

# Celtic



Exploration Ltd.

## **Corporate Presentation**

**December 2009**

# *Forward Looking Statements*

Certain information with respect to Celtic Exploration Ltd. (“Celtic” or the “Company”) contained herein, including management’s assessment of future plans and operations, contains forward-looking statements. These forward-looking statements are based on assumptions and are subject to numerous risks and uncertainties, certain of which are beyond the Company’s control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency exchange rate fluctuations, imprecision of reserve estimates, environmental risks, competition from other explorers, stock market volatility and ability to access sufficient capital. As a result, Celtic’s actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any events anticipated by the forward-looking statements will transpire or occur. In addition, the reader is cautioned that historical results are not necessarily indicative of future performance. Celtic does not intend, and does not assume any obligation, to update or revise these forward-looking statements except as required pursuant to applicable securities laws.

Certain information set out herein is considered as “financial outlook” within the meaning of applicable securities laws. The purpose of this financial outlook is to provide readers with disclosure regarding Celtic’s reasonable expectations as to the anticipated results of its proposed business activities for 2009. Readers are cautioned that this financial outlook may not be appropriate for other purposes.

# *Common Share Information*

- TSX listed with a market capitalization of approximately **\$800 million**.
- Trading symbol: **CLT**
- 52 week trading range: **\$9.19 to \$21.50**
- Common shares issued and outstanding:
  - Basic: **44.5 million** shares
  - Diluted: **47.8 million** shares
- Stock options of **3.3 million** shares represent **7.4%** of outstanding shares
- Average exercise price of stock options is **\$13.69/share**
- Officers and Directors own/control **20.8%** of issued shares, excluding stock options

# Capital Expenditures

(\$ MM)	2008 Actual	2009 Forecast	2010 Budget
Drilling & Completions	\$ 102.8	\$ 120.0	\$ 125.0
Drilling Royalty Credits	-	(18.0)	(20.0)
Facilities, Equipment & Pipeline	30.4	30.0	65.0 *
Land & Seismic	5.2	8.0	15.0
Acquisitions, net of Dispositions	45.1	2.0	-
<b>Net Expenditures</b>	<b>\$ 183.5</b>	<b>\$ 142.0</b>	<b>\$ 185.0</b>

Gross Wells	54	50 – 55	50 - 55
Net Wells	41.1	40 – 45	40 - 45
Net Metres Drilled	121,679	125,000	130,000
Success Rate	88%		

*\* Includes \$35.0 MM for a Gas Plant at Kaybob that is contingent on ERCB approval.*

# Summary of Reserves

## Reserves *(at December 31/08):*

- **53.2 MM BOE** Proved plus Probable (2P)
  - An increase of **57%** from December 31, 2007
  - **27% Oil** and **73% Natural Gas**
  - Reserve Life Index of **12.1 years**
- **28.9 MM BOE** Proved (1P)
  - An increase of **39%** from December 31, 2007
  - **29% Oil** and **71% Natural Gas**
  - Reserve Life Index of **6.6 years**

## Undeveloped Land *(at September 30/09):*

- **273,700 net acres** (343,900 gross acres)
  - Over **90%** of net acreage is operated by Celtic.

# FD&A Costs

## Finding, Development & Acquisition Costs (FD&A):

- **2008 P+P:** \$183.5 MM in capital expenditures plus \$103.6 MM of future capital
  - FD&A = **\$12.24/BOE** (**\$7.82/BOE** before future capital)
  - Recycle ratio of **2.9 x**
- **2008 Proved:** \$183.5 MM in capital expenditures plus \$54.1 MM of future capital
  - FD&A = **\$19.43/BOE** (**\$15.01/BOE** before future capital)
  - Recycle ratio of **1.8 x**
- **Since Inception:** \$787.9 MM in expenditures plus \$175.7 MM (\$92.0 MM Proved) of future capital
  - FD&A = **\$14.61/BOE** (2P) and **\$21.09/BOE** (1P)
  - Recycle ratio of **2.3 x** (2P) and **1.6 x** (1P)

*Note: Recycle ratio is a measure of capital investment efficiency (i.e. amount of operating income generated for each \$1 of capital invested)*

# Commodity Prices

	2008 Actual	2009 Forecast	2010 Budget
<b>AVERAGE SALES PRICE</b>			
WTI Oil (USD/bbl)	US\$ 99.65	US\$ 59.00	<b>US\$ 70.00</b>
NYMEX Gas (USD/mmbtu)	US\$ 8.93	US\$ 4.20	<b>US\$ 6.95</b>
AECO Gas (CAD/GJ)	\$ 7.71	\$ 3.75	<b>\$ 6.00</b>
Exchange Rate (USD/CAD)	US\$ 0.937	US\$ 0.868	<b>US\$ 0.970</b>
Realized Oil price, before hedging (\$/bbl)	\$ 90.49	\$ 54.67	<b>\$ 58.17</b>
Realized Oil price, after hedging (\$/bbl)	\$ 82.46	\$ 81.07	<b>\$ 58.17</b>
Realized Gas price, before hedging (\$/mcf)	\$ 8.94	\$ 4.23	<b>\$ 6.79</b>
Realized Gas price, after hedging (\$/mcf)	\$ 8.37	\$ 4.45	<b>\$ 7.10</b>
<b>BOE PRICE, AFTER HEDGING (\$/BOE)</b>	<b>\$ 60.14</b>	<b>\$ 40.69</b>	<b>\$ 46.15</b>

# Hedging – Revenue Related Contracts

Remaining Term	Quantity	Price	Index
<b>Crude Oil Contracts</b>			
Oct/1/09 - Dec/31/09 (put-call spread)	2,000 bbls/d	CA\$115.00 - \$145.00	WTI
<b>Natural Gas Contracts</b>			
Oct/1/09 – Dec/31/09 (basis differential swap)	30,000 mmbtu/d	US\$0.69	NYMEX-AECO Basis
Nov/1/09 – Dec/31/09 (basis premium swap)	10,000 mmbtu/d	(US\$0.08)	NYMEX-AECO Basis
Nov/1/09 – Mar/31/10 (basis differential swap)	10,000 mmbtu/d	US\$0.125	NYMEX-AECO Basis
Jan/1/10 – Dec/31/10 (basis differential swap)	40,000 mmbtu/d	US\$0.77	NYMEX-AECO Basis
<b>Currency Contracts</b>			
Oct/1/09 – Dec/31/09 (average forward rate)	US\$4,000,000/month	CA\$1.2425	BOC CAD/USD Rate
Jan/1/10 – Dec/31/10 (average forward rate)	US\$4,000,000/month	CA\$1.2106	BOC CAD/USD Rate

2009 hedging contracts are expected to result in increased revenue of **\$39.8 million** for the year, based on actual year to date commodity prices and Celtic's budgeted remainder of the year commodity prices.

# Hedging – Expense Related Contracts

Remaining Term	Quantity	Price	Index
<b>Electricity Contracts</b>			
Oct/1/09 – Dec/31/10 (physical fixed price)	60 MWh/d	\$65.90	AESO
<b>Interest Rate Contracts</b>			
Oct/1/09 – Apr/22/10 (interest rate swap) *	CA\$100,000,000	3.15%	CAD BA CDOR Rate
Apr/22/10 – Apr/21/11 (interest rate swap) *	CA\$100,000,000	2.07%	CAD BA CDOR Rate

\* Before bank stamping fees.

