



NEWS RELEASE

May 15, 2008

Orleans Energy Announces Record First Quarter 2008 Results

Calgary, Alberta - Orleans Energy Ltd. (“Orleans” or the “Company”) (TSX Venture: OEX) is pleased to announce record results for the three month period ended March 31, 2008. Highlights of Orleans strongest quarterly performance to-date is outlined as follows:

Financial Highlights	Three Month Period Ended,		
	March 31, 2008	March 31, 2007	% Change
(6:1 oil equivalent conversion)			
(amounts in Cdn.\$ except share data)			
Petroleum and natural gas revenue ⁽⁵⁾	19,036,171	12,187,656	56%
Per share - basic	0.49	0.37	32%
- diluted	0.48	0.36	33%
Cash flow from operations ⁽¹⁾	9,382,715	6,066,434	55%
Per share - basic	0.24	0.18	33%
- diluted	0.24	0.18	33%
Operating netback ⁽²⁾ (\$/boe)	31.02	31.26	(1%)
Corporate netback ⁽²⁾ (\$/boe)	27.24	26.10	4%
Net loss ⁽³⁾	(3,582,219)	(912,767)	292%
Per share - basic	(0.09)	(0.03)	200%
- diluted	(0.09)	(0.03)	200%
Net debt ⁽⁴⁾ - period end	31,158,355	48,403,405	(36%)
Weighted average basic shares	39,035,932	33,148,659	18%
Weighted average diluted shares	39,577,174	33,743,616	17%
Issued and outstanding shares ⁽⁶⁾	44,596,372	33,148,659	35%
Operating Highlights			
Average daily production:			
Natural gas (mcf/d)	18,070	10,665	69%
Liquids (Oil & NGLs) (bbls/d)	773	805	(4%)
Oil equivalent (boe/d)	3,784	2,583	46%
Average sales price ⁽⁵⁾ :			
Natural gas (\$/mcf)	8.09	8.01	1%
Liquids (Oil & NGLs) (\$/bbl)	81.57	62.07	31%
Oil equivalent (\$/boe)	55.28	52.43	5%
E&D capital expenditures (\$)	15,516,814	10,989,379	41%
Total capital expenditures (\$)	16,206,666	11,417,668	42%

Notes:

- (1) Cash flow from operations does not have any standardized meaning prescribed by Canadian generally accepted accounting principles (“GAAP”). Please refer to the enclosed MD&A for definition of cash flow from operations.
- (2) Operating netback represents average sales price less royalties, operating costs and transportation expenses. Corporate netback represents operating netback less general and administrative costs and interest expense. Both measures are not recognized measures under Canadian GAAP.
- (3) Net loss includes: (i) non-cash income tax reductions and (ii) non-cash unrealized hedging gains or losses from commodity contract settlements. For the three month period ended March 31, 2008, the reported net loss reflects an unrealized loss on commodity contracts associated with the Company’s hedging activities of \$4.39 million.
- (4) Net debt refers to outstanding bank debt plus working capital deficit (excludes current unrealized amounts pertaining to risk management commodity contracts). Net debt is not a recognized measure under Canadian GAAP.
- (5) Petroleum and natural gas revenue and pricing includes realized hedging gains or losses from commodity contract settlements.
- (6) Current common shares outstanding are 45,694,706, reflecting the equity financing over-allotment option exercised April 9, 2008.

First Quarter 2008 Achievements

✓ Record Quarterly Production

Production in the first quarter averaged 3,784 barrels of oil equivalent (“boe”) per day, an increase of 46% over the first quarter of 2007 (2,583 boe per day) and a 21% increase over the preceding fourth quarter of 2007 (3,132 boe per day). Orleans’ strong, quarterly production growth profile is entirely attributable to successful internally-generated drilling activities.

✓ Record Revenue and Cash Flow Generation

Generated petroleum and natural gas revenue of \$19.04 million in the first quarter, an increase of 56% over the corresponding quarter in 2007. Cash flow from operations increased by 55% to \$9.38 million (\$0.24 per fully diluted share).

✓ Strong Internally-Generated “Drill Bit” Performance

Drilled five wells (4.7 net), on an exploration and development capital program of \$15.5 million. Operational momentum continued into the second quarter with one (0.68 net) Kaybob Montney horizontal well drilled and cased and another horizontal well (0.68 net) at Kaybob presently being drilled.

✓ Financial Flexibility

On March 13, 2008, closed a \$25.2 million “bought-deal” equity financing, enabling the Company to expand its 2008 capital expenditures and enhance its financial flexibility. Net debt at March 31, 2008 was \$31.16 million, as compared to a credit facility of \$60 million. Based on an annual review of the borrowing base and facility amount associated with Orleans’ operating credit facility, the Company’s banker recently increased the operating line of credit to \$65 million.

Operations Update

Kaybob, West Central Alberta

The Company’s Kaybob property has been the focal point of growth for Orleans over the past year. The Kaybob asset base has grown from six (4.4 net) sections to 27.5 (25.0 net) via crown land sales and farm-ins. Orleans’ lands are strategically situated in the heart of the prolific Triassic Montney gas fairway, which is characterized by “deep basin”, resource-style, liquids-rich, natural gas prospects. The Company intends to downspace and drill on the majority of its lands with three horizontal wells per section. Based on operational success and enhanced geological mapping, Orleans’ current Montney drilling inventory consists of 30 locations with a potential total inventory of over 50 wells. In just one year of operations at Kaybob, Orleans has grown its production from 70 boe per day to approximately 2,500 boe per day.

In the first quarter of 2008, the Company drilled four (3.7 net) horizontal “Packers Plus” wells, encompassing two (1.7 net) wells on the western acreage block and two (2.0 net) wells on Orleans’ eastern acreage. The two (1.7 net) wells on the western block were drilled from a common lease pad allowing for accelerated tie-in following their completion operations. Multi-stage well bore fractures of 130 and 150 tonnes of total displacement over four and five stages were performed, respectively. The wells were placed on-stream in April 2008 at initial, “flush” gross production rates of 3.7 million cubic feet (“mmcf”) per day (net 590 boe per day) and 3.6 mmcf per day (net 580 boe per day), respectively.

The two (2.0 net) horizontal wells drilled on the eastern lands have been completed and tested. The first well was completed with a seven stage, 160 tonne frac with a tested gas rate of 2.3 mmcf per day (net 383 boe per day). The well will be tied into an existing gas gathering system in the third quarter of 2008. The

second well, drilled on the most south easterly section of Orleans' Kaybob land base south of the Athabasca River, was completed with a five stage, 25 tonne frac and is currently being evaluated.

Utilizing common lease pad drilling, Orleans has been able to conduct drilling operations through spring break-up, a seasonal time period whereby drilling operations are normally curtailed due to municipally-imposed road bans. Thus far in the second quarter of 2008, Orleans has drilled and cased one (0.68 net) additional horizontal well and is presently undergoing drilling operations on another horizontal well (0.68 net), representing the sixth (5.1 net) Kaybob Montney horizontal well drilled to-date in 2008. Both of these wells are expected to be completed through multi-stage fracturing following spring break-up.

In 2008, Orleans intends to drill 11 (9.3 net) horizontal wells on its Kaybob lands, with eight wells targeting the western block and three wells on the eastern block. The Company is very encouraged by the results from its Kaybob drilling operations and its multi-year inventory of "drill ready" Montney locations providing for significant opportunities for visible, long-term production growth.

Pine Creek, West Central Alberta

In the first quarter of 2008, Orleans participated in the completion of a non-operated well (0.50 net) in three separate zones. This well was brought on-stream in March 2008 at an initial, "flush" gross production rate exceeding two mmcf per day (net 167 boe per day). The Pine Creek area is a "deep basin", resource-style gas prone fairway delivering multi-zone, liquids-rich, sweet natural gas in up to seven separate horizons. Orleans has developed an additional 17 to 20 well drilling inventory across its lands, based on approved four wells per section down spacing, and has the ability to commingle and produce multiple stacked formations per single well bore.

Gilby, Central Alberta

In December 2007, the Company drilled a 100% working interest Gilby Edmonton Sand gas well, encountering multiple pay sections. This well was tied in and brought on-stream in January 2008. Also in December 2007, Orleans received approval to drill on reduced spacing, up to four wells per section on 14.5 sections of Company lands, yielding a future drilling inventory of 40 Edmonton Sand wells. Orleans also received approval to drill on reduced spacing in the Mannville, allowing for three wells per section in the Glauconite formation and two wells per section in the Lower Mannville formation, across eight sections of Orleans' acreage. Thus far in 2008, the Company has drilled and cased a 100% working interest well with multi-zone potential in the Edmonton Sand, Ostracod and Ellerslie zones. The well will be completed following spring break-up, and upon success, will be tied into the Company's gas gathering system.

Executive Appointments

Effective May 1, 2008, the Company strengthened its executive team with the promotion of Mr. Mark Stephen from Manager of Operations to Vice-President Operations. Mr. Stephen has been employed with Orleans since April 2007 and has approximately 25 years of experience in supervising and managing oilfield operations with numerous upstream Canadian oil and gas companies. Mr. Stephen will oversee all aspects of Orleans' production and drilling operations.

Additionally, effective May 1, 2008, the Company promoted Mr. Rick Schuster to the position of Executive Vice-President Exploration and Development, in recognition of his invaluable geological, technical and corporate stewardship contributions provided to Orleans since inception in January 2005.

TSX Graduation

The Company has undertaken the process of graduating the listing of its common shares to the Toronto Stock Exchange (“TSX”) from the current TSX Venture Exchange. The listing of Orleans’ common shares on the TSX will provide the Company with access to Canada’s largest stock exchange while enhancing Orleans’ trading liquidity and visibility within the North American capital markets. This graduation process to the TSX is anticipated to be finalized by the end of the second quarter of 2008.

Annual Meeting of Shareholders

The Company will hold its annual general meeting of shareholders on Wednesday, June 11, 2008 at 3:00 p.m. in the McMurray Room of the Calgary Petroleum Club located at 319 - 5th Avenue S.W., Calgary, Alberta, Canada.

Management’s Discussion & Analysis (“MD&A”)

The following discussion is intended to assist the reader in understanding the business and results of operations and financial condition of Orleans Energy Ltd. (the “**Company**” or “**Orleans**”). This MD&A should be read in conjunction with the unaudited interim financial statements for the three month period ended March 31, 2008 and the audited financial statements for the year ended December 31, 2007, available in printed form on request. Unaudited financial and operating information for the three month interim period ended March 31, 2008 (“**Q108**”), in addition to the corresponding comparable quarterly period ended March 31, 2007 (“**Q107**”), are presented within this MD&A commentary.

