



PRESS RELEASE
(Stock Symbol "CLT" – TSX)

March 1, 2006
Calgary, Alberta

CELTIC REPORTS RECORD EARNINGS OF \$18.3 MILLION IN 2005

Celtic Exploration Ltd. ("Celtic" or the "Company") has released its financial and operating results for the three months and twelve months ended December 31, 2005. Highlights are as follows:

(\$ thousands, unless otherwise indicated)	Three months ended December 31,			Twelve months ended December 31,		
	2005	2004	Change	2005	2004	Change
FINANCIAL						
Revenue, net of royalties	\$ 26,647	\$ 13,086	104%	\$ 76,577	\$ 50,260	52%
Funds from operations	\$ 18,674	\$ 9,559	95%	\$ 56,969	\$ 36,381	57%
Funds from operations per share						
Basic (\$/share)	\$ 0.65	\$ 0.37	76%	\$ 2.05	\$ 1.41	45%
Diluted (\$/share)	\$ 0.62	\$ 0.36	72%	\$ 1.98	\$ 1.37	45%
Net earnings	\$ 7,062	\$ 3,278	115%	\$ 18,264	\$ 11,501	59%
Earnings per share						
Basic (\$/share)	\$ 0.24	\$ 0.13	85%	\$ 0.66	\$ 0.45	47%
Diluted (\$/share)	\$ 0.24	\$ 0.12	100%	\$ 0.64	\$ 0.43	49%
Capital expenditures, net of dispositions	\$ 41,490	\$ 18,362	126%	\$ 119,230	\$ 55,145	116%
Total assets				\$ 242,113	\$ 135,984	78%
Bank debt				\$ 41,700	\$ 23,400	78%
Working capital deficiency, excluding bank debt				\$ 21,726	6,673	226%
Bank debt, net of working capital				\$ 63,426	\$ 30,073	111%
Shareholders' equity				\$ 125,847	\$ 76,436	65%
Common shares issued and outstanding						
Basic				28,973	25,835	12%
Diluted				31,229	27,763	12%
Net asset value per share (present value of reserves discounted at 10%, before tax)				\$11.53	\$5.55	108%
Finding, development and acquisition cost per BOE (proved plus probable reserves, including future capital)				\$14.64	\$14.40	2%

	Three months ended December 31,			Twelve months ended December 31,		
	2005	2004	Change	2005	2004	Change
OPERATIONS						
Production						
Oil (bbls/d)	2,915	2,142	36%	2,524	2,283	11%
Natural gas (mcf/d)	13,071	8,292	58%	11,396	7,952	43%
Combined (BOE/d)	5,094	3,524	45%	4,423	3,608	23%
Production per million shares (BOE/d)	176	136	29%	159	140	14%
Realized sales prices, before financial derivatives						
Oil (\$/bbl)	\$ 61.03	\$ 53.08	15%	\$ 62.02	\$ 48.71	27%
Natural gas(\$/mcf)	\$ 12.48	\$ 7.13	75%	\$ 9.60	\$ 6.97	38%
Combined (\$/BOE)	\$ 66.95	\$ 49.03	37%	\$ 60.11	\$ 46.15	30%
Operating netbacks, after financial derivatives						
Oil (\$/bbl)	\$ 35.37	\$ 34.66	2%	\$ 36.79	\$ 31.88	15%
Natural gas (\$/mcf)	\$ 8.38	\$ 4.48	87%	\$ 6.29	\$ 4.11	53%
Combined (\$/BOE)	\$ 41.76	\$ 31.62	32%	\$ 37.20	\$ 29.20	27%
Drilling activity						
Total wells	27	19	42%	100	67	49%
Working interest wells	15.3	11.4	34%	68.1	41.5	64%
Success rate on working interest wells	76%	78%	-3%	74%	86%	-14%
Undeveloped land						
Gross acres				261,346	204,535	28%
Net acres				164,239	121,204	36%
Reserves						
Oil (mbbls)				10,527	6,739	56%
Natural gas (mmcf)				47,992	25,872	85%
Combined (mBOE)				18,526	11,051	68%
Reserve life index (years)				10.0	6.2	61%

PRODUCTION

Oil and gas production in 2005 increased 23% to average 4,423 BOE per day compared to 3,608 BOE per day in 2004. Average production in the fourth quarter of 2005 was 5,094 BOE per day. Production per million shares outstanding in 2005 averaged 159 BOE per day, up 14% from 140 BOE per day in 2004.