## Historical Electricity Prices:

2008 = \$89.95/MWh

Sep 2009 = \$73.25/MWh

# *Typical Kaybob HZ: Impact of Alberta's New Well Royalty Reduction (NWR) Incentive*

(\$ M)	One Well	60 Wells
<u>Royalty Savings at various Gas Prices:</u>		
AECO = \$3.57/GJ: 500,000 MCF X (22.1% - 5.0%) X \$4	\$342	\$20,520
AECO = \$4.46/GJ: 500,000 MCF X (24.9% - 5.0%) X \$5	\$497	\$29,820
AECO = \$5.36/GJ: 500,000 MCF X (28.1% - 5.0%) X \$6	\$693	\$41,580
AECO = \$6.25/GJ: 500,000 MCF X (31.6% - 5.0%) X \$7	\$931	\$55,860
AECO = \$7.14/GJ: 500,000 MCF X (34.6% - 5.0%) X \$8	\$1,184	\$71,040

Assumptions:

Average sales price for the first 500,000 MCF (expected to be produced in less than 12 months) has been adjusted for estimated heat content.

# *Typical Kaybob HZ: Impact of Alberta's Drilling Royalty Credit (DRC) Incentive*

(\$ M)	One Well	60 Wells
<u>Royalty Credit:</u>		
3,600 m well @ \$200/metre	\$720	\$43,200
Estimated Capital required to Drill & Complete	\$3,200	\$192,000
Royalty Credits as a % of Capital	22.5%	22.5%

Assumptions:

Typical horizontal well at Kaybob drilled to a measured depth of 3,600 metres.

Any drilling royalty credits earned must be drawn down by March 31, 2011 limited by 50% of the Company's total Crown royalties payable.

# Operating Netbacks

(\$/BOE)	2008 Actual	2009 Forecast	2010 Budget
Oil & gas revenue, before hedging	\$ 65.00	\$ 32.90	\$ 44.69
Hedging gain (loss)	(4.88)	7.79	1.46
Royalties (% before hedging) *	(22.2%)	(15.6%)	(14.2%)
Transportation expense	(0.57)	(0.60)	(0.74)
Production expense	(10.21)	(10.08)	(9.15)
<b>Operating netback</b>	<b>\$ 34.92</b>	<b>\$ 24.88</b>	<b>\$ 29.91</b>

\* Royalties have been reduced to reflect the new **NWRR** incentive that took effect April 1, 2009. Netbacks do not reflect **DRC** incentives, as these are recorded as a reduction in capital expenditures.

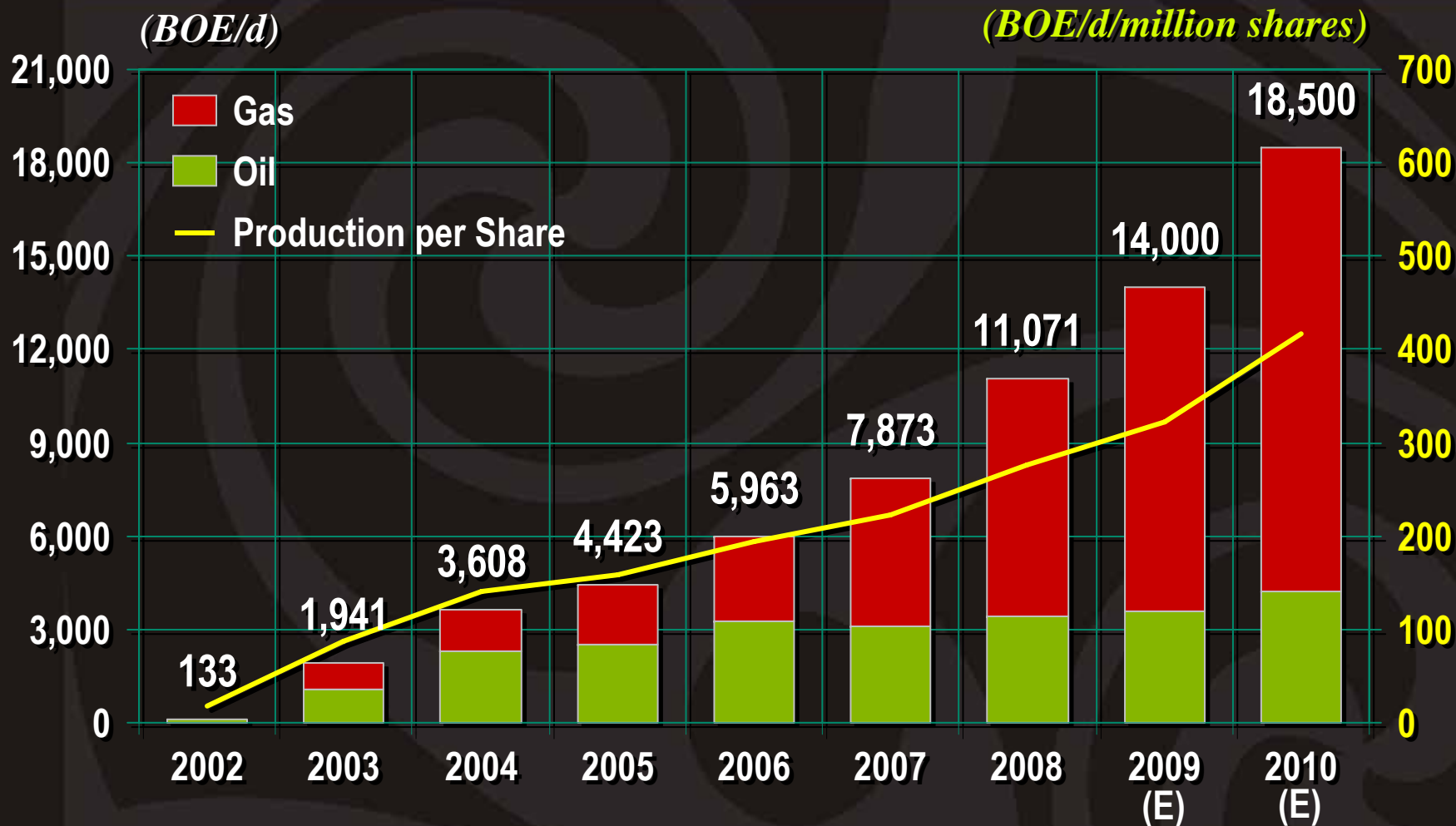
# Financial Outlook

(\$ millions, unless otherwise stated)	2008 Actual	2009 Forecast	2010 Budget
<b>Prices</b>			
WTI Oil (USD/bbl)	US\$ 99.65	US\$ 59.00	US\$ 70.00
AECO Gas (CAD/GJ)	\$ 7.71	\$ 3.75	\$ 6.00
<b>Production</b>			
Oil (bbls/d)	3,404	3,600	4,200
Natural gas (mmcf/d)	46.00	62.40	85.80
<b>COMBINED PRODUCTION (BOE/d)</b>	<b>11,071 (↑ 41%)</b>	<b>14,000 (↑ 26%)</b>	<b>18,500 (↑ 32%)</b>
Funds from operations	\$ 131.4	\$ 116.0	\$ 190.0
Per share - diluted (\$/share)	\$ 3.27 (↑ 41%)	\$ 2.65 (↓ 19%)	\$ 4.19 (↑ 58%)
Debt at year-end, net of working capital *	\$ 136.6	\$ 161.6	\$ 160.0 **
Debt at year-end, net of w/c, before derivatives	\$ 160.2	\$ 165.0	\$ 160.0 **
Debt/Funds from operations ratio; trailing	1.2 x	1.4 x	0.8 x