In this MD&A, production and reserves data is commonly stated in barrels of oil equivalent (“**boe**”) using a six (6) to one (1) conversion ratio when converting thousands of cubic feet of natural gas (“**mcf**”) to barrels of oil (“**bbl**”) and a one-to-one conversion ratio for natural gas liquids (“**NGLs**” or “**ngls**”). Such conversion may be misleading, particularly if used in isolation. A boe conversion ratio of six (6) mcf: one (1) bbl is based on energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

As an indicator of the Company’s performance, the term cash flow from operations or operating cash flow contained within the MD&A should not be considered as an alternative to, or more meaningful than, cash flow from operating activities as determined in accordance with Canadian generally accepted accounting principles (“**GAAP**”). This term does not have a standardized meaning under GAAP and may not be comparable to other companies. Orleans believes that cash flow from operations is a useful supplementary measure as shareholders and/or investors may use this information to analyze operating performance, leverage and liquidity. Cash flow from operations, as disclosed within this MD&A, represents cash flow from operating activities before any asset retirement obligation cash expenditures and before changes in non-cash operating activities working capital. The Company presents cash flow from operations per share whereby per share amounts are calculated consistent with the calculation of earnings per share. Please refer to the table, *Reconciliation of Non-GAAP Measures*, contained within this MD&A.

Certain information regarding the Company contained herein may constitute forward-looking statements within the meaning of applicable securities laws. Forward-looking statements may include estimates, plans, expectations, opinions, forecasts, projections, anticipates, guidance or other similar statements that are not statements of fact. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct. These statements are subject to certain risks and uncertainties and may be based on

assumptions that could cause actual results to differ materially from those anticipated or implied in the forward-looking statements. The Company's forward-looking statements are expressly qualified in their entirety by this cautionary statement.

For additional information relating to Orleans, please refer to other filings as filed on SEDAR at www.sedar.com. All amounts are reported in Canadian dollars, unless otherwise stated. This MD&A includes information up to and including May 14, 2008.

Business Overview

Orleans Energy Ltd. is an independent, Alberta-based crude oil and natural gas company actively engaged in the exploration for, development and production of natural gas, crude oil and natural gas liquids reserves within the province of Alberta. Orleans is incorporated under the laws of Alberta and its common shares are publicly listed and presently traded on the TSX Venture Exchange under the trading symbol "OEX". The Company has undertaken the process of graduating the listing of its common shares to the Toronto Stock Exchange ("TSX"). The listing of Orleans' common shares on the TSX will provide the Company with access to Canada's largest stock exchange while enhancing Orleans' trading liquidity and visibility within the North American capital markets. This graduation process to the TSX is anticipated to be finalized by the end of the second quarter of 2008.

As of May 14, 2008, Orleans' market capitalization is approximately \$217 million. Current production is weighted approximately 80% natural gas and 20% light oil and NGLs. The Company's production base is generated from five core producing areas throughout Central Alberta (Gilby and Halkirk/Leo), West Central Alberta (Kaybob and Pine Creek) and the Peace River Arch (Gordondale). Orleans' asset base possesses all the prerequisites for a solid growth platform including: (i) an extensive drilling inventory providing exposure to both light oil and natural gas prospects within a West Central Alberta geographic corridor, (ii) approximately 54,084 acres of high working interest (81%) undeveloped acreage offering geologic play diversity, (iii) a long-life, proved plus probable reserves base at December 31, 2007 of approximately 13.72 million boe with a reserve life index exceeding 10 years and, (iv) an operated production base allowing for year-round access.

Selected Period End and Quarterly Financial Information

(\$000s)	2007 Quarterly Comparison				
	Q407	Q307	Q207	Q107	Q108
Petroleum & natural gas revenue ⁽¹⁾	13,413	11,905	11,635	12,188	19,036
Cash flow from operations	5,625	4,492	5,143	6,066	9,383
Net loss	(2,096)	(3,074)	(128)	(913)	(3,582)
Total assets - period end	203,751	201,795	194,076	191,627	214,024

(\$000s)	2006 Quarterly Comparison			
	Q406	Q306	Q206	Q106
Petroleum & natural gas revenue ⁽¹⁾	11,038	9,777	5,912	5,720
Cash flow from operations	5,461	5,219	3,362	3,177
Net earnings (loss)	(17,006)	(128)	(1,346)	642
Total assets - period end	188,325	192,609	180,598	55,109

(1) Petroleum & natural gas revenue includes realized hedging gains or losses from commodity contract settlements.

The following commentary will assist in providing the reader with factors that have caused variations over the aforementioned quarterly results.

Petroleum and Natural Gas Production

During the first quarter of 2008, Orleans' realized a record level of average daily production of 3,784 boe per day, an increase of 46% over 2,583 boe per day achieved in Q107 and a marked increase of 21% over the preceding fourth quarter 2007 output of 3,132 boe per day. The Company's natural gas sales for Q108 averaged 18,070 mcf per day while crude oil and NGLs production averaged 773 bbls per day, resulting in a commodity weighting of 80% natural gas and 20% percent light gravity crude oil and NGLs. Continued drilling and operational success in the Montney reservoir at Kaybob in West Central Alberta was the catalyst to the robust production levels achieved in Q108.

Average Daily Production	Natural Gas (mcf/d)	Crude Oil & NGLs (bbls/d)	Oil Equivalent (boe/d)
Q105	1,404	325	559
Q205	2,385	435	832
Q305	3,231	662	1,200
Q405	4,160	685	1,378
Q106	3,426	576	1,147
Q206	4,334	552	1,274
Q306	8,349	789	2,181
Q406	9,428	809	2,380
Q107	10,665	805	2,583
Q207	10,673	682	2,460
Q307	14,002	668	3,002
Q407	14,655	689	3,132
Q108	18,070	773	3,784

Q108 Production by Area	Natural Gas (mcf/d)	Crude Oil & NGLs (bbls/d)	Oil Equivalent (boe/d)
Halkirk/Leo	1,863	368	678
Gilby/Medicine River	3,058	158	667
Pine Creek	1,460	34	277
Kaybob	10,229	199	1,904
Pembina	1,285	11	226
Gordondale/Grimshaw	175	3	32
Q108	18,070	773	3,784

Petroleum and Natural Gas Revenue and Commodity Pricing

Orleans' petroleum and natural gas sales may vary significantly from period-to-period as a result of changes in commodity prices and/or production volumes. The Company's commodity prices are driven by the prevailing worldwide price for crude oil, spot prices applicable to its natural gas production, and many other factors beyond its control. Historically, these prices have been volatile and unpredictable. Presently, world oil prices are at record levels. Robust world demand for oil and a weak U.S. dollar have fuelled the precipitous rally in oil prices. On the natural gas pricing side of things, lower than anticipated North American natural gas storage levels at the end of the 2007/2008 heating season (March 31), in conjunction with the aforementioned very bullish crude oil price environment, continue to provide support for a positive natural gas price outlook.

Orleans takes the majority of its working interest production "in kind" and it is marketed and sold through various commodity purchasers. Orleans' crude oil is marketed under a short-term evergreen contract with a major North American crude oil marketer and purchaser. Orleans' crude oil has an average stream

gravity of approximately 35° to 39° API. A majority of the Company's natural gas is sold as spot gas through a significant North American natural gas marketer.

Orleans' crude oil price, including the effect of realized commodity contract settlements, averaged \$81.43 per barrel in the three month period ended March 31, 2008, an increase of 25% from the oil price of \$65.37 per barrel realized in Q107. The Company's natural gas price realization in Q108 was marginally higher than the previous comparable Q107 of \$8.01 per mcf, averaging \$8.09 per mcf in Q108.

Orleans' total petroleum and natural gas revenue for the three month period ended March 31, 2008 amounted to \$19.04 million (including the effect of realized risk management commodity contract settlements), representing a 56% increase from the corresponding first quarter 2007 sales amount of \$12.19 million. Increased production volumes in concert with higher oil prices were the primary reasons for higher realized revenues in Q108 vis-à-vis Q107.

(\$000s)	Q108	Q107	% Change
(includes realized commodity contract settlements)			
Crude oil and NGLs	5,736	4,497	28
Natural gas	13,300	7,691	73
Petroleum and natural gas revenue	19,036	12,188	56

Commodity Price Risk Management

The prices the Company receives for its crude oil and natural gas production may have a significant impact on its revenues and cash flow from operations. Any significant price decline in commodity prices would adversely affect the amount of funds available for capital reinvestment purposes. As such, Orleans utilizes a risk management program to partially mitigate that risk and to ensure adequate funds are available for planned capital activities and other commitments. As such, from time-to-time, the Company may employ derivative financial instruments and physical arrangements, primarily commodity price contracts, to manage fluctuations in oil and gas market prices, which are generally put in-place with investment grade counter-parties that Orleans believes present minimal credit risks. The Company does not utilize derivative financial instruments for speculative trading purposes.

Orleans periodically uses swaps and collars to hedge crude oil and natural gas prices. Commodity swaps are settled monthly based on differences between the prices specified in the financial instruments and the settlement prices of futures contracts. Generally, when the applicable settlement price is less than the price specified in the contract, Orleans receives a settlement from the counter-party based on the difference multiplied by the contracted volume. Similarly, when the applicable settlement price exceeds the price specified in the contract, Orleans pays the counter-party based on the difference. The Company generally receives a settlement from the counter-party for collars when the applicable settlement price is less than the floor price specified in the contract and pays a settlement to the counter-party when the settlement price exceeds the cap or ceiling. No settlement occurs when the settlement price falls between the floor and ceiling.

Consequently, Orleans' realized petroleum and natural gas sales are impacted by the settlement of these transactions. The various commodity hedge contracts in-place in Q108 resulted in a realized net loss of \$308 thousand (Q107: \$285 thousand gain), comprised of a \$10 thousand decrease in natural gas revenue (\$0.01 per mcf) and a \$298 thousand decrease in crude oil and NGLs sales (\$4.24 per bbl).

The following table outlines the realized results of the Company's commodity price risk management activities in Q108:

	Q108	Q107
Crude oil gain (loss)	\$ (298,465)	\$ 34,623
Natural gas gain (loss)	(9,590)	250,806
Realized gain (loss) on commodity contracts	\$ (308,055)	\$ 285,429

As further described in Note 3 to the audited financial statements for the year ended December 31, 2007, the Company recognizes the fair value of its commodity contracts on the balance sheet each reporting period with the change in fair value being recognized as an unrealized gain or loss on the statement of operations. On December 31, 2007 the fair value of the commodity contracts was a liability of \$432 thousand. As at March 31, 2008, the fair value of the financial commodity contracts was a liability of \$4.82 million, resulting in an unrealized loss in Q108 of \$4.39 million.

The following table outlines the financial commodity price contracts outstanding during Q108. The Company has not entered into any additional commodity contracts subsequent to March 31, 2008.

