and an observation well. Results to date indicate that the Issaran CSS program is executing according to plan with three CSS wells producing an average 230 BOPD. These rates are limited by available pumping equipment that will be replaced by larger thermal rated pumps to be delivered in April. Production data from the seven new CSS wells will become available over the next several months.

Considering early results of the Issaran CSS program and anticipating large capital requirement and logistical challenges required to develop the field, the Corporation is proceeding with phased commercial development using a staged drilling and associated facilities construction. This approach will also allow collection of the necessary data required to confirm ongoing production history match from existing and new CSS wells with the engineering model controlling the development.

Issaran Operations Update

Average production during 2006 in Egypt was 4,474 BBLS/D. 24 conventional Nukhul wells drilled during the year resulted in 24 successful oil wells. The Issaran field average oil price for 2006 was US\$39.09 per barrel, a 32% increase over the 2005 average price of US\$29.57 per barrel. This field price represents 60% of the corresponding Brent oil price. 30 Nukhul locations are planned for 2007.

During the fourth quarter 2006, the Corporation completed drilling of seven Upper Dolomite steam wells in stage one of its CSS thermal expansion program. Steam injection in one of the seven CSS wells began early in 2007 with the existing 20 MMBTU/D steam unit. The new 50 MMBTU/D steam unit is on location and will begin generating steam for the remaining six CSS wells at the end of this month. The steam unit will utilize natural gas from a newly commissioned reduction station, at the current domestic gas price of US\$1.25/MCF.

30 additional CSS wells and associated facilities are currently planned in 2007 and 50 more CSS wells in 2008. More than 600 CSS wells and related thermal facilities are planned over a five year period at a budgeted cost of \$326 million.

Construction of the 6,000 BOPD Central Production Facility at the Issaran Field is almost complete and is scheduled to commence operations on April 1st. During 2006, the Issaran Field operations, health, safety and environment standards have been improved immensely and are conforming to Egyptian and Canadian standards.

PAKISTAN

The 30% addition to proved and probable reserves in Pakistan is the result of the Corporation increasing ownership to 30% in the Safed Koh Concession through the acquisition of an additional 7.5% interest. This strategic acquisition, finalized in October 2006 at a cost of \$3.20/BOE for proved and probable reserves, increases the Corporation's exposure to large prospective deeper untested zones in the Salsabil Field and to two large gas prospects at Afiband and Zindapir located immediately south of the Salsabil Field.

Pricing

Latest communications with Pakistan government authorities indicate that the gas pricing agreement will now be subject to the proposed 2007 Petroleum Policy currently awaiting cabinet approval. The gas price under the proposed policy is expected to be US\$3.47/MCF.

Safed Koh Operations Update

Construction of the pipeline and gas plant is in final stages of completion. The operator intends to start first gas production on March 21 at a rate of 15 to 20 MMCF/D (Net 4.5 to 6.0 MMCF/D) from two wells increasing to 60 MMCF/D (Net 18 MMCF/D) by July 2007 following the drilling of a third development well scheduled to spud next month. The well is also designed to penetrate the deeper untested prospective zones of the Salsabil Field. The new drilling rig ZP900 arrived in Pakistan last week and is currently being mobilized to the Salsabil Field.

The Afiband and Zindapir structures will be tested through drilling of two high impact exploration wells with the first well scheduled to spud in July 2007 and the second in early 2008.

CANADA

The Corporation completed the sale of the majority of its Canadian assets in December 2006. The Gold Creek property was excluded from the sale and Rally will consider its disposition during 2007.

CORPORATE PRODUCTION

Corporate production exit rate for 2006 was 6,350 BOPD.

Based in Calgary, Alberta, Canada, Rally Energy is an oil and gas exploration, development and production company. The Corporation's primary area of operations 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.

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