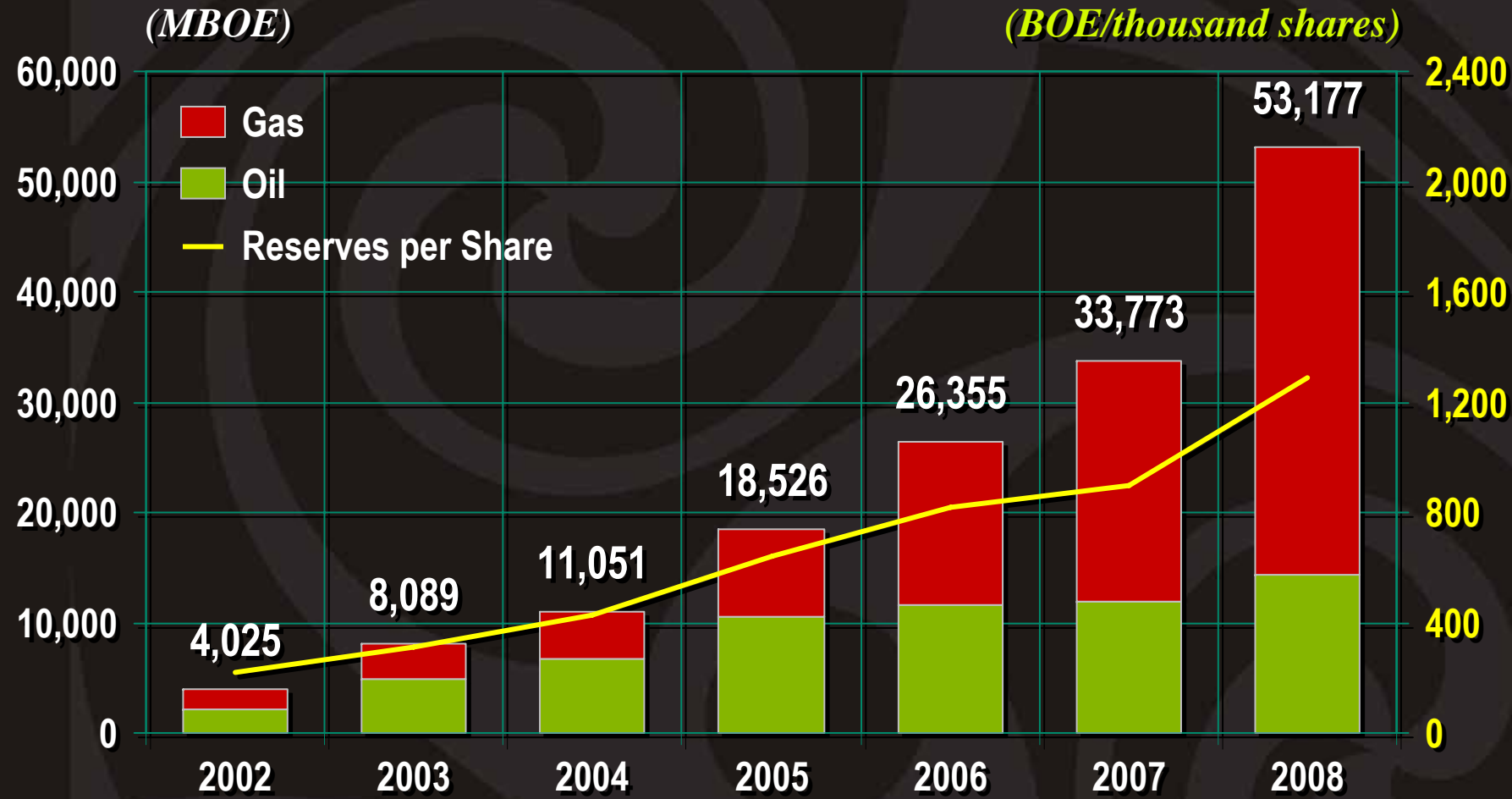
\* Celtic's bank credit line is currently **\$215.0 million**, leaving the Company with sufficient unused available credit.

\*\* 2010 year-end debt assumes Celtic will spend **\$35.0 million** to build its proposed gas plant at Kaybob.