Celtic's production is entirely based in Alberta and is divided into four core areas. In Southern Alberta, the Company's primary natural gas producing properties are located at Drumheller, Michichi and Richdale and its primary oil producing properties are located at Princess, Bantry and Bow Island. In East Central Alberta, the principal producing asset is a shallow natural gas property at Ashmont. In Northern Alberta, the Company produces mainly light oil from Ogston, Otter and Utikuma Lake. In West Central Alberta, Celtic has both natural gas and light oil production at Fox Creek, Morse River/Swan Hills and Kakwa/Chime.

REVENUE

Revenue, after royalties, for the year ended December 31, 2005 was \$76.6 million, an increase of 52% compared to \$50.3 million in the previous year. For the three months ended December 31, 2005, revenue, after royalties, was \$26.6 million, up 104% from the fourth quarter of 2004.

The combined average product price received for oil and gas sales for the year ended December 31, 2005 was \$60.11 per BOE, an increase of 30% compared to the previous year. For the three months ended December 31, 2005, the average product price received was \$66.95 per BOE, up 37% from the average price received in the fourth quarter of 2004.

OIL OPERATIONS

Oil production for the year ended December 31, 2005 averaged 2,524 bbls per day, an increase of 11% compared to the previous year. For the three months ended December 31, 2005, average oil production was 2,915 bbls per day, up 36% from the fourth quarter of 2004.

The average price received for oil sales for the year ended December 31, 2005 was \$62.02 per bbl, an increase of 27% compared to the previous year. For the three months ended December 31, 2005, the average oil price received was \$61.03 per bbl, up 15% from the average price received in the fourth quarter of 2004.

For the year ended December 31, 2005, average oil royalties were 17.0% of sales. In the previous year, average oil royalties were 16.8% of sales. Celtic participated in various royalty incentive programs in 2005 and 2004, resulting in lower royalties for both years.

Transportation and selling expenses for oil production in 2005 averaged \$0.61 per bbl compared to \$0.46 per bbl in 2004. The higher per unit cost in 2005 reflects the larger percentage of oil production that was trucked in contrast to the previous year.

For the year ended December 31, 2005, production expenses were \$10.93 per bbl. In the previous year, production expenses were \$8.28 per bbl. The higher per unit production expense in 2005 reflects the broad based increase in service costs in the oil services industry and higher electricity prices.

NATURAL GAS OPERATIONS

Natural gas production for the year ended December 31, 2005 averaged 11,396 mcf per day, an increase of 43% compared to the previous year. For the three months ended December 31, 2005, average natural gas production was 13,071 mcf per day, up 58% from the fourth quarter of 2005.

The average price received for natural gas sales for the year ended December 31, 2005 was \$9.60 per mcf, an increase of 38% compared to the previous year. For the three months ended December 31, 2005, the average natural gas price received was \$12.48 per mcf, up 75% from the average price received in the fourth quarter of 2004.

For the year ended December 31, 2005, average natural gas royalties were 20.0% of sales, compared to 19.5% in the previous year.

Transportation and selling expenses for the year ended December 31, 2005 were \$0.15 per mcf, an improvement of 21% compared to \$0.19 per mcf for the previous year.

For the year ended December 31, 2005, production expenses improved to \$1.27 per mcf. In the previous year, production expenses were \$1.31 per mcf.

INTEREST EXPENSE

The Company has a demand revolving credit facility with a Canadian chartered bank that provides borrowings with interest payable monthly. Borrowing utilizing Bankers' Acceptances is also available under the facility. Interest expense for the year was \$1.1 million at an average rate of 4.2% compared to \$0.5 million at an average rate of 4.2% in 2004.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the year ended December 31, 2005 were \$1.9 million or \$1.19 per BOE. General and administrative expenses are reduced by overhead recovered on Company operated properties.

STOCK BASED COMPENSATION EXPENSE

For the year ended December 31, 2005, stock based compensation expense was \$0.8 million, compared to \$0.6 million in 2004. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model.

DEPLETION, DEPRECIATION AND AMORTIZATION

The Company follows the full cost method of accounting whereby all costs relating to the exploration and development of oil and gas reserves are capitalized. These capitalized costs along with estimated future capital expenditures to be incurred in order to develop proved reserves, are depleted and depreciated on a unit of production basis using estimated proved oil and gas reserves as evaluated by independent engineers. Depreciation of furniture and office equipment is provided using the declining balance method at a rate of 25%. Estimated future costs relating to asset retirement obligations are provided for on a unit of production basis and the provision is included in depletion, depreciation and amortization. Depletion, depreciation and amortization expense for the period ended December 31, 2005 was \$28.9 million or \$17.89 per BOE.

