

**PRESS RELEASE**

**AUGUST 22, 2006**

**EAGLE ROCK EXPLORATION  
AGREES TO ACQUIRE SWORD ENERGY**

CALGARY, August 22, 2006 - Eagle Rock Exploration Ltd. ("**Eagle Rock**") (TSX Venture Exchange: ERX) is pleased to announce that it has entered into a definitive agreement (the "Agreement") with Sword Energy Limited, an arms length private oil and gas company ("Sword"), whereby Eagle Rock will acquire all of Sword's outstanding common shares (the "Transaction"). Pursuant to the Agreement, Eagle Rock has made an offer to purchase all of the issued and outstanding common shares of Sword (the "Sword Shares"), including Sword Shares which may be issued upon the exercise of 'in the money' stock options or any other existing rights to acquire Sword Shares ("the Offer"), by offering one (1) Common Share in the capital of Eagle Rock for every one (1) Sword Share, subject to a maximum of 13,614,466 common shares of Eagle Rock being issued under the Offer. Eagle Rock will also be assuming up to \$2.5 million in working capital deficiency upon closing of the Transaction.

Sword's operations are focused in southern Alberta, aligned with Eagle Rock's 20% interest in this core area. Sword's current production is approximately 235 BOE/d, the majority of such production comprised of oil and NGLs. As at June 1, 2006 GLJ Petroleum Consultants Ltd. assessed Sword's reserves to be 0.609 million BOEs of proved plus probable reserves (85% oil and NGLs) and 1.746 million BOEs of proved plus probable plus possible reserves. In addition, Eagle Rock will be acquiring 19,425 gross acres of developed and undeveloped land, approximately \$13.2 million in net tax pools, and approximately 25 sections of 3D seismic acquired over the Red Coulee area in southern Alberta. Interpretation of the seismic data will provide Eagle Rock with multiple potential drilling locations.

After completion of the Transaction, Eagle Rock anticipates that its total production will be approximately 575 BOE/d, with an additional 100 BOE/d behind pipe, and it will hold 26,080 gross acres of developed and undeveloped land concentrated in three core areas (Red Coulee and Coutts in southern Alberta and Antelope Lake in southwest Saskatchewan). The acquisition will result in Eagle Rock becoming operator and increasing its working interest from 20% to 100% in the Red Coulee area. Post Transaction, Eagle Rock will have a working capital surplus of approximately \$3.5 million with a total of 39.6 million common shares outstanding.

The Offer has the unanimous support of the boards of directors of both Eagle Rock and Sword. The board of directors of Sword has unanimously approved the Offer and has determined unanimously that the Offer is fair to shareholders of Sword and that it is in the best interests of Sword and Sword's shareholders. The board of directors of Sword has agreed that it will not solicit or initiate discussions or negotiations with any third party concerning the sale of Sword or any of its assets. Sword has agreed to pay a non-completion fee of \$250,000 to Eagle Rock in certain circumstances.

The Transaction is expected to close by mid September, subject to Sword shareholder approval and certain regulatory approval. Directors, management and insiders of Sword, representing 4.6 million Sword Shares or 33.7% of the outstanding Sword Shares, have entered into lock-up agreements with Eagle Rock whereby they have agreed to tender their Sword shares to the Offer.

Mr. Eric Tremblay has agreed to join Eagle Rock's board of directors upon successful completion of the Transaction.

Haywood Securities Inc. acted as financial advisor to Eagle Rock in connection with the Transaction. Mustang Capital Partners Inc. acted as financial advisors to Sword with respect to the Transaction.

Eagle Rock does not anticipate any new insiders to be created as a result of the Transaction. The common shares of Eagle Rock to be issued in connection with the Transaction will be subject to a 4 month hold period in accordance with the policies of the TSX Venture Exchange.

Eagle Rock is a Calgary based oil and natural gas exploration and development company. Eagle Rock's common shares trade on the TSX Venture Exchange under the symbol "ERX".

Where amounts are expressed on a barrel of oil equivalent ("BOE") basis, natural gas volumes have been converted to oil equivalence at six thousand cubic feet per barrel. The term BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

***Advisory Regarding Forward Looking Statements***

This news release may contain forward looking statements including expectations of future production, cash flow and earnings. This guidance is based on current expectations that involve a number of risks and uncertainties, which could cause actual results to differ from those anticipated. These risks include, but are not limited to: the risks associated with the oil and gas industry (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), commodity price, price and exchange rate fluctuation and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. Eagle Rock's actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward looking statements will transpire or occur or, if any of them do, to what benefit Eagle Rock will derive there from. Eagle Rock disclaims any intention or obligation to update or revise any forward looking statements whether as a result of new information, future events or otherwise.

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

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