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Market Release (via electronic lodgement)

PADRE ISLAND UPDATE

The Board of Golden Gate Petroleum is pleased to announce that operations to drill an appraisal well on the Dunn Deep structure have started. The rig is being moved to the LaPlaya drilling pad and the well is expected to spud by the end of the week. The well will be called Well #2 Mid Frio Unit #2 and has a planned total depth of 10,465 feet (measured depth). Drilling is expected to take approximately 35 days.

The purpose of the well is to appraise the MT35 reservoir that has been producing at more than 4.5 million cubic feet of gas per day from the LaPlaya deep well. The Dunn Deep trap is Stratigraphic in nature and its size cannot be determined from the 3D seismic. This well will assist in delineating the field as well as having the potential to accelerate production and cash flow. In addition to the MT35 reservoir there are a number of thinner shallower objectives that may be productive.

Subject to the final execution of agreements Golden Gate has farmed out a total 15% working interest in the well to two other parties. To earn their 15% interest the parties will pay 20% of the drilling costs to final casing point. Golden Gate will retain a 20% working interest paying 15% of the drilling costs.

In a recent development a dispute has arisen between BNP Petroleum Corporation LLC ("BNP") and Golden Gate's Texas subsidiary, Kindee Oil and Gas ("Kindee"). Under a drilling agreement covering Kindee's 2006/2007 drilling program BNP had the right and obligation to drill a Manzano well to a depth of 10,500 feet. If no commercial hydrocarbons were encountered to that depth BNP could elect to hand the well over for the sum of \$6 million to enable the deepening of the well to 15,000 feet testing the deep prospects. For a variety of reasons BNP did not meet its obligation and drill the well within the required period. Kindee advised BNP that the rig would be released at the end of its contract on 31 July 2007 and that marked the end of Kindee's 2006/2007 drilling program. Since BNP had not drilled the Manzano well within the required period the arrangements had expired and would have to be renegotiated. BNP responded by seeking injunctive relief from the court in order to force Kindee to continue the arrangement. Kindee believes the lawsuit is without merit and will vigorously contest the claim. In the unlikely event that BNP is successful the outcome for Golden Gate is that it will be forced into the drilling of the Manzano well. Kindee is preparing its response to the BNP claim.

On behalf of the
Board of Directors

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