

## **Petro-Reef Resources Ltd. encounters three potential hydrocarbon zones at 3-7 in Alexander**

**Calgary, Alberta, September 25, 2006** – Petro-Reef Resources Ltd. (TSX VENTURE:PER) announces that it has encountered natural gas in two potential zones as well as crude oil in another potential zone in its recently drilled well at 3-7. The 3-7 well is located 4.8 kilometres northwest of Petro-Reef's October 2005 natural gas discovery in the well at 12-28 in the Alexander area of Alberta. The 3-7 was exploratory and was being drilled on a new structure.

Weather permitting, the well at 3-7 will be production tested in the next two to three weeks to confirm the commercial potential of the two natural gas zones. Petro-Reef expects to drill the oil zone at a later date. The drilling rig will be moved to 2-1 and is expected to begin drilling within three days. The 2-1 is a step-out well from producing wells at 6-1 and 5-31. The 2-1 well will help Petro-Reef determine the extent and boundaries of the producing formation.

In other news, on September 19, 2006 a director exercised a 50,000 share stock option. This option was replaced effective September 20, 2006 by a grant of up to 50,000 options under the corporation's Incentive Stock Option Plan. The options will vest over one year and expire five years from the date of the grant. The closing trading price for Petro-Reef shares on September 19, 2006 was \$1.05. As a result, the exercise price for the new grant has been set at \$1.05. Immediately prior to this grant the company had 2,070,000 stock options outstanding with an average exercise price of \$0.84 per share. With this grant there will be 2,120,000 stock options outstanding.

Petro-Reef Resources Ltd. is a Calgary-based junior oil and gas company focused on petroleum and natural gas lease acquisition and exploration, and development of crude oil and natural gas properties in Alberta, Canada.

**Forward-Looking Statements:** All statements, other than statements of historical fact, set forth in this news release, including and 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 forwardlooking 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.

The TSX Venture Exchange does not accept responsibility for the adequacy or accuracy of this news release.

**For further information, please contact:**

Joseph Werner                      or  
President and CEO

Theodore M. Donhuysen  
Vice-President Exploration and Production, and COO

Petro-Reef Resources Ltd.  
2020, 800 – 5<sup>th</sup> Avenue S.W.  
Calgary, Alberta T2P 3T6  
Telephone (403) 265-6444  
Facsimile: (403) 264-1348  
E-mail: [info@petro-reef.ca](mailto:info@petro-reef.ca)  
Web Site: [www.petro-reef.ca](http://www.petro-reef.ca)

or

Geoffrey Vanderburg  
Iradesso Communications Corp.  
(403) 503-0144 ext. 203  
[gvanderburg@iradesso.com](mailto:gvanderburg@iradesso.com)