CEILING TEST

The Company performed a ceiling test calculation at December 31, 2005 in accordance with the CICA full cost accounting guidelines. As a result of the calculation, Celtic was not required to record an impairment loss. In addition, based on the calculation conducted at December 31, 2004, there was no impairment loss required.

TAXES

For the year ended December 31, 2005, Celtic provided for a provision of future income taxes in the amount of \$8.8 million. This amount differs from the expected provision for income taxes of \$10.2 million based on the statutory combined income tax rate of 37.62% due to the differences between the resource allowance deduction and non-deductible Crown charges and non-taxable Provincial tax credits ("Alberta Royalty Tax Credit" or "ARTC") and the recognition of a benefit of \$0.8 million related to substantively enacted changes to the federal income tax rate and resource related deductions from income. These changes, which will be phased in over the next two years, will result in a lower corporate income tax rate, provide for the deduction of crown royalties and eliminate the resource allowance deduction. An analysis of the income tax provision is included in the notes to the financial statements.

Capital tax for the year ended December 31, 2005 was \$0.1 million. This tax is with respect to the federal Large Corporations Tax ("LCT") or Part I.3 Tax and is calculated based on the Company's taxable capital base including debt and shareholders' equity. The LCT is being phased out over the next three years, with the LCT rate reducing from 0.175% effective January 1, 2005 to 0.125%, 0.0625% and nil effective January 1, 2006, January 1, 2007 and January 1, 2008, respectively. The allowable capital deduction is currently \$50.0 million.

At December 31, 2005, Celtic had unused income tax deductions available of approximately \$141.6 million.

NET EARNINGS AND FUNDS FROM OPERATIONS

Net earnings for the year ended December 31, 2005 was \$18.3 million (\$0.66 per share, basic and \$0.64 per share, diluted). During the same period, funds from operations were \$57.0 million (\$2.05 per share, basic and \$1.98 per share, diluted).

CAPITAL EXPENDITURES

Celtic is committed to future growth through its strategy to augment strategic oil and gas acquisitions with exploitation upside, and at the same time, implement a full cycle exploration program. Since the Company began active oil and gas operations in September 2002, Celtic has completed several corporate and property acquisitions in order to establish a cash flow platform and an inventory of exploration and development prospects from which the Company can grow through the drill bit.

In April 2004, Celtic completed the acquisition of an interest in the Morse River Beaverhill Lake oil unit for \$3.4 million. Subsequent to this acquisition, the Company has acquired interests in undeveloped lands offsetting the Morse River Unit and has entered into farm-in agreements giving the Company access to additional undeveloped lands in the Morse River and Swan Hills areas. In 2005, this area was the most active for drilling operations. This is an example of Celtic's strategy to acquire an initial position in an area and subsequently expand the area making it core to the Company. Other areas where Celtic has successfully employed this strategy include Fox Creek, Ashmont and Bantry.

During the year ended December 31, 2005, in addition to \$5.2 million spent on property acquisitions, Celtic incurred \$114.0 million on exploration and development activity. Drilling and completion operations accounted for \$79.2 million and equipment and facility expenditures were \$25.1 million. The balance was spent on land and seismic, building the Company's inventory of prospects for future drilling. Approximately 86% of net wells drilled were development and 14% were exploratory.

UNDEVELOPED LAND

As at December 31, 2005, Celtic owned 164,239 net acres of undeveloped land, representing a 36% increase compared to 121,204 net acres at the end of 2004. Approximately 9% of the Company's undeveloped land position is subject to expiry in 2006, if not developed. Celtic holds an average working interest of 63% in its undeveloped lands.

In 2005, Celtic increased its undeveloped land base through Crown land sale acquisitions and farm-in arrangements. At Crown sales, Celtic acquired 31,481 net acres of new lands in Alberta, at an average cost of approximately \$192 per acre; compared to the industry average of \$256 per acre.

At December 31, 2005, Celtic had control over 95,680 gross (64,556 net) acres of undeveloped lands through various farm-in arrangements. The majority, 56,320 gross acres are located in the Ashmont area of east central Alberta targeting Mannville gas; 15,360 gross acres are in the Swan Hills area of west central Alberta targeting Beaverhill Lake light oil and 16,000 gross acres in the Rainbow region of northern Alberta targeting Shunda gas.