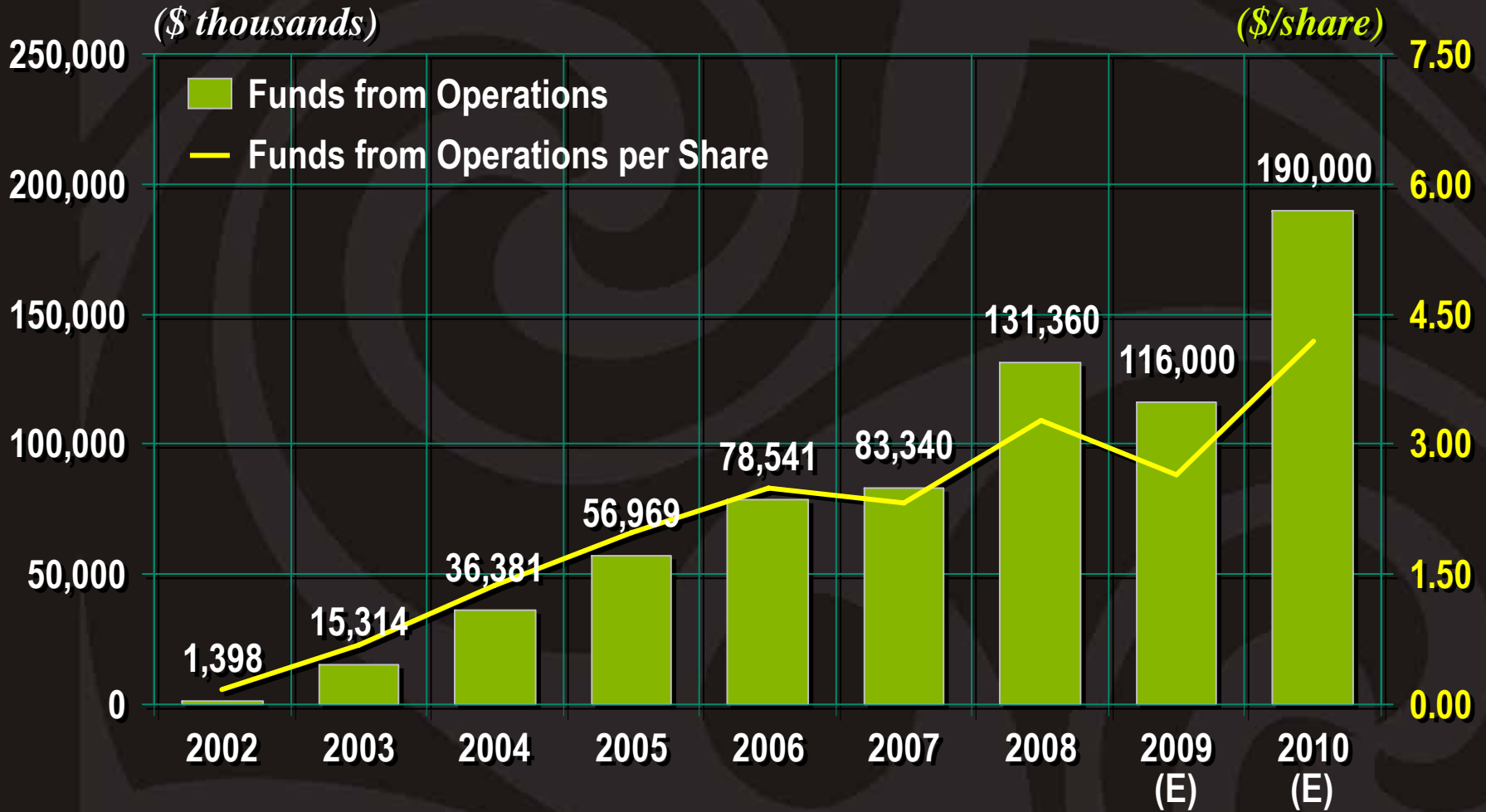
# Production Growth



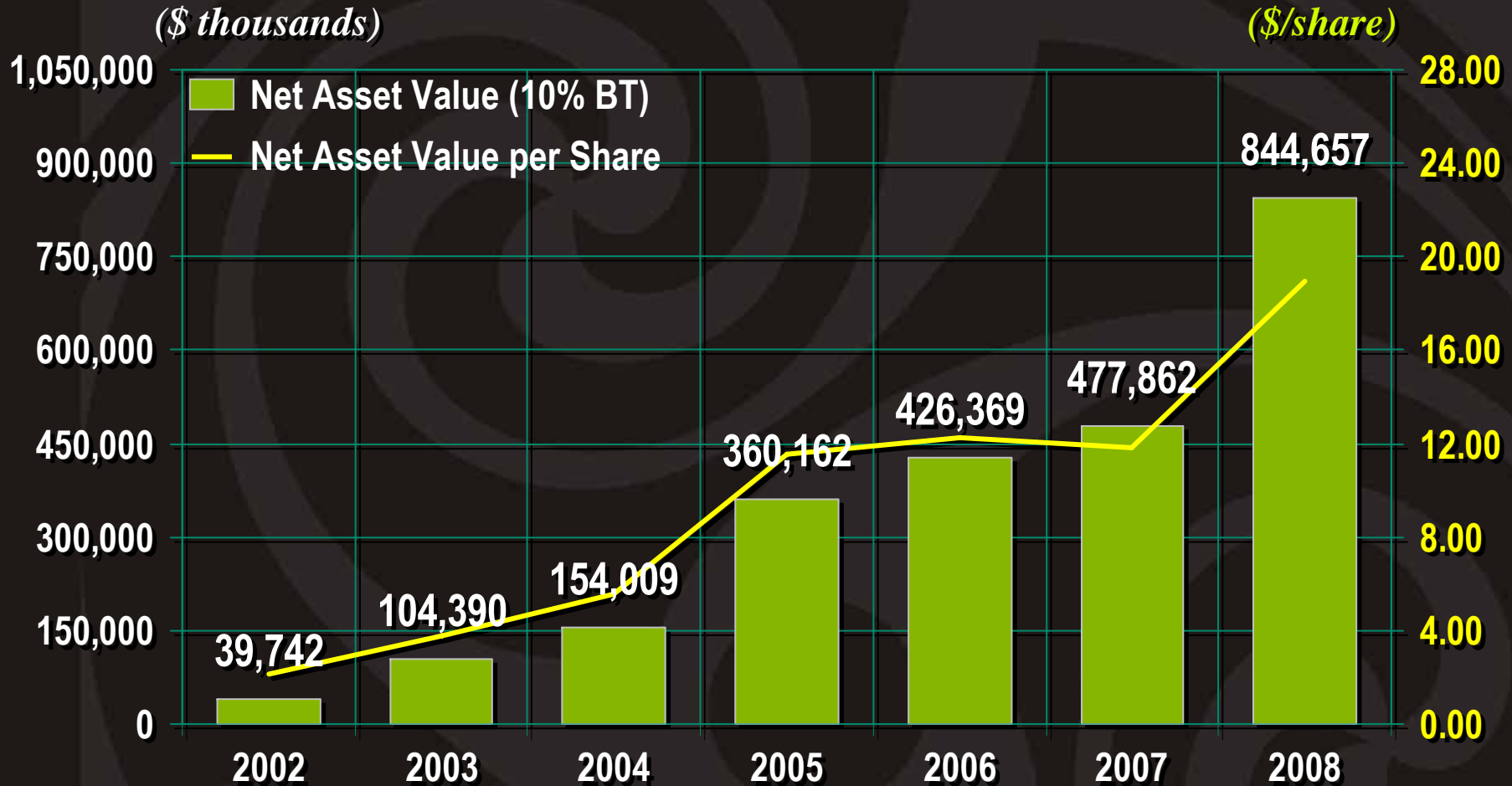
# 2P Reserves Growth



# Funds from Operations Growth

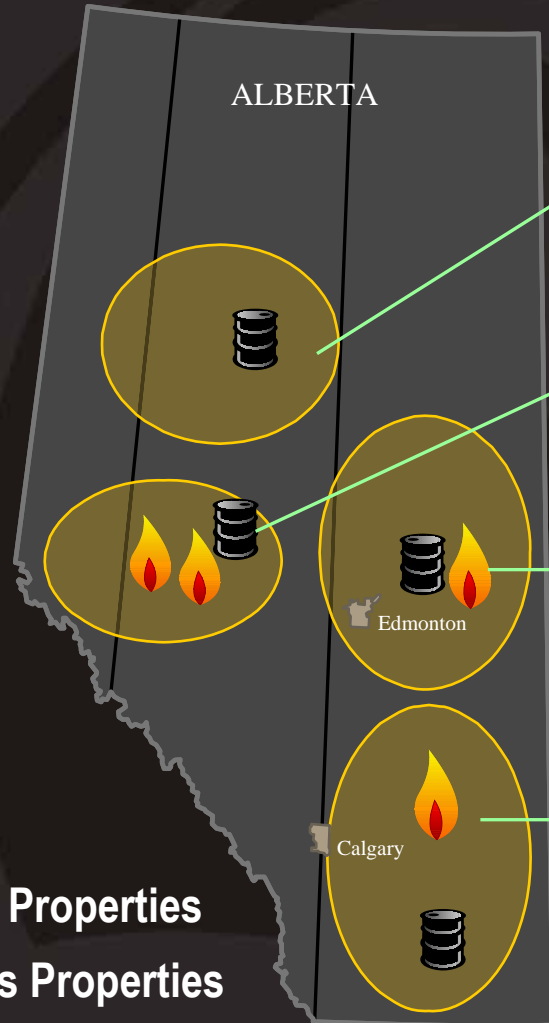


# Net Asset Value Growth



# Core Producing Areas

## Percentage of 2008 Production



**Northern Alberta 3%**  
(Utikuma, Otter/Ogston)

**West Central Alberta 82%**  
(Kaybob, Fox Creek, Swan Hills, Lator)

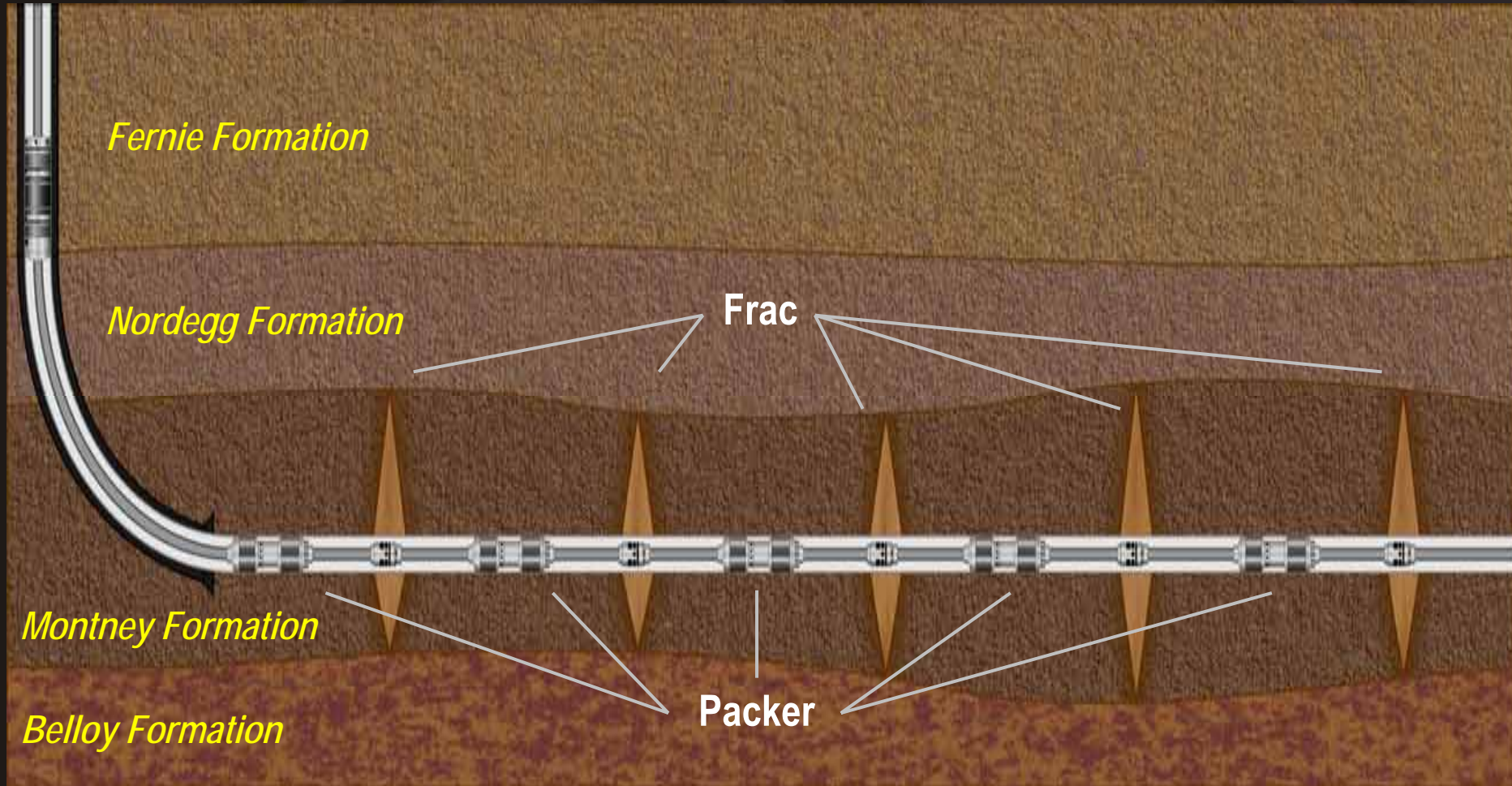
**East Central Alberta 3%**  
(Ashmont, Figure Lake, Edwand)

