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## **RALLY ENERGY ANNOUNCES DETAILS OF ITS THREE YEAR GLOBAL DEVELOPMENT PLAN**

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

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Rally Energy Corp. has received approval from its partners in Egypt and Pakistan for its Three Year Global Development Plan (“the Plan”). The Plan establishes clear development objectives for the Corporation’s core assets in the Issaran Oilfield in Egypt, for the Rodho gas discovery at Safed Koh in Pakistan, and for the Corporation’s production base in Canada.

The Plan establishes baseline performance forecasts for 2005, 2006, and 2007 (“the Period”). Capital expenditures of \$70 million are budgeted for the Plan: \$55 million in Egypt, \$7 million in Pakistan and \$8 million in Canada.

It is expected that this capital program will meet or exceed the following exit production target rates:

- 4,000 BOE/D in 2005,
- 6,890 BOE/D in 2006, and
- 8,420 BOE/D in 2007.

The Plan is targeting recovery of 6 million BOE during the Period. These newly proved-up reserves are in addition to the Corporation’s existing 8 million BOE of proved and probable reserves reported at year-end 2004. The new reserves additions are based on internally generated estimates assigned to each new well drilled.

### **EGYPT**

The Plan anticipates the drilling of seven vertical wells and one horizontal well during the last half of 2005 and a total of 28 vertical and eight horizontal wells will be drilled in 2006 and 2007. Average baseline production estimates for 2005, 2006 and 2007 are forecast to be 2,660, 4,490 and 5,990 BOPD respectively. Completion of the pilot steam assisted program, commencement of a second pilot and expansion plans for commercial thermal development, if warranted, are included in the Plan. Field production optimization program expenditures and results are also included.

## **PAKISTAN**

Stimulations and testing of the first two Rodho gas discovery wells will commence in the fourth quarter of this year. Tie-in operations and drilling of two additional gas wells, one on the Rodho structure and one on the Afiband structure are scheduled during the Plan Period. The Corporation and its partners have agreed to consider acceleration and amendments to the Plan depending on performance of these four wells and may drill additional wells in 2007. Average production targets for 2006 and 2007 are forecast to be 9.7 MMCF/D (2.2MMCF/D Net) and 24.3 MMCF/D (5.5MMCF/D Net).

## **CANADA**

Three wells are planned for the Harmattan and Valhalla areas for the remainder of 2005 and five wells are scheduled for 2006 and 2007. The average production target contained in the Plan for Western Canada is forecast to be 210 BOE/D in 2005, 740 BOE/D in 2006 and 1,040 BOE/D in 2007.

## **CAPITAL PROGRAM FUNDING**

It is expected that a major portion of the Corporation's capital program will be funded from cash flow. In addition, several financing alternatives are being considered to supplement the funds required to implement the Plan.

In anticipation of a low debt to cash flow forecast ratio of 0.5 in 2005 and 0.3 in 2006, a senior debt financing facility is our primary alternative. However, our preference is based on an assumption that achievable facility costs will be reasonably priced, and will include standard covenants and security provisions. Alternate forms of financing are also being assessed at this time with the objective of maximizing shareholder value and minimizing dilution.

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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 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 22.5% interest in the Safed Koh Block, where it plans to participate in the development of large natural gas/condensate discoveries. In Canada, Rally Energy is active in Alberta and Saskatchewan with varied working interests in several producing properties.

### *FORWARD-LOOKING STATEMENTS*

*This press release may contain forward-looking statements including expectations of future production, cash flow and earnings. These statements are based on current expectations that involve a number of risks and uncertainties, which could cause actual results to differ from those anticipated. These risks include, but are not limited to: the risks associated with the oil and gas industry (e.g. operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), commodity price, price and exchange rate fluctuation and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. Additional information on these and other factors that could affect the Corporation's operations or financial results are included in the Corporation's reports on file with Canadian securities regulatory authorities: [www.sedar.com](http://www.sedar.com).*

*The TSX Venture Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of this release.*