Looking ahead to 2006, the high costs to acquire land experienced by the industry in 2005 are expected to continue in 2006. Celtic expects that its average price per acre paid for land in 2005 will be higher in 2006 while the amount of acreage it acquires at Crown sales will decrease. This is a reflection of the Company's prospect-driven land acquisition strategy of acquiring high-value drill-ready prospects rather than acquiring larger blocks of potentially over-valued trend acreage. In addition, Celtic will continue to focus its land acquisition efforts on third party farm-in arrangements providing the Company with a tax-effective basis for expanding its land holdings and minimizing the up-front land acquisition capital associated with its drilling programs.

Celtic's continued land acquisition strategy is prospect driven with emphasis on internally generated opportunities that are in close proximity to facility infrastructure. The Company's long-term goal remains to build a large land base of high working interest undeveloped lands with Celtic operating the majority of its prospects, ensuring control of capital expenditures.

DRILLING

During the year ended December 31, 2005, Celtic drilled 100 (68.1 net) wells compared to 67 (41.5 net) wells in the previous year, with an overall success rate of 74% on net wells drilled. The split between development drilling and exploratory drilling was 86% and 14%, respectively. The average depth of net wells drilled was 1,967 metres, 34% deeper than the average drilling depth of 1,463 metres in 2004.

RESERVES

Celtic retains Sproule Associates Limited ("Sproule"), an independent qualified reserve evaluator to prepare a report on 100% of its oil and gas reserves. The Company has a Reserves Committee which oversees the selection, qualifications and reporting procedures of the independent engineering consultants. Reserves as at December 31, 2005 and 2004 were determined using the guidelines and definitions set out under National Instrument 51-101 ("NI 51-101"). At December 31, 2005, Celtic's proved plus probable reserves were 18.5 million BOE, up 68% from 11.1 million BOE at the end of 2004.

The Company created value for its shareholders in 2005 significantly increasing the net present value of proved plus probable reserves, discounted at 10% before tax, to \$389.0 million, up 137% from \$164.4 million at December 31, 2004. In addition, the quality of reserves improved resulting in a reserve life index of 10.0 years compared to 6.2 years at December 31, 2004.

During 2005, the Company's capital expenditures, net of dispositions, resulted in proved plus probable reserve additions (before net revisions) of 9.4 million BOE, resulting in finding, development and acquisition ("FD&A") costs of \$14.22 per BOE. After revisions, FD&A costs were \$14.64 per BOE. The recycle ratio is a measure for evaluating the effectiveness of a company's re-investment program. The ratio measures the efficiency of capital investment. It accomplishes this by comparing the operating netback per BOE to that year's reserve FD&A cost per BOE. Since incorporation, Celtic has successfully achieved a recycle ratio of 2.5 times on a proved plus probable basis.

Celtic's 2005 capital investment program replaced production by a factor of 3.5 times on a proved basis and 5.6 times on a proved plus probable basis.

NET ASSET VALUE

Celtic's net asset value at December 31, 2005 increased to \$360.2 million, up 134% from \$154.0 million at December 31, 2004. On a per share basis, net asset value increased 108% to \$11.53 per share. The present value of petroleum and natural gas reserves were determined by Sproule in their year-end evaluation report and are based on a ten percent discount rate, before income taxes. Undeveloped land at December 31, 2005 was valued at an average price of \$120 per acre.

MARKET CAPITALIZATION

The Company's total capitalization increased 56% to \$450.8 million at December 31, 2005. Market value of common shares represented 80% of total capitalization, while debt and working capital represented 14% of total capitalization.

At December 31, 2005, the Company had \$41.7 million outstanding on its credit facility. Total debt, including working capital deficiency was \$63.4 million, representing approximately 1.1 times 2005 funds from operations and approximately 0.6 times forecasted 2006 funds from operations.

SOURCE OF FUNDS

Investment funding for capital expenditures incurred in 2005 was provided by proceeds from an equity financing, bank debt and cash provided by operating activities.

In May 2005, Celtic completed the issuance of 3.0 million common shares by way of private placement, at a price of \$10.25 per share. The equity offering resulted in gross proceeds of \$30.75 million.

