



The following is for immediate release in Canada, Monday, May 15, 2006

**DIAZ REPORTS FINANCIAL & OPERATING RESULTS
FOR FIRST QUARTER 2006**

Highlights of the first quarter were the completion of key wells on the Allen Ranch prospect, Texas, and the drilling of a second gas well on the Hound Dog prospect, also in Texas.

At Allen Ranch, the Hancock #1 well was completed and fracture stimulated in the fourth productive sand and is currently producing at a rate of approximately 6.5 MMcfd, after a new 13 MMcfd gas plant was installed in April.

During the week of May 15, the Hancock #2 well will be fracture stimulated in a second series of potentially productive Wilcox sands and production tested. The well was completed in the initial sand in the first quarter and flowed at an average rate of 3.9 MMcfd for a 71 day period during the first quarter. The operator plans to commingle production from the next series of sands with the initial sand once testing has been completed.

At Hound Dog, the R. Dickson #2 well was drilled to a depth of 17,200 feet and encountered 11 potentially productive gas sands. Presently, the operator is constructing a pipeline and production facilities with completion operations to commence prior to the end of May 2006.

Financial

Revenue for the three months ended March 31, 2006 totaled \$4.6 million compared with \$3.4 million one year earlier.

Cash flow for the first quarter ended March 31, 2006 increased by 48% to \$3.3 million, or \$0.05 per share compared with \$2.1 million, or \$0.03 per share in 2005. Diaz reported earnings for the period of \$1.0 million, or \$0.02 per share compared with \$390,000, or \$0.01 per share reported in 2005.

Capital expenditures for the quarter totaled \$5.2 million compared with \$2.3 million in 2005 and were financed from cash flow and out of the proceeds of an equity financing completed in December 2005. Diaz completed the first quarter of 2006 with net debt remaining unchanged at \$9.3 million and debt repayability, annualized, from cash flow from operations of approximately 0.7.

Operating

For the first quarter of 2006, natural gas production averaged 6.2 MMcfd compared with 6.0 MMcfd in 2005. Oil production averaged 157 Bopd for the period compared with 118 Bopd in 2005 and total production averaged 1,196 BOED in 2006 compared with 1,121 BOED for the same period in 2005.

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Forward-looking statements – the press release today contains “forward-looking” information. Actual results could differ materially from the conclusions, forecasts or projections in the forward-looking information. Certain material factors and assumptions were applied in drawing the conclusions or making the forecasts or projections as reflected in the forward-looking information. Additional information about the material factors that could cause actual results to differ materially from the conclusion, forecast or projection in the forward-looking information and the material factors or assumptions that were applied in drawing the conclusion or making the forecast or projection as reflected in the forward-looking information is contained in the press release.



DIAZ RESOURCES LTD.

#1800, 633 Sixth Avenue S.W.
Calgary, Alberta
T2P 2Y5 Canada

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Gas production in the United States was lower due to a requirement to upgrade certain production facilities at the Company's Provident City gas field. This reduced Diaz's average production by 500 Mcfd during the quarter. The facilities have now been completed. In addition, gas flow rates from the Allen Ranch field were restricted pending the installation and startup of an amine unit, capable of processing higher volumes from the two Allen Ranch wells. This unit has now been installed.

2006 Guidance

The recent decline in the natural gas price and the strength of the Canadian dollar has resulted in Diaz reducing its natural gas price forecast and consequently its planned capital budget for 2006. Diaz has revised its gas price forecast, in Canada, to average between \$5.50 and \$6.00 for the last nine months of 2006. This results in the following range of guidance:

- Production 1,800 to 1,900 BOEd
- Cash flow (millions) \$15.0 to \$16.0
- Capital expenditures (millions) \$17.0 to \$18.0

SEDAR Filings

Further information regarding financial and operating results may be obtained at www.sedar.com, where the Company's MD&A and financial statements have been filed.

BOE Presentation – The term barrels of oil equivalent (BOE) 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. All BOE conversions in this report are derived by converting gas to oil in the ratio of six Mcf of gas to one Bbl of oil.

Financial Reporting – All numbers are reported in Canadian dollars.

FOR FURTHER INFORMATION, PLEASE CONTACT:

Robert W. Lamond, Chairman – or – Charles A. (Tony) Teare, Executive Vice President

DIAZ RESOURCES LTD.
Telephone: (403) 269-9889
Fax: (403) 269-9890
Website: www.diazresources.com
Email: info@diazresources.com
TSX: DZR

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THE TORONTO STOCK EXCHANGE HAS NOT REVIEWED AND DOES NOT ACCEPT RESPONSIBILITY FOR THE ADEQUACY OR ACCURACY OF THIS RELEASE.



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Summary of Operations

<i>(Thousands, except per share amounts)</i>	Three Months Ended March 31	
	2006	2005
Financial		
Total revenue	\$ 4,645	\$ 3,436
Cash flow from operations	\$ 3,319	\$ 2,068
per share, diluted	\$ 0.05	\$ 0.03
Earnings for the period	\$ 1,007	\$ 390
per share, diluted	\$ 0.02	\$ 0.01
Capital additions	\$ 5,249	\$ 2,260
Net debt	\$ 9,310	\$ 9,211
Total assets	\$ 56,657	\$ 46,455
Operations		
Production		
Gas (MMcfd)	6.2	6.0
Oil (Bopd)	157	118
BOEd (6Mcf = 1Bbl)	1,196	1,121
Product Prices		
Gas (\$/Mcf)	\$ 8.76	\$ 6.91
Oil (\$/Bbl)	\$ 60.50	\$ 53.58
Total shares outstanding, at period end	61,845	59,801

Diaz is an oil and gas exploration and production company based in Calgary, Alberta. Diaz's current focus is on deep gas exploration in Texas and on shallow gas developments in southern Alberta and natural gas exploration in central and southern Alberta.

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