**Southern Alberta 12%**  
(Drumheller, Michichi, Richdale, Princess/Bantry)

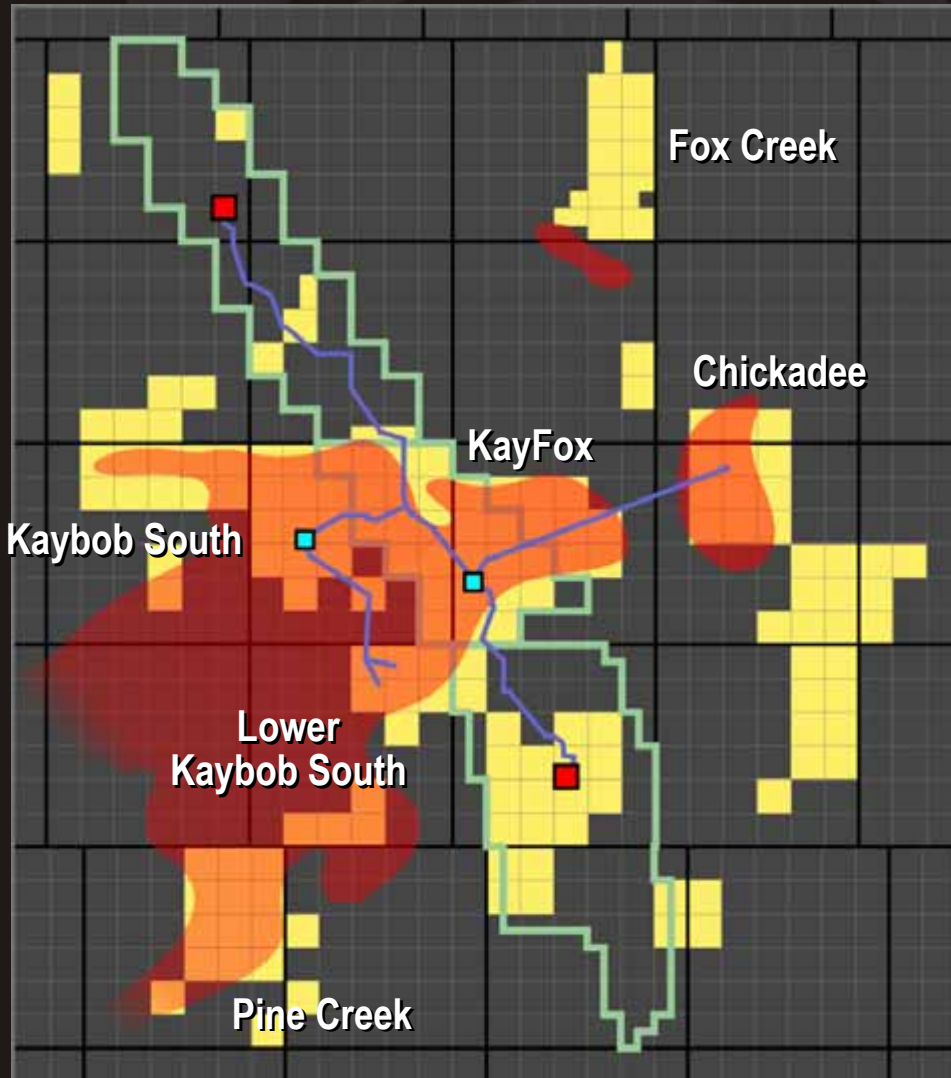
 Oil Properties

 Gas Properties

# *Kaybob - Horizontal Well with Multiple Fractures*



# Greater Kaybob - Montney



- Land Holdings:  
Montney rights: 119 sections (99 net)
- Montney Reserves at December 31, 2008:  
Proven: 15.1 MMBOE (85% gas; 15% NGLs)  
P+P: 31.1 MMBOE (85% gas; 15% NGLs)
- Montney Drilling Well Inventory:  
Total Locations: 235 (gross) 190 (net)  
Locations included in Dec/31/08 2P Reserves:  
Producing: 47 (net)  
Un-drilled: 46 (net)