The Company has in place a revolving demand loan facility with a Canadian chartered bank. The maximum amount available to be drawn under this facility at December 31, 2005 was \$75.0 million. At December 31, 2005, Celtic had drawn \$41.7 million, leaving significant unused credit lines available to fund working capital deficiency and future capital expenditures. Celtic expects to increase the maximum amount available under its credit facility after the Company's bankers complete their annual review in April 2006.

In order to fund all capital expenditures incurred in 2005, the Company augmented its equity financing and bank borrowings by generating \$57.3 million in cash provided by operating activities for the year ended December 31, 2005.

Celtic expects to fund future capital expenditures through the use of a combination of cash provided by operating activities and bank debt, supplemented by new equity share offerings, as required.

WORKING CAPITAL

The capital intensive nature of Celtic's activities creates a working capital deficiency position during periods with high levels of capital investment. However, during such periods, the Company maintains sufficient unused bank credit lines to satisfy such working capital deficiencies. At December 31, 2005, the working capital deficiency amount plus outstanding bank debt represented 85% of the Company's maximum authorized bank borrowing credit limit.

The oil and gas industry has a pre-arranged monthly clearing day for payment of revenues from all buyers of oil and natural gas. This occurs on the 25th day following the month of sale. As a result, the Company's production revenues are collected in an orderly fashion. Celtic monitors its revenue counterparty credit positions to mitigate any potential credit losses. To the extent that the Company has joint venture partners in its activities, it must collect the partners' share of capital expenditures and operating expenses on a monthly basis. Exceptions are in the event that the partners' share of a capital project is a significant amount. In this case, Celtic will collect such amounts from its partners in advance of expenditures taking place in accordance with standard industry operating procedures. At December 31, 2005, the Company did not have any material accounts receivable that were deemed uncollectible.

Accounts payable consist of amounts payable to suppliers relating to head office and field operating and investing activities. These invoices are processed within the Company's normal payment period.

Celtic actively manages the pace of its capital spending program by monitoring forecasted production and commodity prices and resulting cash flows. Should circumstances affect cash flow in a detrimental way, the Company is capable of reducing capital investment levels.

SHARE INFORMATION

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. As at December 31, 2005, there were 29.0 million common shares outstanding. There were no preferred shares outstanding. As at December 31, 2005, directors, employees and consultants have been granted options to purchase 2.2 million common shares of the Company at an average exercise price of \$6.58 per share.

ADVISORY REGARDING FORWARD-LOOKING STATEMENTS

Certain information with respect to Celtic 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 Celtic'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.

2006 FORECAST

Celtic is optimistic about its future prospects. The Company was successful in establishing a production base during the early months since commencing operations that provides a cash flow stream that can be re-invested in Celtic's ongoing exploration and development activity. Celtic is opportunity driven and is confident that it can continue to grow the Company's production base by building on its current inventory of development prospects and by adding new exploration prospects. Celtic will endeavour to maintain a high quality product stream that on a historical basis receives a superior price with reasonably low production costs. In addition, the Company takes advantage of royalty incentive

programs in order to further increase netbacks. Celtic will continue to focus its exploration efforts in areas of multi-zone potential for light gravity crude oil and liquids-rich natural gas.

Celtic's Board of Directors has approved an initial capital expenditure budget in the amount of \$120 million for 2006. This capital spending will be financed by funds from operations and bank credit lines.

After forecasting risked production discoveries, timing of production on-stream dates resulting from the Company's planned capital expenditures for 2005 and estimated decline rates on existing volumes, Celtic expects production in 2006 to average between 7,200 and 7,600 BOE/d (55% oil and 45% gas). This represents a 63% to 72% increase from average production of 4,423 BOE/d in 2005.

World oil demand continued to show resilient growth in 2005. The response in world oil supply has left major oil exporting nations with limited spare productive capacity. In addition, political turmoil in major oil producing regions around the world has put further strains on stable world oil supply. As a result, Celtic expects oil prices to remain strong in 2006. Natural gas demand in North America also expanded in 2005 resulting in record natural gas drilling in Canada and the United States. However, a warmer than normal winter has left sufficient natural gas in storage and may put pressure on natural gas prices in the short term. Longer term natural gas prices will benefit from increases in demand until supply increases significantly with the introduction of additional volumes of liquefied natural gas ("LNG") expected in three to four years. The Company's commodity price assumptions for 2006 are US\$61.00 per barrel for WTI oil, US\$8.50 per MMBTU for natural gas and a US/Canadian exchange rate of US\$0.862.