Commodity	Contract Date	Type	Term	Daily notional Volume	Index	Price
Crude Oil	Oct. 15, 2007	Swap	Jan '08 - Jun '08	200 bbls	W.T.I.	US\$ 81.56/bbl
Crude Oil	Mar. 3, 2008	Collar	Jul '08 - Dec '08	100 bbls	W.T.I.	US\$ 90.00 - \$116.25/bbl
NatGas	Oct. 18, 2007	Swap	Nov '07 - Mar '08	1,000 GJs	AECO-C	C\$ 6.545 /GJ
NatGas	Oct. 18, 2007	Swap	Jan '08 - Mar '08	1,000 GJs	AECO-C	C\$ 6.71 /GJ
NatGas	Oct. 31, 2007	Swap	Jan '08 - Mar '08	1,000 GJs	AECO-C	C\$ 6.67 /GJ
NatGas	Dec. 18, 2007	Swap	Apr '08 - Dec '08	2,000 GJs	AECO-C	C\$ 6.55 /GJ
NatGas	Jan. 2, 2008	Swap	Apr '08 - Dec '08	2,000 GJs	AECO-C	C\$ 6.81 /GJ
NatGas	Jan. 4, 2008	Swap	Apr '08 - Oct '08	1,000 GJs	AECO-C	C\$ 6.61 /GJ
NatGas	Jan. 7, 2008	Swap	Apr '08 - Oct '08	1,000 GJs	AECO-C	C\$ 6.72 /GJ
NatGas	Jan. 10, 2008	Swap	Apr '08 - Oct '08	1,000 GJs	AECO-C	C\$ 7.01 /GJ
NatGas	Feb. 13, 2008	Collar	Nov '08 - Mar '09	2,000 GJs	AECO-C	C\$ 7.00 - \$9.70 /GJ
NatGas	Feb 14, 2008	Swap	Apr '08 - Oct '08	1,000 GJs	AECO-C	C\$ 7.52 /GJ

The following table highlights Orleans' corporate realized commodity prices as well as market prices:

	Q108	Q107	% Change
Orleans' prices ⁽¹⁾ :			
Natural gas (\$/mcf)	8.09	8.01	1
Crude oil and NGLs (\$/bbl)	81.57	62.07	31
Oil equivalent (\$/boe)	55.28	52.43	5
Industry benchmark prices:			
WTI Cushing oil (US\$/bbl)	97.82	58.09	68
Edmonton Par oil (\$/bbl)	97.24	67.61	44
Nymex gas (US\$/mmbtu)	8.74	7.18	22
AECO gas (\$/mcf)	7.91	7.26	9
Exchange rate (US\$/C\$)	0.9952	0.8534	

(1) Orleans' reported prices include realized hedging gains or losses from commodity contract settlements.

Petroleum and Natural Gas Royalties

Orleans' petroleum and natural gas royalties for the three month period ended March 31, 2008 amounted to \$4.13 million, resulting in a corporate effective royalty rate of 21%. Approximately 76% of Orleans' total royalties for Q108 relate to Crown royalties with the residual 24% attributable to freehold and overriding royalty encumbrances. The royalty rate in Q108 was higher than the rate of 19% realized in Q107 due to a higher weighting of production derived from Crown lands vis-à-vis freehold acreage, specifically with regards to the Company's Kaybob asset base. Typically, effective royalty rates associated with production on Crown lands is higher than that of freehold-based production.

Commencing in 2009, upon legislation enactment, the Company anticipates its total royalty expense will increase as a result of the proposed royalty rate changes announced by the Alberta government. The expected royalty expense increase cannot be accurately quantified at this point in time.

(\$000s)	Q108	Q107	% Change
Crown	3,150	1,508	109
Freehold and overrides	978	780	25
Total royalties	4,128	2,288	80
Corporate royalty rate (%) ⁽¹⁾	21%	19%	

(1) Royalty rate is based on petroleum and natural gas sales, excluding any realized hedging gains or losses from its risk management commodity contracts settlements.

Operating Expenses

Orleans' field operating expenses, on an oil-equivalent per unit basis, are generally impacted by the level of well bore maintenance activity, geographic location of the Company's properties, whether oil and gas is produced, and the underlying commodity price levels. Commodity prices directly affect operating cost elements such as power, fuel and chemicals. The remaining primary components, which include among other things, field labour, services and equipment, are indirectly impacted by high price environments, which drive up activity and demand and therefore, increase costs. All elements of operating expenses have been increasing throughout the oil and gas industry for several years due to industry inflationary pressures.

The Company's total field operating expenditures for the three month period ended March 31, 2008 amounted to \$3.81 million. This was considerably higher, in aggregate, than the \$2.38 million reported in the same quarterly period in 2007, due to increased production and expanded field operations resulting from a greater number of producing wells as compared to Q107. Notwithstanding continued inflationary pressures exerted on Orleans' operating cost profile and the off-lined production at Gordondale for the entire first quarter, the Company's operating costs on a per unit basis were \$11.05 per boe in Q108, 12% decrease from the \$12.57 per boe realized in the preceding fourth quarter of 2007.

At Gordondale, Orleans incurred fixed operating costs throughout Q108 despite the complete curtailment of production from this field due to the main sales gas pipeline being offline since December 18, 2007, thus placing upward pressure on Q108 operating costs. Shut-in production during Q108 at Gordondale inflated the Company's per-unit operating costs by approximately \$0.43 per boe.

	Q108	Q107	% Change
Total (\$000s)	3,806	2,378	60
Per unit (\$/boe)	11.05	10.23	8

Transportation Expenses

The Company incurs transportation costs for its produced commodities once the commodity enters a feeder or main pipeline to the title transfer point. Orleans' cost of transporting and distributing its crude oil and natural gas production during Q108 amounted to \$419 thousand, as compared to Q107 transportation expenses of \$255 thousand. On a unit-of-production basis, transportation costs of \$1.22 per boe in Q108 represented a per unit increase of 11% over Q107. Increased production volumes, supplemented with increased clean oil trucking rates, gas pipeline fuel surcharges and tariffs resulted in transportation cost increases, both on an aggregate and per-unit basis.

General & Administrative Expenses

The Company's general and administrative ("G&A") expenses during the three month period ended March 31, 2008, excluding the non-cash stock-based compensation provision, amounted to \$708 thousand or \$2.06 on an oil-equivalent per unit basis. In comparison, the Company's G&A expenses for Q107 totalled \$540 thousand or \$2.32 per boe of production. Orleans' G&A costs in Q108 increased 31% in absolute dollars and decreased 11% on an oil-equivalent unit basis. The primary factor contributing to the higher aggregate G&A costs in Q108 is the expanded operations and asset base resulting in an increase to Orleans' head office personnel. Orleans employed 16 head office personnel in Q108, including eight geological and engineering technical personnel, and engaged the services of three consultants on a part-time, as needed, basis.

The Company applies the full cost method of accounting for its oil and gas operations. Accordingly, it capitalized employee G&A and associated direct overhead costs of its technical personnel in the amount of \$417 thousand during the three month period ended March 31, 2008 (Q107: \$204 thousand).

(\$000s)	Q108	Q107	% Change
Gross, net operator recoveries	1,125	744	51
Capitalized	(417)	(204)	104
Expensed	708	540	31
Per unit (\$/boe)	2.06	2.32	(11)
% Capitalized	37%	27%	

Stock-Based Compensation

Orleans utilizes the fair value method for measuring stock-based compensation expenses. Compensation cost is measured at the grant date based on the fair value of the option using a Black-Scholes option pricing model and is recognized over the option vesting period. Some of the inputs to the option valuation model are subjective, including assumptions regarding expected stock price volatility. The Company's stock-based compensation relates entirely to the granting of stock options. During the three month period ended March 31, 2008, the Company recorded stock-based compensation expense of \$243 thousand (Q107: \$150 thousand), which was charged to general and administration expense and presented as such on the Company's statement of operations. In Q108, the Company capitalized \$254 thousand of its stock-based compensation charges (Q107: \$174 thousand). As of March 31, 2008, total unrecognized compensation cost of \$2.75 million, related to 2.14 million unvested Orleans' stock options, is expected to be recognized in future periods over the remaining vesting terms.

Interest Charges

During the three month period ended March 31, 2008, the Company incurred \$537 thousand in interest charges relating to its outstanding bank indebtedness. As at March 31, 2008, Orleans had \$20.41 million of bank debt, as compared to \$44.14 million of outstanding bank indebtedness at December 31, 2007. Despite Orleans' exploration and development capital investments exceeding its generated cash flow from operations in Q108, the Company's bank debt decreased in Q108 primarily as a result of the \$25.2 million equity financing closed on March 13, 2008. In addition to bank debt interest incurred in Q108, the Company accrued for the federal government's levied interest charges related to Orleans' July 2007 flow-through financing exploration expenditure deductions, previously renounced under the "look back" rules. In Q108, this interest charge was accrued in the amount of \$56 thousand and will be disbursed in the first quarter of 2009.

(\$000s)	Q108	Q107	% Change
Interest charges	593	660	(10)

Depletion, Depreciation and Accretion

Orleans' depletion and depreciation expense for the three month period ended March 31, 2008 amounted to \$9.29 million. On a unit-of-production rate basis, the depletion and depreciation provision for Q108 was \$26.99 per boe, as compared to the \$28.68 per boe Q107 provision recognized. The depletion and depreciation rate is a useful measure for evaluating finding and development costs on proved reserves basis since the rate generally considers all acquisition, exploration and development capital costs. The rate also considers any additional future development costs associated with proved non-producing reserves. Orleans' ability to efficiently discover and develop proved oil and gas reserves in a cost-effective manner continues to be reflected in its decreasing depletion and depreciation rate provision.

The Company's accretion expense relating to its asset retirement obligations ("ARO") amounted to \$123 thousand for the three month period ended March 31, 2008 (Q107: \$116 thousand).

(\$000s)	Q108	Q107	% Change
Depletion & depreciation ⁽¹⁾	9,293	6,666	39
Per unit (\$/boe)	26.99	28.68	(6)
ARO accretion ⁽²⁾	123	116	6
Per unit (\$/boe)	0.36	0.50	(28)

(1) Includes depletion of the capitalized portion of the asset retirement obligation which was capitalized to the PP&E balance and is being depleted over the life of the Company's proved reserves.

(2) Represents the accretion expense on the asset retirement obligation during the respective three month periods.

Asset Retirement Obligations

As at March 31, 2008, Orleans recorded an ARO of \$5.66 million for estimated future costs to abandon the Company's oil and gas wells and to dismantle and remove associated production facilities, as compared to \$5.45 million at December 31, 2007. For the three month period ended March 31, 2008, the ARO liability increased by a total of \$202 thousand as a result of accretion expense of \$123 thousand and \$79 thousand in liabilities incurred on development drilling activities.