- Celtic Land
- Gas Plant
- BHL Gas Unit
- Compressor
- Montney Pool
- Pipeline

# *Kaybob Montney: Drilling Inventory*

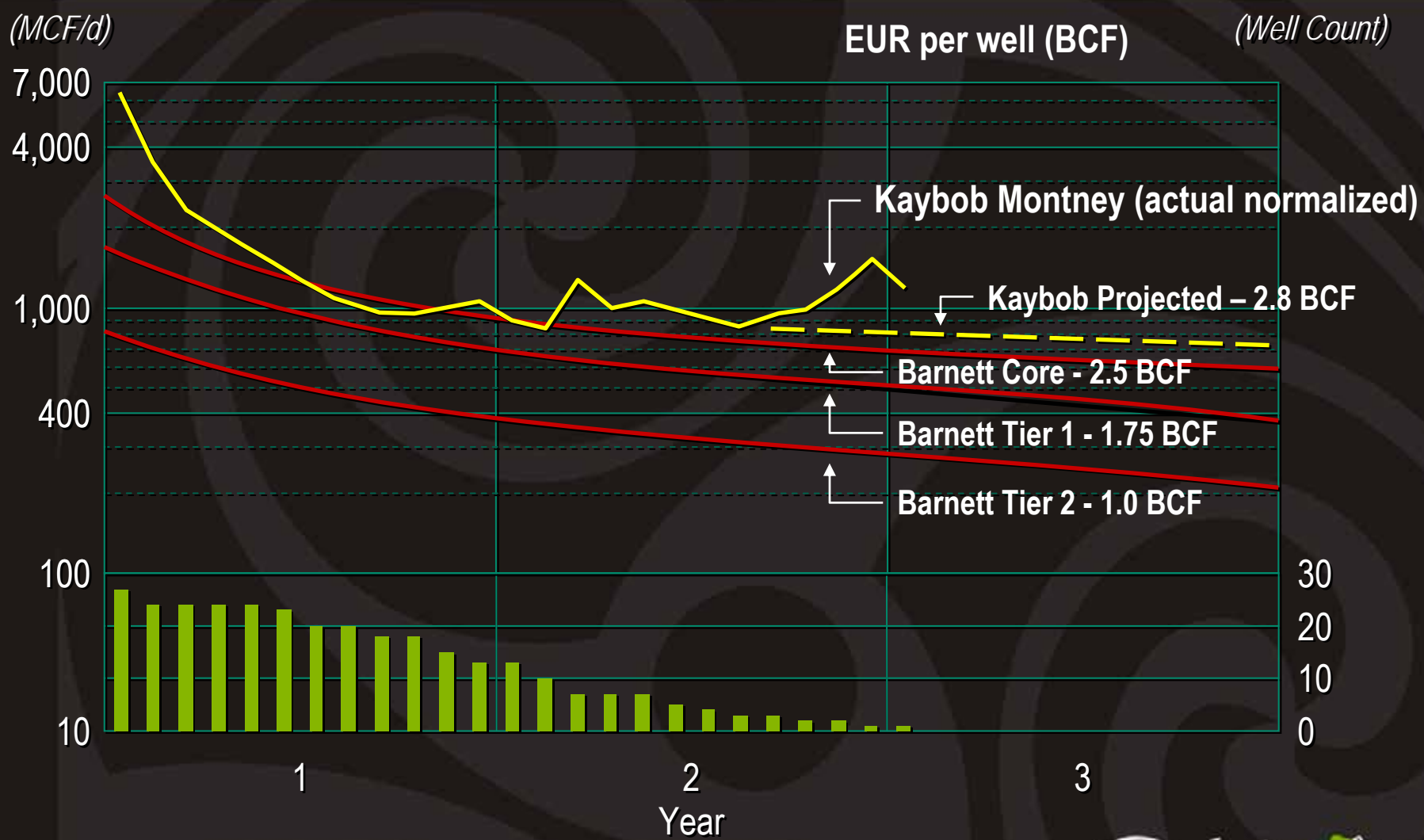
	Kaybob South	Kayfox	Lower KS/ Pine Creek	Chickadee	TOTAL
Drilling locations, gross	95	51	63	26	235
Average well count/section	3.8	3.4	3.7	3.3	3.6
<b>Drilling locations, net</b>	<b>84</b>	<b>48</b>	<b>32</b>	<b>26</b>	<b>190</b>
Net producing locations included in 2008 reserve report	31	13	2	1	47
Net future locations included in 2008 reserve report	22	20	2	2	46
Net future locations not included in 2008 reserve report	28	13	26	21	88

# Typical Kaybob Montney HZ: Decline Profile

Period	Average Raw Gas Production (MCF/d)	Average Total Sales * (BOE/d)	Annual Decline (%)
Month 1	4,800	829	
Year 1	1,810	313	
Year 2	865	149	52%
Year 3	730	126	16%
Year 4	625	108	14%
Year 5	540	93	14%

\* Sales is production after gas shrinkage adjustments and includes NGLs at approximately 26 bbls/MMCF of raw gas.

# Kaybob Montney vs. Barnett Shale



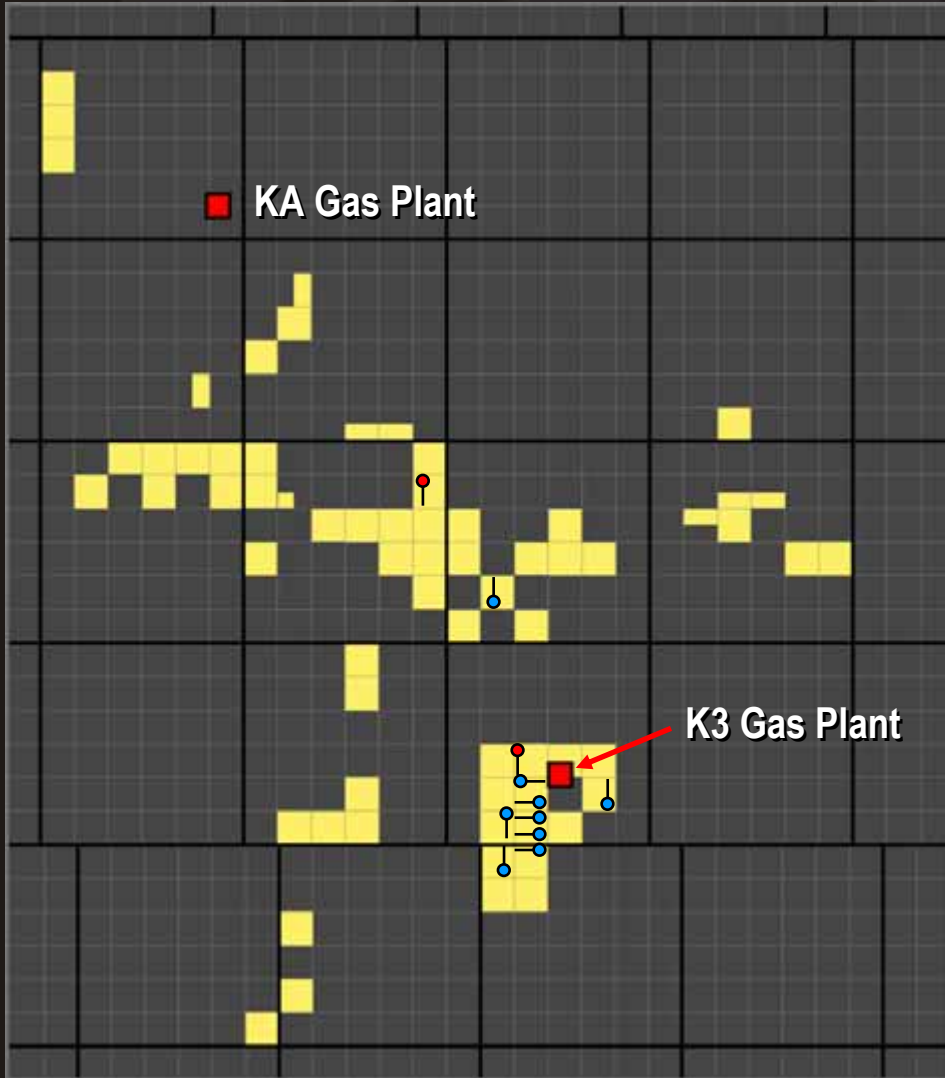
# *Typical Kaybob South Montney HZ: Return on Drilling Capital*

<b>AECO Gas Price (\$/GJ)</b>	<b>\$3.57</b>	<b>\$4.46</b>	<b>\$5.36</b>	<b>\$6.25</b>	<b>\$7.14</b>
<b>Wellhead Gas Price (\$/mcf)</b>	<b>\$4.00</b>	<b>\$5.00</b>	<b>\$6.00</b>	<b>\$7.00</b>	<b>\$8.00</b>
NPV @ 10% BT (\$ mm)	\$3.4	\$4.9	\$6.2	\$7.4	\$8.5
IRR (BT)	59%	88%	118%	149%	183%
Payout of drilling capital (years)	1.8	1.4	1.1	0.9	0.8
First year royalty rate	22.1%	24.9%	28.1%	31.6%	34.6%
Life of the well royalty rate	14.8%	15.5%	16.8%	18.6%	20.3%

### Assumptions:

- **New Energy Incentive Program (5% royalty + \$200/m royalty credit) has not been factored into the above analysis.** Royalties in the above analysis are based on NRF.
- Constant selling price for the life of the well; NGLs at \$57.41/bbl.
- Net present value (NPV) is after drilling capital expenditures of \$3.2 mm.