After giving effect to the aforementioned production and commodity price assumptions and taking into effect commodity risk price management contracts in place (as outlined in detail in the notes to the financial statements), funds from operations for 2006 is forecasted to be approximately \$107.7 million or \$3.72 per share (\$3.52 per share, diluted) and net earnings is forecasted to be approximately \$40.0 million or \$1.38 per share (\$1.31 per share, diluted). Changes in forecasted commodity prices can have a significant affect to estimated funds from operations and net earnings.

Bank debt, net of working capital, is estimated to reach \$75.7 million by the end of 2006 or approximately 0.7 times forecasted 2006 funds from operations.

Celtic's capital expenditure budget for 2006 will see the Company participate at high working interests in the drilling of approximately 100 wells during the year. Celtic continues to pursue property acquisitions that would complement its existing asset base and completion of such acquisitions would be over and above the Company's planned capital expenditure budget.

Celtic is excited about the growth prospects being generated in the Company and remains optimistic about the Company's ability to deliver continued per share growth in production, funds from operations and earnings. Given the Company's strong inventory of drilling locations, we look forward to continued growth in 2006.

NON-GAAP FINANCIAL MEASUREMENTS

This press release contains the terms "funds from operations" and "operating netbacks" which do not have a standardized meaning prescribed by Canadian GAAP and therefore may not be comparable with the calculation of similar measures by other companies. Funds from operations and operating netbacks are used by Celtic as key measures of performance. Funds from operations and operating netbacks are not intended to represent operating profits nor should they be viewed as an alternative to cash flow provided by operating activities, net earnings or other measures of financial performance calculated in accordance with GAAP. The reconciliation between net earnings and funds from operations can be found in the statement of cash flows included in the audited financial statements. Operating netbacks are determined by deducting royalties, production expenses and transportation and selling expenses from oil and gas sales revenue. The Company calculates funds from operations per share using the same method and shares outstanding which are used in the determination of earnings per share.

OTHER MEASUREMENTS

All dollar amounts are referenced in Canadian dollars, except when noted otherwise. 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 BOE may be misleading, particularly if used in isolation. A BOE conversion ratio of six thousand cubic feet per barrel is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. References to oil in this discussion include crude oil and natural gas liquids ("NGLs"). NGLs include condensate, propane, butane and ethane.

CRITICAL ACCOUNTING ESTIMATES

Management is required to make judgments, assumptions and estimates in the application of generally accepted accounting principles that have a significant impact on the financial results of the Company.

Capitalized costs relating to the exploration and development of oil and gas reserves, along with estimated future capital expenditures required in order to develop proved reserves, are depleted and depreciated on a unit-of-production basis using estimated proved reserves.

The carrying value of property, plant and equipment is reviewed at least annually for impairment. Impairment occurs when the carrying value of the assets is not recoverable by the future undiscounted cash flows. The cost recovery ceiling test is based on estimates of proved reserves, production rates, oil and gas prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the impact on the financial statements could be material.

Liability recognition for asset retirement obligations associated with oil and gas well sites and facilities are determined using estimated costs discounted based on the estimated life of the asset. These capitalized costs are amortized on a unit-of-production basis, consistent with depletion and depreciation. Over time, the liability is accreted up to the actual expected cash outlay to perform the abandonment and reclamation.

In order to recognize stock based compensation expense, the Company estimates the fair value of stock options granted using assumptions related to interest rates, expected life of the option, volatility of the underlying security and expected dividend yields. These assumptions may vary over time.

The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax liability may differ significantly from that estimated and recorded on Celtic's financial statements.

OTHER INFORMATION

Common shares of the Company trade on the Toronto Stock Exchange under the symbol "CLT". Additional information relating to Celtic is available on SEDAR at www.sedar.com. The Company expects to mail out its Annual Report to shareholders on March 27, 2006. Celtic's Annual General Meeting of Shareholders is scheduled for April 26, 2006, at 3:00 PM, to be held at the Metropolitan Centre, 333 Fourth Avenue SW, Calgary, Alberta.

For further information, please contact:

CELTIC EXPLORATION LTD., Suite 500, 505 - 3rd Street SW, Calgary, Alberta, Canada T2P 3E6

David J. Wilson, President and Chief Executive Officer (403) 201-5340, or
Sadiq H. Lalani, Vice President, Finance and Chief Financial Officer (403) 215-5310.
Or visit our website site at www.celticex.com.