Income Taxes

Orleans follows the asset and liability method of accounting for income taxes whereby future income taxes are calculated based on temporary differences arising from the variance between the tax basis of an asset or liability and its PP&E carrying value. For the three months ended March 31, 2008, the Company recorded a future income tax reduction of \$1.08 million, as compared to a \$166 thousand income tax reduction in the comparable first quarter of 2007.

During the three month period ended March 31, 2008, Orleans was not subject to any current corporate income tax due to the Company's significant tax pool balances, which aggregate to approximately \$175 million. As a result of Orleans' sizeable tax pool position, the Company does not expect to be subject to corporate cash income tax in the foreseeable future. The following table outlines Orleans' tax pools as at March 31, 2008:

	Access Rate	Balance
		(\$ millions)
Canadian exploration expense (CEE)	100%	\$ 24.2
Canadian development expense (CDE)	30%	65.2
Canadian oil and gas property expense (COGPE)	10%	35.1
Undepreciated capital cost (UCC)	25%	43.4
Share issue costs and other	20%	7.1
Total		\$ 175.0

Reconciliation of Non-GAAP Measures

(\$000s except share data)	Q108	Q107
Net loss	(3,582)	(913)
Non-cash items:		
Depletion & depreciation	9,293	6,666
ARO accretion	123	116
Stock-based compensation	243	150
Unrealized loss on commodity contracts	4,390	213
Future income taxes (reduction)	(1,084)	(166)
Cash flow from operations	9,383	6,066
Per share - basic	0.24	0.18

Operating Cash Flow and Net Earnings

The Company's profitability and cash flow generation is primarily a function of commodity prices, the cost to add reserves through drilling and acquisitions and the cost to produce the Company's reserves. In the three month period ended March 31, 2008, Orleans recorded record quarterly cash flow from operations of \$9.38 million (Q107: \$6.07 million) and posted a net loss of \$3.58 million (Q107: \$913 thousand net loss). The unrealized, non-cash loss of \$4.39 million associated with the Company's risk management commodity contracts impaired Orleans' earnings generation capability in Q108.

(\$000s except share data)	Q108	Q107	% Change
Cash flow from operations ⁽¹⁾	9,383	6,066	55
Per share - basic	0.24	0.18	33
Per share - diluted	0.24	0.18	33
Net earnings (loss)	(3,582)	(913)	-
Per share - basic	(0.09)	(0.03)	-
Per share - diluted	(0.09)	(0.03)	-

(1) Cash flow from operations does not have any standardized meaning prescribed by Canadian GAAP and accordingly represents cash flow from operating activities before any asset retirement obligation cash expenditures and before changes in non-cash operating activities working capital. As an indicator of the Company's performance, the term cash flow from operations or operating cash flow contained within should not be considered as an alternative to, or more meaningful than, cash flow from operating activities as determined in accordance with Canadian GAAP.

Capital Expenditures

The Company's capital investments involve exploration, development and acquisition activities, which generally include the following:

- Drilling and completing new natural gas and oil wells;
- Constructing and installing new field production infrastructure;
- Acquiring and maintaining the Company's lease acreage position and its seismic resources;
- Enhancing existing natural gas and oil wells through well-bore re-completions;
- Acquiring additional natural gas and oil reserves and producing properties; and,

- General and administrative costs directly associated with exploration and development activities, including payroll and other overhead expenses attributable solely to the Company's technical employees.

In the three month period ended March 31, 2008, Orleans' total capital investment expenditures amounted to \$16.21 million (Q107: \$11.42 million). In Q108, the Company drilled five (4.7 net) wells and completed five (4.2 net) well bores. Orleans' drilling focus in Q108 was directed towards the continued exploration and development of its Kaybob Montney resource play. A total of four (3.7 net) horizontal gas wells were drilled at Kaybob in Q108. Additionally, the Company drilled and cased a 100% working interest well at Gilby with multi-zone potential in the Edmonton Sand, Ostracod and Ellerslie zones. The well is anticipated to be completed in the second quarter of 2008.

In 2008, the Company is presently budgeted to execute a exploration and development capital expenditure program of approximately \$47 million, excluding any acquisitions capital. The 2008 capital program encompasses the drilling of a total of 16 (14.3 net) operated wells, with an approximate 89% working interest. This includes eleven (9.3 net) horizontal wells at Kaybob targeting the Triassic Montney formation, three (3.0 net) wells at Gilby targeting the Edmonton, Glauconite and Ellerslie formations, and two (2.0 net) wells at Gordondale potentially encountering two new reservoirs.

Orleans' management closely monitors the exploration and development capital program in relation to estimated cash flow from operations. Actual spending may vary due to a variety of factors, including drilling results, natural gas and oil prices, economic conditions, equipment availability, permitting and any future acquisitions. The timing of most of the Company's capital expenditures is discretionary because Orleans does not have any material capital expenditure commitments. Consequently, the Company has a significant degree of flexibility to adjust the level of its capital investments as circumstances warrant. Additionally, to enhance flexibility of the Company's capital program, Orleans typically does not enter into material long-term obligations with any of its drilling contractors or service providers with respect to its operated natural gas and oil properties.

The breakdown of Orleans' capital programs are outlined below:

(\$000s)	Q108	Q107	% Change
Land	77	37	108
Seismic	57	260	(78)
Drilling & completions	13,567	6,728	102
Facilities & well equipment	1,816	3,965	(54)
Exploration & development	15,517	10,990	41
Other ⁽¹⁾	690	428	61
Property purchases	-	-	-
Corporate acquisitions	-	-	-
Total capital expenditures	16,207	11,418	42

(1) Q108 includes capitalized G&A of \$417 thousand (Q107: \$204 thousand) and non-cash capitalized stock-based compensation of \$254 thousand (Q107: \$174 thousand).

Financial Resources and Liquidity

At March 31, 2008, the Company was capitalized with a working capital deficit of \$31.16 million (December 31, 2007: \$48.19 million), including bank debt of \$20.41 million (December 31, 2007: \$44.14 million) and 44.6 million common shares outstanding with a book capitalization of \$159.55 million and a market capitalization of approximately \$167 million.

(\$000)	March 31, 2008	December 31, 2007	% Change
Bank debt	20,411	44,137	(54)
Working capital deficit ⁽¹⁾	10,748	4,052	165
Net debt	31,159	48,189	(35)
Book capitalization ⁽²⁾	159,554	137,732	16
Market capitalization ⁽³⁾	167,236	83,033	101

Note 1: Reflects current assets (excluding non-cash risk management asset) less current liabilities (excluding any outstanding bank debt and non-cash risk management liability).

Note 2: Reflects the book value of share capital, as reported on the Company's respective balance sheets.

Note 3: Based on the market closing price of Orleans' stock and the outstanding number of common shares at period end.

As at March 31, 2008, the Company's revolving demand facility with a major Canadian chartered bank provided for a borrowing base of \$60 million. The borrowing base, which is re-determined semi-annually, represents the amount that can be borrowed from a credit standpoint based on, among other things, the Company's current reserve report, results of operations, current and forecasted commodity prices and the current economic environment, as confirmed by the bank. Based on a recently conducted, annual review of the borrowing base and facility amount associated with Orleans' operating credit facility, the Company's banker has increased the borrowing base of the revolving demand facility to \$65 million, effective May 7, 2008.

At March 31, 2008, the Company had borrowings of \$20.41 million (December 31, 2007: \$44.14 million) under the aforementioned bank facility and was in full compliance with all covenant terms of the credit agreement. Despite Orleans' exploration and development capital investments exceeding its generated cash flow from operations in Q108, the Company's bank debt decreased in Q108 primarily as a result of the \$25.2 million equity financing which closed on March 13, 2008, discussed hereafter.

On March 13, 2008, the Company closed a "bought-deal" equity financing (the "**2008 Financing**"). Pursuant to the terms of the 2008 Financing, the Company issued 7.0 million common shares at a price of \$3.60 per share for total gross proceeds of \$25.2 million.

On April 9, 2008, the Company's over-allotment option associated with the aforementioned 2008 Financing was exercised in full by the underwriters. Pursuant to the 2008 Financing, the Company granted the underwriters an option ("**Over-Allotment Option**"), exercisable for a period of 30 days following the closing of the 2008 Financing, to purchase an additional 1,050,000 common shares (representing 15% of the common shares issued pursuant to the 2008 Financing) at a price of \$3.60 per common share for gross proceeds of \$3,780,000. Orleans intends to use the proceeds of the Over-Allotment Option initially for general corporate purposes. The Company presently has 45.69 million common shares issued and outstanding.

With respect to the asset-backed commercial paper ("**ABCP**") market liquidity issues, which occurred during the third quarter of 2007 in the global credit markets as a result of the deterioration of the U.S. sub-prime mortgage market and resulted in numerous companies, including those within the oil and gas sector, not being able to access their funds when the ABCP became ordinarily due, the Company has never held funds in, nor does it currently hold, ABCP.

In 2008, as in 2007, the Company expects its cash flow from operations to be its primary source of liquidity to meet operating, general and administrative and interest expenses, and fund planned spending on exploration and development capital projects and undeveloped acreage. The aforementioned \$65 million revolving bank credit facility will provide another source of liquidity. The Company anticipates that public capital markets will serve as the principal source of funds to finance any future substantial

corporate acquisitions and/or significant property purchases. Orleans has sold equity securities in the past and the Company expects that this source of capital will be available in the future for acquisition purposes.

Common Share Information

		2007 Quarterly Comparison				2008
		Q407	Q307	Q207	Q107	Q108
Share Price:	High	\$ 3.10	\$ 4.00	\$ 4.55	\$ 4.05	\$ 3.90
	Low	\$ 2.05	\$ 2.54	\$ 3.53	\$ 2.75	\$ 2.20
	Close	\$ 2.21	\$ 2.74	\$ 3.98	\$ 3.70	\$ 3.75
Avg. daily trading volume ⁽¹⁾		90,524	49,887	89,663	64,247	249,132
Shares outstanding - period end ⁽²⁾		37,571,372	37,546,372	33,325,889	33,148,659	44,596,372
Weighted average basic		37,571,100	37,014,430	33,209,828	33,148,659	39,035,932
Weighted average diluted		38,019,052	37,526,046	33,833,429	33,743,616	39,577,174

- (1) The common shares of Orleans commenced trading on the TSX Venture Exchange on January 31, 2005. In 2008, the Company has undertaken the process of graduating the listing of its common shares to the Toronto Stock Exchange ("TSX"). It is anticipated the listing of Orleans' common shares on the TSX will provide the Company with access to Canada's largest stock exchange while enhancing Orleans' trading liquidity and visibility within the North American capital markets. This graduation process to the TSX is expected to be finalized by the end of the second quarter of 2008.
- (2) As of the date of this MD&A, total common shares issued and outstanding are 45,694,706.