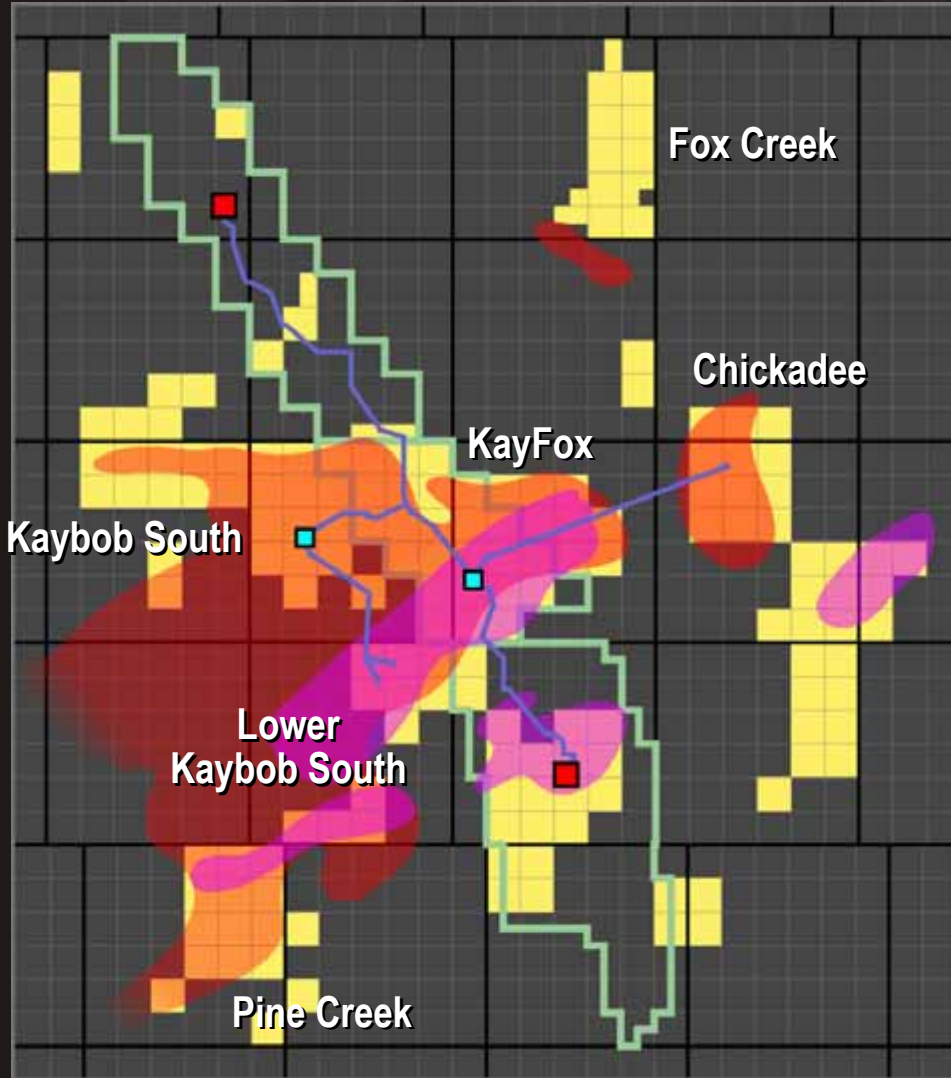
# Greater Kaybob - Cretaceous



- Land Holdings:  
Cretaceous rights: 61 sections (36 net)
- Cretaceous Reserves at December 31, 2008:  
Proven: 1.8 MMBOE (81% gas; 19% NGLs)  
P+P: 2.9 MMBOE (81% gas; 19% NGLs)
- Horizontal Drilling Inventory:  
Total Bluesky Locations: 25 (gross) 15 (net)  
Total Notikewin Locations: 10 (gross) 5 (net)  
Locations included in Dec/31/08 2P Reserves:  
Producing: 11 (net) verticals – all Cretaceous zones, including Gething and Viking  
Un-drilled: 3 (net) – Bluesky locations

