

Petro-Reef Resources reports continued drilling success at Alexander

Calgary, Alberta, July 27, 2006 – Petro-Reef Resources Ltd. (TSX-V:PER) a junior oil and gas company operating in Alberta, is pleased to provide an update of its successful drilling and re-entry program at Alexander, Alberta.

Petro-Reef's October 2005 natural gas discovery at 12-28 is currently producing at 2.16 million cubic feet of natural gas per day (306 barrels of oil equivalent per day net to Petro-Reef). Based on current production levels and commodity prices, Petro-Reef expects to retain its 84% interest in the well until October 2006. At that time, Petro-Reef's interest will revert to 34% when revenue from the well reaches 400% of drilling and completion costs plus 200% of equipping and tie-in costs. As stated on June 14, 2006, the 12-28 well is the only well in Petro-Reef's drilling program that features a working interest agreement of this kind.

Production tests on two offsetting wells in the same zone as the 12-28 are now complete at 12-33 (two kilometres north) and 11-27 (two kilometres east). Based on the results, the 12-33 and 11-27 are expected to produce 2.5 MMcf/d of natural gas plus 30 barrels per day of oil (447 BOE/d). The company's interest in these two wells is 54%, or 241 BOE/d. Petro-Reef expects to tie in these wells and bring them on stream by August 10, 2006. Based on the success of the offsetting wells, the company plans to drill two more wells in the same reservoir at the end of August and beginning of September 2006 at 8-29 (one kilometre southwest) and 14-20 (2.1 kilometres southwest).

A re-entry well announced on June 14, 2006 at 6-1 has been on stream for 83 days and continues to produce 35 to 38 barrels of oil per day with 80 Mcf/d of natural gas. At Petro-Reef's 44% interest, net production is 22 BOE/d. By early August 2006, the company plans to re-enter a well at 11-14 (3.7 kilometres to the northwest) to conduct a production test in the same oil zone. Petro-Reef's interest in the 11-14 is 50%.

A well announced at 5-31 on June 14, 2006 continued to flow as an oil well until July 24, 2006 with production rates after 65 days of production of 377 Mcf/d of natural gas and 35 barrels per day of crude oil. With a 64% interest in the well, net production to Petro-Reef has been 63 BOE/d. On July 25, 2006, the company started remedial work to complete and place the up-hole zone on stream. This is expected to occur within two weeks. If required, the well will be placed back on stream with a pump.

An offset well was re-entered in July 2006 at 14-30 (one kilometre south), and was perforated and fracture stimulated, yielding initial production rates of up to 1.1 MMcf/d of natural gas (183 BOE/d). Petro-Reef has a 54% interest in the well. Net production to Petro-Reef is 99 BOE/d. Completion tests will continue for 10 to 14 days.

In mid August, Petro-Reef plans to drill a well at 2-1 (1.4 kilometres northwest) as an offset test to the 5-31 oil and gas zone. A farmout agreement provides Petro-Reef with an 84% interest in the 2-1 well.

Petro-Reef has completed two other wells since June 14, 2006 at 16-30 and 1-31, resulting in two natural gas wells testing at a combined rate of 1.5 MMcf/d of natural gas (250 BOE/d). Petro-Reef has an interest of 34% in the 16-30 well and 54% in the 1-31 well. Net to Petro-Reef at an anticipated production rate of 900 Mcf/d is 61 BOE/d.

In addition to the aforementioned wells, Petro-Reef is in the process of licencing two new exploratory wells to be drilled between the end of August and mid September 2006.

Rig availability and commodity prices permitting, the company expects to drill up to 25 wells (12.5 net) in 2006, including the 9 wells (5 net) drilled to date and the six wells currently being licenced.

By the end of August 2006, Petro-Reef expects its net production to exceed 800 BOE/d. Based on the success of recent drilling and the potential of the next six wells, Petro-Reef now expects to achieve its 2006 exit production target of between 1,100 and 1,550 BOE/d ahead of schedule.

Forward-Looking Statements: All statements, other than statements of historical fact, set forth in this news release, including without limitation, assumptions and statements regarding reservoirs, resources and reserves, future production rates, exploration and development results, financial results, and future plans, operations and objectives of the Corporation are forward-looking statements that involve substantial known and unknown risks and uncertainties. Some of these risks and uncertainties are beyond management's control, including but not limited to, the impact of general economic conditions, industry conditions, fluctuation of commodity prices, fluctuation of foreign exchange rates, environmental risks, industry competition, availability of qualified personnel and management, availability of materials, equipment and third party services, stock market volatility, timely and cost effective access to sufficient capital from internal and external sources. The reader is cautioned that assumptions used in the preparation of such information, although considered reasonable by the Corporation at the time of preparation, may prove to be incorrect. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements.

Reference is made to barrels of oil equivalent (BOE). Barrels of oil equivalent may be misleading, particularly if used in isolation. In accordance with National Instrument 51-101, a BOE conversion ratio for natural gas of 6 Mcf: 1bbl has been used, which 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 TSX Venture Exchange does not accept responsibility for the adequacy or accuracy of this news release.

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