Orleans has never paid cash dividends on its common stock. The Company presently intends to retain any earnings for the operation and expansion of its business and does not anticipate paying cash dividends in the foreseeable future. Any future determination as to the payment of dividends will depend upon the results of the Company's operations, capital investment requirements, Orleans' financial condition and such other factors the Company's board of directors may deem relevant. In addition, the Company is restricted under its bank credit facility from paying or declaring cash dividends.

Contractual Obligations and Commitments

In the normal course of business, the Company has entered into various commitments that will have an impact on Orleans' future operations. These commitments primarily relate to debt repayments, and operating leases relating to its head office space and natural gas field equipment. The following table summarizes the Company's various contractual obligations and commitments as at March 31, 2008:

(\$000s)	Less than 1 Year	1 - 3 Years	4 - 5 Years	Beyond 5 Years	Total
Bank debt ⁽¹⁾	20,411	-	-	-	20,411
Head office lease obligations ⁽²⁾	487	1,979	1,360	227	4,053
Field equipment operating leases ⁽³⁾	178	-	-	-	178
Total obligations	21,076	1,979	1,360	227	24,642

- (1) Demand revolving operating credit facility with a Canadian chartered bank. Refer to Note 6 to the interim financial statements for the three month period ended March 31, 2008. This facility has no specific terms of repayment aside from the bank's right of demand and periodic review.
- (2) Pertains to lease payments associated with the Company's Calgary, Alberta head office lease entered into on February 16, 2007, including an estimate of the Company's share of operating, utilities, property taxes and parking for the duration of the office lease.
- (3) Pertains to various monthly and short-term operating leases for nine field natural gas compressors and one separator.

In 1996, a lawsuit was filed against the Company's predecessor, Orleans Resources Inc. and the "procureur général du Québec". Since the Company is of the opinion that this lawsuit against Orleans Resources Inc. is unwarranted and will have no material adverse effect on the Company's financial position or on the results of operations, no provision has been recorded in this respect. If the Company has to pay any amount in this affair, this amount will be paid by issuing reserved common shares, at a price of \$6.00 per share. The maximum number of common shares that would have to be issued would be 666,118 shares, representing the full lawsuit value amount of \$3.996 million.

Additionally, refer to Note 8 c) to the interim financial statements for the three month period ended March 31, 2008, which outlines the Company's requirements to incur by December 31, 2008 flow-through share eligible Canadian Exploration Expenditures, as defined in the *Income tax Act (Canada)*.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements, special purpose entities, financing partnerships or guarantees, other than as disclosed in this section. Orleans has certain lease agreements, as disclosed in the aforementioned *Contractual Obligations and Commitments* table, which were entered into in the normal course of business operations. All leases have been treated as operating leases or rental arrangements whereby the lease payments are included in operating expenses or G&A expenses depending on the nature of the lease. No asset or liability value has been assigned to these leases on the balance sheet as at March 31, 2008.

Related Party Transactions

A director and the corporate secretary of the Company are partners at a law firm that provides legal services to the Company. The services were conducted in the normal course of business operations and are measured at the exchange amount, which is established and agreed to by the related parties based on standard rates, time spent and costs incurred. During Q108, Orleans paid and accrued a total of \$60 thousand to this firm for legal fees and disbursements (Q107: \$nil).

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

Orleans' President and Chief Executive Officer ("CEO") and Vice President, Finance and Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting as defined in Multilateral Instrument 52-109. The Company's CEO and CFO have designed disclosure controls and procedures, or caused them to be designed under their supervision, to provide reasonable assurance that information to be disclosed by Orleans is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure. The CEO and CFO have also designed internal controls over financial reporting, or caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Please refer to the Management's Discussion and Analysis for the year ended 2007 for a discussion of the Company's internal control weaknesses. During the three month period ended March 31, 2008, there have been no changes to Orleans' internal controls over financial reporting that have materially, or are reasonably likely to, materially affect the internal controls over financial reporting. Because of their inherent limitations, disclosure controls and procedures and internal controls over financial reporting may not prevent or detect misstatements, error or fraud. Control systems, no matter how well conceived or operated, can provide only reasonable, not absolute assurance, that the objectives of the control system are met.

Change in Accounting Policies

Effective January 1, 2007, the Company adopted section 3855 "*Financial Instruments - Recognition and Measurement*", section 3861 "*Financial Instruments - Disclosure and Presentation*", section 1530 "*Comprehensive Income*", and section 3865 "*Hedges*". The standards require all financial instruments other than held-to-maturity investments, loans and receivables to be included on a company's balance sheet at their fair value. Held-to-maturity investments, loans and receivables would be measured at their amortized cost. The standards create a new statement for comprehensive income that will include changes in the fair value of certain financial instruments. As a result of these new standards, the Company records

the fair value of its crude oil and natural gas derivative contracts under its risk management program on the Company's balance sheet. No restatement of prior periods occurred as a result of these new standards.

Effective January 1, 2008, the Company adopted section 3862 "*Financial Instruments - Disclosures*", and section 3863 "*Financial Instruments – Presentation*". These sections replaced section 3861 "*Financial Instruments - Disclosure and Presentation*". The objective of section 3862 is to provide users with information to evaluate the significance of the financial instruments on the entity's financial position and performance, the nature and extent of risks arising from financial instruments, and how the entity manages those risks. The provisions of section 3863 deal with the classification of financial instruments, related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. Refer to note 12 to the interim financial statements for the three month period ended March 31, 2008.

Effective January 1, 2008, the Company adopted section 1535, "*Capital Disclosures*", requiring disclosure of information about an entity's capital and the objectives, policies, and processes for managing capital. Refer to note 13 to the interim financial statements for the three month period ended March 31, 2008.

Recent Accounting Pronouncements

In January 2006, the AcSB announced its decision to replace Canadian GAAP with International Financial Reporting Standards ("IFRS") for all Canadian Publicly Accountable Enterprises ("PAE"). On February 13, 2008, the AcSB confirmed January 1, 2011 as the official change-over date for PAE's to commence reporting under IFRS. Although IFRS is principles-based and uses a conceptual framework similar to Canadian GAAP, there are significant differences and choices in accounting policies, as well as increased disclosure requirements under IFRS. The Company continues to monitor and assess the impact of IFRS on its financial statements.

In February 2008, the AcSB issued section 3064, "*Goodwill and Intangible Assets*", and amended section 1000, "*Financial Statement Concepts*" clarifying the criteria for the recognition of assets, intangible assets and internally developed intangible assets. Items that no longer meet the definition of an asset are no longer recognized with assets. The standard is effective for annual years beginning on or after October 1, 2008 and early adoption is permitted. The Company is presently evaluating the impact these sections will have on its results of operations and/or financial position

Business Risks and Uncertainties

The Company's exploration and development activities are focused in the Western Canada Sedimentary Basin within the province of Alberta, which is characterized as being highly competitive with competitors varying in size from small junior producers to significantly larger, fully-integrated energy companies and oil and gas royalty trusts possessing greater financial and personnel resources. The Company recognizes certain risks inherent in the oil and gas industry, such as access to oil and gas services, weather-related delays with drilling and operational plans, finding and developing oil and gas reserves at economic costs, drilling risks, producing oil and gas in commercial quantities, environmental and safety risks, and commodity price and political risks and uncertainties. Orleans has engaged professional management and technical personnel with many years of experience in the oil and gas business to address, prudently manage and mitigate these risks.

Additional risks are outlined in the Annual Information Form ("AIF") of the Company. The AIF can be retrieved electronically from the SEDAR system by accessing Orleans' public filings under "Search for Public Company Documents" at www.sedar.com.

New Greenhouse Gas and Air Emissions Legislation

The Alberta Government has introduced legislation that will enable the Province of Alberta to regulate emissions of “greenhouse gases”. The regulations require facilities that emit over 100,000 tonnes of greenhouse gases a year to reduce their emissions intensity by 12% starting July 1, 2007 or pay a fee based on emissions in excess of the targeted reductions. The Federal Government has also released its regulatory framework to reduce emissions of both greenhouse gases and four smog-forming pollutants with targets coming into force in 2010 and 2015, respectively. Clarification surrounding the regulations is expected in the next year with the regulations to be finalized by 2010. There are multiple compliance mechanisms under both the Alberta and Federal plans including making contributions to technology funds, emissions trading and offset credits. The Company is in the process of fully evaluating the impact of these regulations, but Orleans believes that the cost and impact on its operations will be minor.

Application of Critical Accounting Policies and Estimates

Management is required to make judgments and use estimates in the application of generally accepted accounting principals that have a significant impact on the financial results of the Company. Please refer to the Management's Discussion and Analysis for the year ended 2007 for a discussion outlining these accounting policies and practices, which are critical in determining Orleans' financial results.

Orleans' financial statements for the interim period ended March 31, 2008 are enclosed.

Orleans Energy Ltd. is a Calgary, Alberta-based emerging crude oil and natural gas company, with common shares trading on the TSX Venture Exchange under the symbol “OEX”. Orleans is a team of dedicated, experienced professionals focused on the creation of shareholder value via acquisition and development of crude oil and natural gas assets in Alberta.

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Certain information regarding the Company contained herein may constitute forward-looking statements within the meaning of applicable securities laws. Forward-looking statements may include estimates, plans, anticipations, expectations, intentions, opinions, forecasts, projections, guidance or other similar statements that are not statements of fact. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct. These statements are subject to certain risks and uncertainties and may be based on assumptions that could cause actual results to differ materially from those anticipated or implied in the forward-looking statements. The Company's forward-looking statements are expressly qualified in their entirety by this cautionary statement.

In this news release, reserves and production data are commonly stated in barrels of oil equivalent (“boe”) using a six to one conversion ratio when converting thousands of cubic feet of natural gas (“mcf”) to barrels of oil (“bbl”) and a one to one conversion ratio for natural gas liquids (“NGLs” or “ngls”). Such conversion may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf: 1 bbl is based on 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.

ORLEANS ENERGY LTD.