- Celtic Land
- Gas Plant
- Notikewin Well
- Bluesky Well

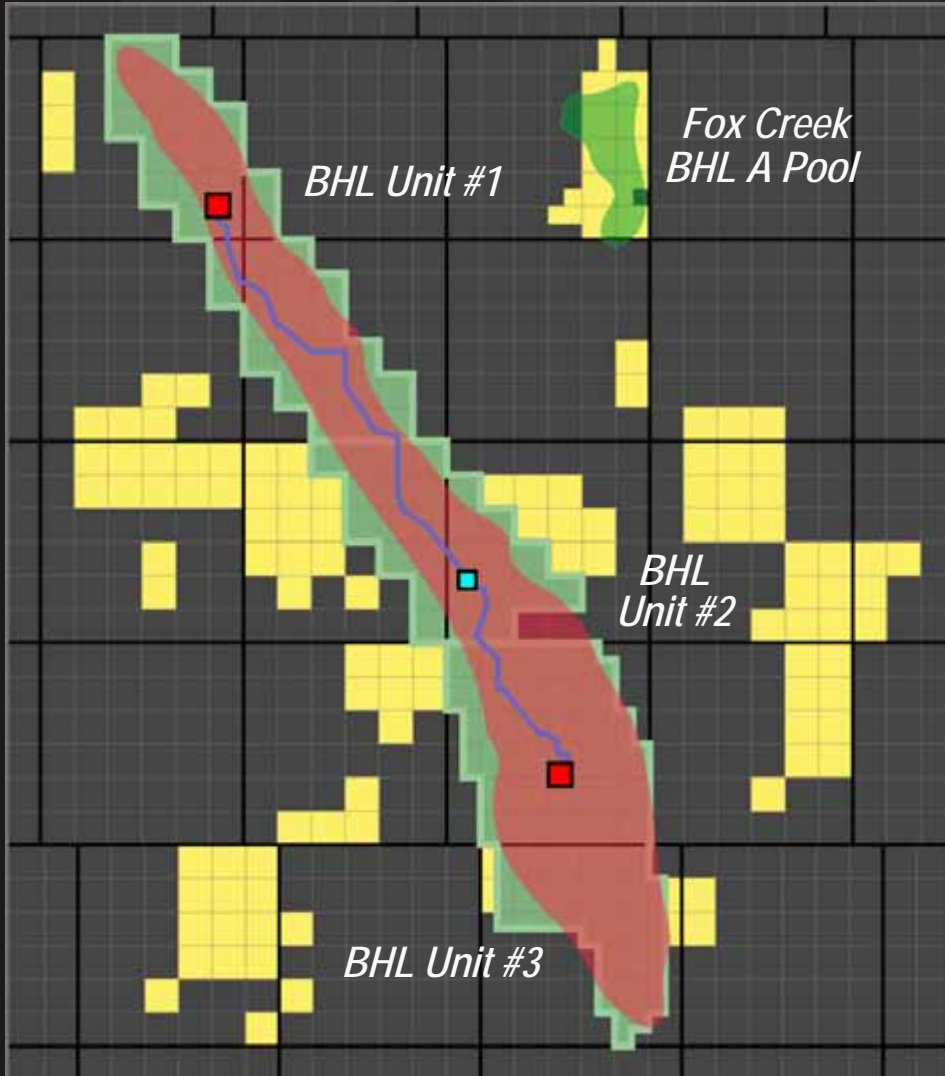
# Greater Kaybob - Nordegg



- Land Holdings:  
Nordegg rights: 114 sections (94 net)
- Nordegg Reserves at December 31, 2008:  
Proven: 1.2 MMBOE (85% gas; 15% NGLs)  
P+P: 1.9 MMBOE (85% gas; 15% NGLs)
- Nordegg Drilling Inventory:  
Total Locations: 73 (gross) 57 (net)  
Locations included in Dec/31/08 2P Reserves:  
Producing: 5 (net)  
Un-drilled: 2 (net)

- Celtic Land
- BHL Gas Unit
- Montney Pool
- Nordegg Pool
- Gas Plant
- Compressor
- Pipeline

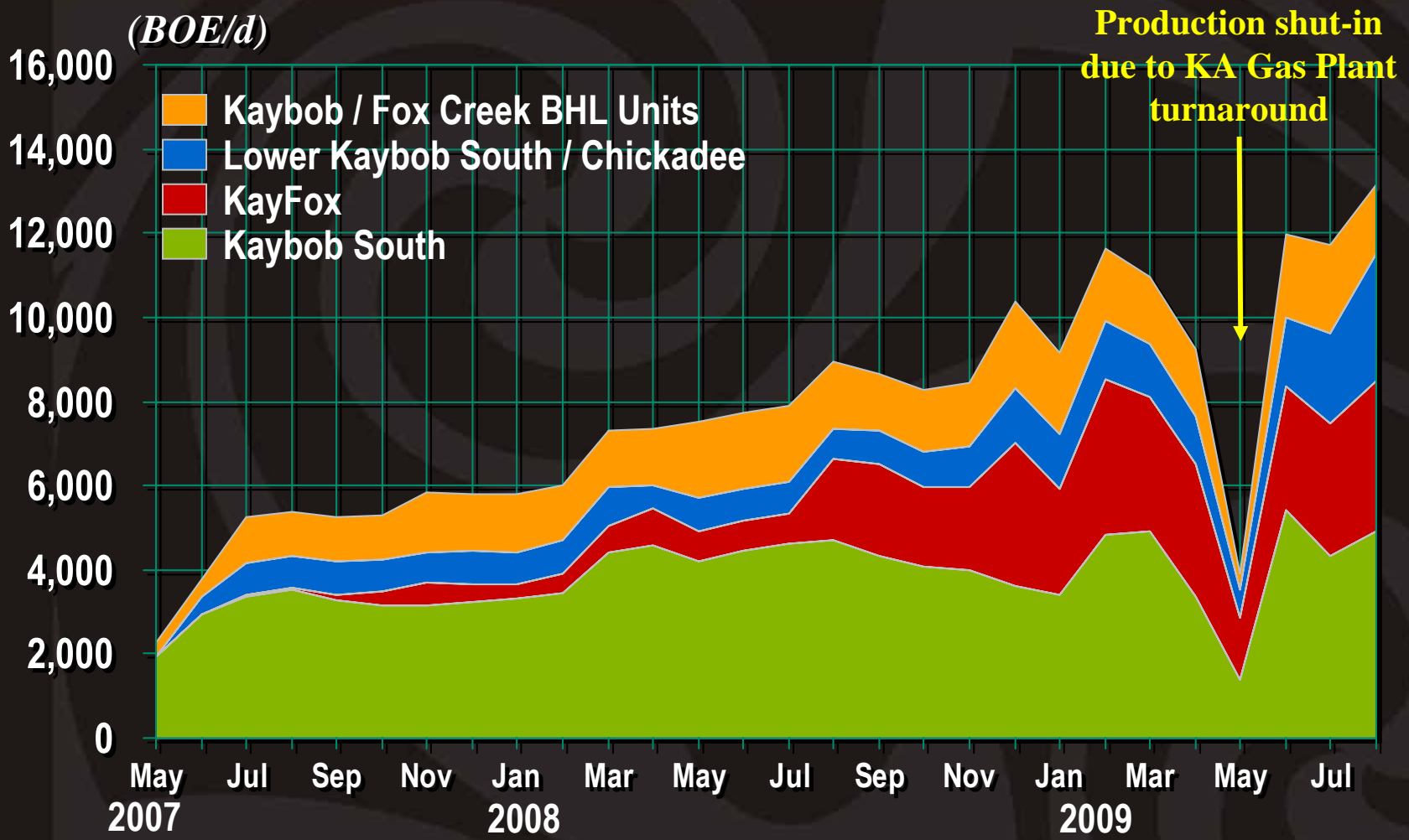
# Greater Kaybob - Devonian



- Celtic averages approximately 65 lt/d of sulphur production at Kaybob.
- Land and Unit Holdings:
  - BHL Unit #1: 9.3% in 40 unitized sections
  - BHL Unit #2: 61.4% in 26 unitized sections
  - BHL Unit #3: 10.2% in 50 unitized sections
- Control of compression and pipeline infrastructure.
- Celtic has submitted an application to regulatory authorities to build it's own Gas Plant at Kaybob with capacity of up to 150 MMCF/day.

- Celtic Land
- BHL Gas Unit
- Devonian Oil Pool
- Devonian Gas Pool
- Gas Plant
- Compressor
- Pipeline

# Kaybob Production History



# *A Recovery in Natural Gas Prices is Coming*

## **Celtic is optimistic about a recovery in natural gas prices by early 2010 for the following reasons:**

- U.S. production is declining at a rapid pace (25% to 35%).
- The rig count in the U.S. has dropped off a cliff (September 25, 2009, there were 710 gas rigs operating, down from a peak of 1,600 in September 2008).
- Canadian gas production continues to decline (resulting in lower exports to the U.S.).
- UK and Asia natural gas prices continue to trade at a premium to U.S. prices creating a more favourable market for LNGs.
- A recovery in the U.S. economy in 2010 will result in increased industrial demand.
- “Wild Card” – upcoming winter weather. A colder than normal winter will add to demand for natural gas in the Nov/09 to Mar/10 period.

# *Celtic's Future Plans?*

- Celtic's strong financial position, prudent hedging strategy and Alberta's recently announced Energy Incentive Program will allow the Company to continue to grow, even during turbulent financial times, by taking advantage of its large inventory of drilling locations.
- Celtic's cost structure is expected to improve again in 2010 as new production continues to be added in Kaybob at costs that are lower than the corporate average.
- Celtic expects to repeat the success achieved at Kaybob in other areas where horizontal drilling with multiple fractures can be applied.
- Celtic will continue to focus on production with high netbacks and a long reserve life, with emphasis on continued per share growth in reserves, production, asset value and funds from operations.

# *Directors & Officers*

## DIRECTORS:

Robert J. Dales

William C. Guinan

Eldon A. McIntyre

Neil G. Sinclair

David J. Wilson

## OFFICERS:

David J. Wilson, *President & CEO*

Sadiq H. Lalani, *VP Finance & CFO*

Michael R. Shea, *VP Land*

David C. Morgenstern, *VP Exploration*

Alan G. Franks, *VP Operations*

# Celtic



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