Balance Sheets

	March 31, 2008	December 31, 2007
	(unaudited)	
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,308,892	\$ 65,564
Accounts receivable and accrued revenues	10,147,424	9,038,271
Prepaid expenses and deposits	913,005	984,200
	<u>13,369,321</u>	<u>10,088,035</u>
Property, plant and equipment (Note 5)	200,655,094	193,662,669
	<u>\$ 214,024,415</u>	<u>\$ 203,750,704</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 24,117,027	\$ 14,139,553
Commodity risk management (Note 12b)	4,822,463	432,470
Bank loan (Note 6)	20,410,649	44,136,979
	<u>49,350,139</u>	<u>58,709,002</u>
Asset retirement obligations (Note 7)	5,656,435	5,454,294
Future income tax liability	4,484,022	3,708,329
	<u>59,490,596</u>	<u>67,871,625</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	159,554,047	137,732,354
Contributed surplus (Note 9c)	3,228,948	2,813,682
Deficit	(8,249,176)	(4,666,957)
	<u>154,533,819</u>	<u>135,879,079</u>
	<u>\$ 214,024,415</u>	<u>\$ 203,750,704</u>

Description of Business and Basis of Presentation (Notes 1 & 2)

Subsequent Events (Notes 14)

The accompanying notes to the financial statements are an integral part of these statements.

ORLEANS ENERGY LTD.**Statements of Operations and Comprehensive Loss**

(unaudited)

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
Revenue		
Petroleum and natural gas sales	\$ 19,344,226	\$ 11,902,227
Royalties	(4,127,505)	(2,288,412)
	<u>15,216,721</u>	<u>9,613,815</u>
Realized gain (loss) on commodity contracts (Note 12b)	(308,055)	285,429
Unrealized loss on commodity contracts (Note 12b)	(4,389,993)	(213,797)
	<u>10,518,673</u>	<u>9,685,447</u>
Expenses		
Operating	3,805,692	2,378,062
Transportation	419,152	255,204
General and administrative (Note 9b)	951,397	689,716
Interest	592,737	659,942
Depletion, depreciation and accretion	9,416,382	6,781,541
	<u>15,185,360</u>	<u>10,764,465</u>
Loss before taxes	(4,666,687)	(1,079,018)
Future income taxes (reduction)	(1,084,468)	(166,251)
Net loss	(3,582,219)	(912,767)
Changes in cash flow hedges, net of tax	-	(135,844)
Comprehensive loss	<u>\$ (3,582,219)</u>	<u>\$ (1,048,611)</u>
Net loss per share (Note 10)		
Basic	<u>\$ (0.09)</u>	<u>\$ (0.03)</u>
Diluted	<u>\$ (0.09)</u>	<u>\$ (0.03)</u>

The accompanying notes to the financial statements are an integral part of these statements.

ORLEANS ENERGY LTD.**Statements of Retained Earnings (Deficit)****(unaudited)**

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
Retained earnings (deficit), beginning of period	\$ (4,666,957)	\$ 1,543,166
Net loss	(3,582,219)	(912,767)
Retained earnings (deficit), end of period	<u>\$ (8,249,176)</u>	<u>\$ 630,399</u>

ORLEANS ENERGY LTD.**Statements of Accumulated Other Comprehensive Income ("AOCI")****(unaudited)**

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
AOCI, beginning of period	\$ -	\$ -
Impact of new cash flow accounting standards on January 1, 2007 (net of tax)	-	425,405
Reclassification to earnings of net gains on commodity contracts (net of tax)	-	(135,844)
AOCI, end of period	<u>\$ -</u>	<u>\$ 289,561</u>

The accompanying notes to the financial statements are an integral part of these statements.

ORLEANS ENERGY LTD.**Statements of Cash Flows**

(unaudited)

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
Cash provided from (used in):		
Operating activities		
Net loss	\$ (3,582,219)	\$ (912,767)
Items not affecting cash:		
Depletion, depreciation and accretion	9,416,382	6,781,541
Stock-based compensation (Note 9)	243,027	150,114
Unrealized loss on commodity contracts (Note 12b)	4,389,993	213,797
Future income taxes (reduction)	<u>(1,084,468)</u>	<u>(166,251)</u>
	9,382,715	6,066,434
Change in non-cash working capital (Note 11)	<u>871,572</u>	<u>(1,312,534)</u>
	<u>10,254,287</u>	<u>4,753,900</u>
Financing activities		
Increase (decrease) in bank loan	(23,726,330)	8,551,418
Exercise of stock options	20,000	-
Proceeds from share issues, net of issue costs	<u>23,579,957</u>	<u>-</u>
	<u>(126,373)</u>	<u>8,551,418</u>
Investing activities		
Property, plant and equipment additions	(15,952,530)	(11,243,995)
Change in non-cash working capital (Note 11)	<u>8,067,944</u>	<u>(2,334,470)</u>
	<u>(7,884,586)</u>	<u>(13,578,465)</u>
Increase (decrease) in cash and cash equivalents	2,243,328	(273,147)
Cash and cash equivalents, beginning of period	65,564	273,165
Cash and cash equivalents, end of period	\$ 2,308,892	\$ 18

Supplemental Cash Flow Information (Note 11)

The accompanying notes to the financial statements are an integral part of these statements.

ORLEANS ENERGY LTD.

Notes to the Unaudited Interim Financial Statements

For the three month period ended March 31, 2008

1. Description of Business

Orleans Energy Ltd. (the "**Company**" or "**Orleans**") is actively engaged in the exploration for, and development and production of, natural gas, natural gas liquids and crude oil in the Western Canadian Sedimentary Basin. Orleans is incorporated under the laws of Alberta and its common shares are traded on the TSX Venture Exchange under the trading symbol "OEX".

2. Basis of Presentation

The interim financial statements included herein have been prepared by the Company without audit and include all adjustments, which are, in the opinion of management, necessary for the fair presentation of the Company's interim results. With the exception of changes discussed in Note 3 hereafter, the interim financial statements have been prepared following the same accounting policies and methods of computation as the Company's audited financial statements for the year ended December 31, 2007, and are in accordance with Canadian generally accepted accounting principles ("GAAP"). The unaudited interim financial statements contain disclosures, which are incremental to the Company's audited financial statements for the year ended December 31, 2007. Certain disclosures, which are normally required to be included in the notes to annual financial statements, have been condensed or omitted. The interim financial statements should be read in conjunction with the Company's audited financial statements and notes thereto for the year ended December 31, 2007.

The financial statements include the accounts of the Company and any wholly-owned subsidiaries. A portion of the Company's exploration, development and production activities are conducted jointly with others and accordingly the financial statements reflect only the Company's proportionate working interest share in such activities. Additionally, certain of the comparative balances have been reclassified to conform to the current period's presentation.

3. Changes in Accounting Policies

Inventories

Effective January 1, 2008, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") section 3031, "*Inventories*," which replaced CICA section 3030 of the same name. The new guidance provides additional measurement and disclosure requirements and requires the Company to reverse previous impairment write-downs when there is a change in the situation that caused the impairment. The transitional provisions of section 3031 provided entities with the option of applying this guidance retrospectively and restating prior periods in accordance with section 1506, "*Accounting Changes*" or adjusting opening retained earnings and not restating prior periods. The adoption of this standard did not have an impact on the Company's financial statements.

Financial Instruments - Disclosure and Presentation

Effective January 1, 2008, the Company adopted CICA section 3862, "*Financial Instruments - Disclosures*" and CICA section 3863, "*Financial Instruments - Presentation*," which replaced CICA section 3861, "*Financial Instruments - Disclosure and Presentation*." Section 3862 outlines the disclosure requirements for financial instruments and non-financial derivatives. This guidance prescribes an increased importance on risk disclosures associated with recognized and

unrecognized financial instruments and how such risks are managed. Specifically, section 3862 requires disclosure of the significance of financial instruments on the Company's financial position. In addition, the guidance outlines revised requirements for the disclosure of qualitative and quantitative information regarding exposure to risks arising from financial instruments. The presentation requirements under section 3863 are relatively unchanged from the former presentation requirements under section 3861. Please refer to Note 12, "Financial Instruments and Risk Management" for the additional disclosures under section 3862.

Capital Disclosures

Effective January 1, 2008, the Company adopted CICA section 1535, "Capital Disclosures." Section 1535 requires disclosure about the Company's objectives, policies and processes for managing capital. These disclosures include a description of what the Company manages as capital, the nature of any externally imposed capital requirements, how the requirements are incorporated into the Company's management of capital, whether the requirements have been complied with, or consequences of non-compliance and an explanation of how the Company is meeting its objectives for managing capital. In addition, quantitative disclosures regarding capital are required. Please refer to Note 13, "Capital Disclosures."

4. Recent Accounting Pronouncements

Goodwill and Intangible Assets

In February 2008, the AcSB issued section 3064, "Goodwill and Intangible Assets", and amended section 1000, "Financial Statement Concepts" clarifying the criteria for the recognition of assets, intangible assets and internally developed intangible assets. Items that no longer meet the definition of an asset are no longer recognized with assets. The standard is effective for annual years beginning on or after October 1, 2008 and early adoption is permitted. The Company is presently evaluating the impact these sections will have on its results of operations and/or financial position.

International Financial Reporting Standards

In January 2006, the AcSB announced its decision to replace Canadian GAAP with International Financial Reporting Standards ("IFRS") for all Canadian Publicly Accountable Enterprises ("PAE"). On February 13, 2008, the AcSB confirmed January 1, 2011 as the official change-over date for PAE's to commence reporting under IFRS. Although IFRS is principles-based and uses a conceptual framework similar to Canadian GAAP, there are significant differences and choices in accounting policies, as well as increased disclosure requirements under IFRS. The Company continues to monitor and assess the impact of IFRS on its financial statements.

5. Property, Plant and Equipment

	March 31, 2008	December 31, 2007
Petroleum and natural gas properties	\$ 261,639,626	\$ 245,355,653
Accumulated depletion	(61,137,153)	(51,851,778)
	200,502,473	193,503,875
Office equipment and other	232,141	230,327
Accumulated depreciation	(79,520)	(71,533)
	152,621	158,794
Property, plant and equipment	\$ 200,655,094	\$ 193,662,669

During the three month period ended March 31, 2008, certain general and administrative overhead expenses of \$671 thousand (March 31, 2007: \$378 thousand) directly related to exploration and development activities were capitalized. Included in this amount is capitalized stock-based

compensation of \$254 thousand (March 31, 2007: \$174 thousand), with such amount including the future income tax liability associated with the capitalized stock-based compensation of \$70 thousand (March 31, 2007: \$52 thousand).

At March 31, 2008, property, plant and equipment included \$9.53 million (December 31, 2007: \$10.29 million) relating to unproved properties, which have been excluded from the depletion calculation. Future development costs related to proved non-producing reserves of \$15.33 million (December 31, 2007: \$20.08 million) have been included in the depletion calculation.

6. Bank Facility

As at March 31, 2008, the Company had a demand revolving credit facility of \$60 million with a Canadian chartered bank (the "Credit Facility"). The Credit Facility provides that advances may be made by way of direct advances, banker's acceptances, or standby letters of credit/guarantees. Direct advances bear interest at the bank's prime lending rate plus an applicable margin for Canadian dollar advances and at the bank's U.S. base rate plus an applicable margin for U.S. dollar advances. The applicable margin charged by the bank is dependent on the Company's debt-to-trailing cash flow ratio. The banker's acceptances bear interest at the applicable banker's acceptance rate plus a stamping fee, based on the Company's debt-to-trailing cash flow ratio. The Credit Facility is secured by a fixed and floating charge debenture on the assets of the Company. The borrowing base is subject to semi-annual review by the bank. At March 31, 2008, the Company had \$20.41 million of bank debt outstanding (December 31, 2007: \$44.14 million).

7. Asset Retirement Obligations

Orleans' asset retirement obligations are based on the Company's net ownership in wells and facilities and Management's estimate of the timing and expected future costs associated with site reclamation, facilities dismantlement and the plugging and abandonment of wells.

At March 31, 2008, the estimated present value of the total amount required to settle the Company's asset retirement obligations was \$5.66 million (December 31, 2007: \$5.45 million), based on a total undiscounted future liability amount of \$13.36 million (inflation adjusted) (December 31, 2007: \$13.09 million). These obligations are to be settled based on the economic lives of the underlying assets, which is currently projected to be up to 48 years. The Company used a credit-adjusted risk free rate of 10 percent and an inflation rate of 1.5 percent to calculate the present value of the asset retirement obligations (December 31, 2007: credit-adjusted risk free rate of 10 percent and an inflation rate of 1.5 percent).

	March 31, 2008	December 31, 2007
Asset retirement obligations - beginning	\$ 5,454,294	\$ 5,023,743
Liabilities incurred on development activities	79,121	185,255
Liabilities released on property dispositions	-	(186,031)
Liabilities settled	-	(33,368)
Accretion expense	123,020	464,695
Asset retirement obligations - ending	\$ 5,656,435	\$ 5,454,294

During the three month period ended March 31, 2008, the Company recognized depletion expense related to its asset retirement cost of \$140 thousand (March 31, 2007: \$128 thousand).

8. Share Capital

a) Authorized - Unlimited number of voting common shares.

The Company has neither declared nor paid any dividends on its common shares. The Company intends to retain its earnings to finance growth and expand its operations and does not anticipate paying any dividends on its common shares in the foreseeable future.

b) Issued and outstanding

	Total Number of Common Shares	Amount
Balance, December 31, 2006	33,148,659	\$ 122,736,373
Issued on flow-through financing	1,500,000	8,175,000
Issued on equity financing	2,800,000	12,040,000
Combined issue costs, net tax effect of \$379,373	-	(870,026)
Exercise of stock options	122,713	156,000
Flow through shares tax adjustment	-	(4,504,993)
Balance, December 31, 2007	37,571,372	\$ 137,732,354
Issued on equity financing	7,000,000	25,200,000
Issue costs, net tax effect of \$465,438	-	(1,154,605)
Exercise of stock options	25,000	31,781
Flow through shares tax adjustment	-	(2,255,483)
Balance, March 31, 2008	44,596,372	\$ 159,554,047

c) Flow-through shares

On July 12, 2007, the Company issued 1,500,000 flow-through common shares on a "bought-deal" basis at a price of \$5.45 per share for gross proceeds of \$8.175 million. Under the terms of the flow-through share agreement, the Company is committed to spend 100 percent of the gross proceeds on qualifying exploration expenditures prior to December 31, 2008. As at March 31, 2008, the Company had incurred approximately \$4.4 million of qualifying expenditures associated with this equity issue with the balance of \$3.78 million to be incurred by December 31, 2008.

9. Stock-Based Compensation

a) Outstanding stock options

The Company has a stock option plan for the benefit of its directors, officers, employees and certain consultants. The Company has granted options to purchase common shares, whereby each option permits the holder to purchase one share of the Company at the stated exercise price. The options vest over a two-to-three year term and are exercisable on a cumulative basis over five years. At March 31, 2008, 3,788,526 options with a weighted average exercise price of \$3.13 were outstanding and exercisable at various dates through to March 17, 2013.

Subsequent to March 31, 2008, the Company granted stock options to its officers, directors and employees in an aggregate quantity of 254,500 options with an exercise price of \$3.75 per stock option. The stock options were granted pursuant to the Company's stock option plan and will vest over a three-year period with a five-year expiry.

The following table summarizes outstanding stock options as at March 31, 2008:

	Number	Weighted Avg. Exercise Price
Outstanding - December 31, 2006	2,698,739	\$ 3.40
Granted	917,500	3.33
Exercised	(122,713)	0.80
Forfeited	(375,500)	4.91
Outstanding - December 31, 2007	3,118,026	\$ 3.30
Granted	709,000	2.32
Exercised	(25,000)	0.80
Forfeited	(13,500)	2.66
Outstanding - March 31, 2008	3,788,526	\$ 3.13
Options exercisable - March 31, 2008	1,648,663	\$ 2.65

b) **Exercise price range for options outstanding as at March 31, 2008:**

Price Range	Outstanding Options			Exercisable Options	
	Number	Weighted Avg. Price	Weighted Avg. Remaining Life	Number	Weighted Avg. Price
\$ 0.80 - 2.21	1,268,271	\$ 1.51	3.30 years	630,271	\$ 0.80
\$ 2.30 - 3.75	1,627,755	\$ 3.25	3.38 years	724,392	\$ 3.18
\$ 3.90 - 5.87	892,500	\$ 5.23	3.24 years	294,000	\$ 5.33
Total	3,788,526	\$ 3.13	3.32 years	1,648,663	\$ 2.65

The Company recorded stock-based compensation expense (net of capitalization) of \$243,027 for the three month period ended March 31, 2008 (March 31, 2007: \$150,114), which was charged to general and administration expense and presented as such on the Company's statement of operations.

The Company determined the fair value of stock options granted during the three month period ended March 31, 2008 using the modified Black-Scholes evaluation stock option pricing model under the following assumptions:

	March 31, 2008	March 31, 2007
Weighted-average fair value (\$/option)	1.08	1.65
Risk-free interest rate (%)	3.25	4.04
Estimated hold period prior to exercise (years)	5	5
Volatility in the price of Orleans shares (%)	48.3	51.1
Dividend yield (%)	Nil	Nil

c) **Contributed surplus**

Contributed surplus - December 31, 2006	\$ 1,502,963
Stock-based compensation, before capitalization	1,368,549
Exercise of stock options	(57,830)
Contributed surplus - December 31, 2007	2,813,682
Stock-based compensation, before capitalization	427,047
Exercise of stock options	(11,781)
Contributed surplus - March 31, 2008	\$ 3,228,948

10. Per Share Amounts

In the calculation of diluted per share amounts, options under the Company's stock option plan are assumed to have been converted or exercised on the later of the beginning of the year and the date granted. The treasury stock method is used to determine the dilutive effect of stock options. The treasury stock method assumes that proceeds received from the exercise of in-the-money stock options in addition to the unrecognised stock-based compensation expense are used to repurchase common shares at the average market price.

For the three month period ended March 31, 2008, 2.05 million stock options (March 31, 2007: 2.23 million) were excluded in calculating the weighted average number of diluted common shares outstanding, as they were determined to be anti-dilutive.

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
Weighted average shares outstanding:		
Basic	39,035,932	33,148,659
Diluted	39,577,174	33,743,616

11. Supplemental Cash Flow Information

a) Increase (decrease) in non-cash working capital items

	March 31, 2008	March 31, 2007
Change in non-cash working capital:		
Accounts receivable and other current assets	\$ (1,037,958)	\$ 1,420,945
Accounts payable and accrued liabilities	9,977,474	(5,067,949)
	\$ 8,939,516	\$ (3,647,004)
Changes in non-cash working capital related to:		
Operating activities	\$ 871,572	\$ (1,312,534)
Investing activities	8,067,944	(2,334,470)
	\$ 8,939,516	\$ (3,647,004)

b) Other cash flow information

	March 31, 2008	March 31, 2007
Interest paid (net of interest income)	\$ 538,882	\$ 399,898

12. Financial Instruments and Risk Management

The Company's financial assets and liabilities are comprised of cash and cash equivalents, accounts receivable and accrued revenues, accounts payable and accrued liabilities, commodity risk management assets and liabilities, and current bank loan. Commodity risk management assets and liabilities arise from the use of derivative financial instruments. Fair values of financial assets and liabilities, summarized information related to commodity risk management positions, and discussion of risks associated with financial assets and liabilities are presented as follows:

a) Fair Value of Financial Assets and Liabilities

The fair values of cash and cash equivalents, accounts receivable and accrued revenues, and accounts payable and accrued liabilities and current bank loan approximate their carrying amount due to the short-term maturity of those instruments. Commodity risk management assets and liabilities are considered to be held-for-trading and as such are recorded at their estimated fair value based on the mark-to-market method of accounting, using quoted market prices or, in their absence, third-party market indications and forecasts. Additional information regarding the aforementioned is disclosed in Note 3 to the Company's audited financial statements for the year ended December 31, 2007.

The fair value of financial assets and liabilities were as follows:

	As at March 31, 2008		As at December 31, 2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Held-for-Trading:				
Cash and cash equivalents	\$ 2,308,892	\$ 2,308,892	\$ 65,564	\$ 65,564
Loans and Receivables:				
Accounts receivable and accrued revenues	10,147,424	10,147,424	9,038,271	9,038,271
Financial Liabilities				
Held-for-Trading:				
Commodity risk management	4,822,463	4,822,463	432,470	432,470
Other Financial Liabilities:				
Accounts payable and accrued liabilities	24,117,027	24,117,027	14,139,553	14,139,553
Bank loan	20,410,649	20,410,649	44,136,979	44,136,979

b) Commodity Risk Management Assets and Liabilities

The Company recognizes the fair value of its commodity contracts on the balance sheet each reporting period with the change in fair value being recognized as an unrealized gain or loss on the statement of operations. As at March 31, 2008 the fair value of the financial commodity contracts was a liability of approximately \$4.82 million (December 31, 2007: \$433 thousand liability), resulting in an unrealized loss for the three month period ended March 31, 2008 of \$4.39 million.

Summary of Unrealized Commodity Risk Management Positions	As at March 31, 2008		As at December 31, 2007	
	Asset	Liability	Asset	Liability
Commodity Prices:				
Natural gas	\$ -	\$ 4,481,955	\$ 32,416	\$ -
Crude oil	-	340,508	-	464,886
Total Fair Value	\$ -	\$ 4,822,463	\$ 32,416	\$ 464,886

The following table outlines the commodity agreements that were outstanding as at March 31, 2008 and their respective fair market valuations as determined based on the mark-to-market method of accounting using quoted market prices. The Company has not entered into any additional commodity contracts subsequent to March 31, 2008.

Commodity	Contract Date	Type	Term	Daily notional Volume	Index	Price	Price	March 31, 2008 Fair Market Value (C\$)
Crude Oil	Oct. 15, 2007	Swap	Jan '08 - Jun '08	200 bbls	W.T.I.	US\$ 81.56/bbl	US\$ 81.56/bbl	(359,743)
Crude Oil	Mar. 3, 2008	Collar	Jul '08 - Dec '08	100 bbls	W.T.I.	US\$ 90.00 - 116.25/bbl	US\$ 90.00 - 116.25/bbl	19,235
NatGas	Dec. 18, 2007	Swap	Apr '08 - Dec '08	2,000 GJs	AECO-C	C\$ 6.55 /GJ	C\$ 6.55 /GJ	(1,339,753)
NatGas	Jan. 2, 2008	Swap	Apr '08 - Dec '08	2,000 GJs	AECO-C	C\$ 6.81 /GJ	C\$ 6.81 /GJ	(1,198,987)
NatGas	Jan. 4, 2008	Swap	Apr '08 - Oct '08	1,000 GJs	AECO-C	C\$ 6.61 /GJ	C\$ 6.61 /GJ	(480,334)
NatGas	Jan. 7, 2008	Swap	Apr '08 - Oct '08	1,000 GJs	AECO-C	C\$ 6.72 /GJ	C\$ 6.72 /GJ	(457,106)
NatGas	Jan. 10, 2008	Swap	Apr '08 - Oct '08	1,000 GJs	AECO-C	C\$ 7.01 /GJ	C\$ 7.01 /GJ	(395,868)
NatGas	Feb. 13, 2008	Collar	Nov '08 - Mar '09	2,000 GJs	AECO-C	C\$ 7.00 - 9.70 /GJ	C\$ 7.00 - 9.70 /GJ	(315,439)
NatGas	Feb 14, 2008	Swap	Apr '08 - Oct '08	1,000 GJs	AECO-C	C\$ 7.52 /GJ	C\$ 7.52 /GJ	(294,468)
Total Unrealized Loss on Commodity Risk Management Contracts								(4,822,463)

c) Risks Associated with Financial Assets and Liabilities

The Company is exposed to financial risks arising from its financial assets and liabilities. The financial risks include credit risk, liquidity risk and market risk relating to commodity prices, interest rates and foreign exchange rates. Market risk is the risk that the fair value (for assets or liabilities considered to be held-for-trading and available for sale) or future cash flows (for assets or liabilities considered to be held-to-maturity, other financial liabilities, and loans and receivables) of a financial instrument will fluctuate due to movements in market prices. The objective of market risk management is to manage and control material market price exposures within acceptable limits, while maximizing returns. The Company's market risk, credit risk, and liquidity risk exposures is outlined as follows:

Commodity Price Risk

The prices the Company receives for its crude oil and natural gas production may have a significant impact on its revenues and cash provided from operating activities. Any significant price decline in commodity prices would adversely affect the amount of funds available for capital reinvestment purposes. As such, the Company utilizes a risk management program to partially mitigate that risk and to ensure adequate funds are available for planned capital activities and other commitments. From time-to-time, the Company may employ financial instruments to manage fluctuations in oil and gas market prices. The use of derivative financial instruments is governed under formal policies and is subject to limits established by the Company's Board of Directors. The Company does not utilize derivative financial instruments for speculative purposes.

As at March 31, 2008, if crude oil prices had been US \$1 per barrel and natural gas prices \$0.10 per gigajoule lower, with all other variables held constant, net earnings for the period would have been \$186 thousand higher. An equal and opposite impact would have occurred to net earnings had oil and natural gas prices been US \$1 per barrel and \$0.10 per gigajoule higher.

Interest Rate Risk

Interest rate risk is the risk that cash flow from operating activities (before changes in non-cash working capital from operating activities) will fluctuate as a result of changes in market interest rates. The Company's exposure to interest rate risk relates to its bank Credit Facility, which bears a floating interest rate. As at or during the three month period ended March 31, 2008, the Company had no

interest rate contracts in-place to mitigate exposure to interest rate changes. For the three months ended March 31, 2008, a one percent change in interest rates on its floating rate bank debt would change net earnings by an estimated \$76 thousand, assuming all other variables remain constant.

Foreign Exchange Risk

The Company's financial results are affected by the exchange rate between the Canadian and U.S. dollar. Although all of the Company's petroleum and natural gas sales are denominated in Canadian dollars, the underlying market prices in Canada for oil and natural gas are impacted by changes in the exchange rate between the Canadian and U.S. dollar. An increase in the value of the Canadian dollar relative to the U.S. dollar will decrease the revenues received from the sale of oil and gas commodities. Correspondingly, a decrease in the value of the Canadian dollar relative to the U.S. dollar will increase the revenues received from the sale of oil and gas commodities. The impact of such exchange rate fluctuations cannot be accurately quantified. All of the Company's operating and capital expenditures are in Canadian dollars. The Company had no foreign exchange rate contracts in-place at or during the three month period ended March 31, 2008.

Credit Risk

Credit risk represents the financial loss that the Company would suffer if the Company's counterparties to a financial instrument, in owing an amount to the Company, fail to meet or discharge their obligation to the Company. The primary source of credit risk for the Company arises from its accounts receivables from joint venture partners, petroleum and natural gas marketers and commodity risk management contract counterparties. The Company sells the majority of its production to three petroleum and natural gas marketers and is therefore subject to concentration risk. The Company will assess the financial strength of petroleum and natural gas marketers prior to entering into sales contracts and has not experienced any collection issues with its current petroleum and natural gas marketers. Joint venture receivables are typically collected within one to three months of the joint venture bill being issued to the partner. Collection of outstanding joint venture receivables is dependent on industry factors including commodity price fluctuations, escalating costs and disagreements with partners. The Company mitigates the risk from joint venture receivables by obtaining partner approval before significant capital expenditures are incurred. Additionally, the Company does have the ability to withhold production from joint venture partners in the event of non-payment.

The Company mitigates credit risk from risk management commodity contract counterparties by primarily dealing with major financial institutions and investment grade rated entities.

The Company has not had any credit losses in the past and the risk of financial loss is considered low. The Company monitors the age of and investigates issues behind its receivables that have been past due. As at March 31, 2008, the Company's receivables outstanding for more than 90 days amounted to approximately \$1.73 million. As at March 31, 2008, the Company has no financial assets that are impaired due to credit risk related defaults. The maximum credit risk exposure associated with accounts receivable and accrued revenues and commodity risk management asset is the total carrying value. The carrying value of accounts receivable reflects Management's assessment of the credit risk associated with these customers.

The Company's objectives, processes and policies for managing credit risk have not changed since December 31, 2007.

Liquidity Risk

Liquidity risk is the risk the Company will encounter difficulties in meeting its financial liability obligations. The Company's financial liabilities are comprised of accounts payable and accrued liabilities, bank loan and commodity risk management liabilities. The Company manages its liquidity risk through cash and debt management. The Company frequently assesses its liquidity position and obligations under its financial liabilities by preparing annual and quarterly financial business plan forecasts. As disclosed in Note 13, the Company targets a debt to annualized cash flow from operations ratio of less than two times in order to steward the Company's overall debt position.

Since the Company operates in the upstream oil and gas industry, it requires sufficient cash to fund capital programs necessary to maintain or increase production, to develop reserves and to acquire strategic oil and gas assets. The Company's capital programs are funded primarily through cash provided from operating activities. However, during times of low oil and gas prices, a portion of capital programs can generally be deferred. However, due to the long cycle times and the importance to future cash flow in maintaining the Company's production, it may be necessary to utilize alternative sources of capital to continue the Company's strategic investment plan during periods of low commodity prices. As a result, the Company frequently evaluates the options available with respect to sources of long and short-term capital resources. Occasionally, the Company will hedge a portion of its production to protect cash flow in the event of commodity price declines. As at March 31, 2008, the Company had available an unused committed bank credit facility in the amount of \$39.59 million. The Company believes it has sufficient funding through the use of these facilities to meet foreseeable borrowing requirements.

The following are the contractual maturities of financial liabilities as at March 31, 2008:

Financial Liabilities	Less than 1 year	1 to less than 2 Years	2 to less than 3 Years	Thereafter
Accounts payable and accrued liabilities	\$ 24,117,027	-	-	-
Commodity risk management	4,822,463	-	-	-
Bank loan	20,410,649	-	-	-
Total	\$ 49,350,139	-	-	-

13. Capital Disclosures

The Company's objectives when managing capital are: (i) to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and (ii) to maintain investor, creditor and market confidence in order to sustain the future development of the business.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of our underlying assets. The Company considers its capital structure to include shareholders' equity, debt and working capital. To maintain or adjust the capital structure, the Company may from time-to-time, issue shares, raise debt and/or adjust its capital spending to manage its current and projected debt levels.

The Company monitors its capital structure based on the current and projected ratio of total debt (adjusted for unrealized gains or losses on risk management commodity contracts) to annualized cash flow (before changes in non-cash working capital from operating activities). The Company's objective is to maintain a debt to annualized cash flow from operations ratio of less than two times. The ratio may increase at certain times as a result of acquisitions. To facilitate the management of this ratio, the Company prepares annual and quarterly capital budgets and business plan forecasts, which are updated depending on varying factors such as general market conditions and successful capital deployment. The annual capital budget is approved by the Company's Board of Directors. To

adjust its capital structure, the Company may adjust capital spending, issue new common shares, issue new debt or repay existing debt. As at March 31, 2008, the Company's total debt to annualized cash flow was 83% or 0.83 times.

The Company's share capital is not subject to external restrictions. The Company is not subject to any financial covenants in its Credit Facility agreement.

There were no changes in the Company's approach to capital management since December 31, 2007.

14. Subsequent Events

On April 9, 2008, the Company's over-allotment option associated with its \$25.2 million equity financing which closed on March 13, 2008 (the "Financing") was exercised in full by the underwriters. Pursuant to the Financing, the Company granted the underwriters an option ("Over-Allotment Option"), exercisable for a period of 30 days following the closing of the Financing, to purchase an additional 1,050,000 common shares (representing 15% of the common shares issued pursuant to the Financing) at a price of \$3.60 per common share for gross proceeds of \$3,780,000. Orleans will use the proceeds of the Over-Allotment Option initially for general corporate purposes. The Company presently has 45.67 million common shares issued and outstanding.

Effective May 7, 2008, based on the annual review by a Canadian chartered bank of the borrowing base and facility amount associated with the Company's Credit Facility, the borrowing base of the Credit Facility was increased to \$65.0 million. The borrowing base, which is re-determined semi-annually, represents the amount that can be borrowed from a credit standpoint based on, among other things, the Company's current reserve report, results of operations, current and forecasted commodity prices and the current economic environment, as confirmed by the bank.