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PRESS RELEASE

(Stock Symbol "CLT" – TSX)

June 4, 2007

Calgary, Alberta

CELTIC ENTERS INTO AGREEMENT TO ACQUIRE ASSETS AT KAYBOB SOUTH AND ANNOUNCES EQUITY FINANCING

Celtic Exploration Ltd. ("Celtic" or the "Company") has entered into an agreement with a major petroleum company to acquire certain liquids-rich natural gas assets in the Company's core operating area at Kaybob South, Alberta. The assets that Celtic intends to acquire consist of an operated 49.88% working interest in the Kaybob South Beaverhill Lake Gas Unit #2, as well as other assets in the Kaybob South area. The acquisition has an effective date of May 1, 2007 and closing is expected to occur on or about July 3, 2007. The consideration to be paid by Celtic under the agreement is \$52.5 million, subject to normal closing adjustments, and will be financed by the equity offering described herein, as well as available credit facilities.

The key attributes of this property acquisition are as follows:

- current production capability is approximately 1,100 BOE per day, 63% natural gas and 37% natural gas liquids (resulting in an acquisition price of \$47,700 per BOE per day);
- proved reserves consist of approximately 2.9 million BOE (resulting in an acquisition price of \$18.10 per BOE, on a proved only basis);
- proved plus probable reserves consist of approximately 4.5 million BOE (resulting in an acquisition price of \$11.67 per BOE, on a proved plus probable basis);
- long-life reserves with a reserve life index of approximately 11.2 years (on a proved plus probable basis);
- complementary fit with a large contiguous land position adjacent to Celtic's Kaybob South exploration and development area; and
- ownership and operatorship in compressor facilities and a major pipeline system that Celtic currently uses to transport its existing Kaybob South Montney production from the Kaybob South field to the Kaybob South KA Gas Processing Plant.

Petroleum and natural gas reserves to be acquired were evaluated by Sproule Associates Limited, Celtic's independent engineering consultants, effective December 31, 2006. The Company has reduced the amount of reserves in the Sproule report to reflect production from January 1, 2007 to April 30, 2007, given that the effective date of the acquisition is May 1, 2007.

A portion of the assets to be acquired have rights of first refusal ("ROFR") attached. It is expected that the vendor of these assets will serve these 30-day ROFR notices immediately.

Kaybob South Pipeline

In the event that Celtic does not complete the proposed acquisition described above, the Company will endeavour to construct its own natural gas facilities and pipeline for natural gas transportation from its Kaybob South Montney field to the Kaybob South KA Gas Processing Plant. Celtic has already initiated surveying activity with respect to this project.

Equity Financing

In conjunction with the acquisition, Celtic has entered into an agreement with a syndicate of underwriters co-led by FirstEnergy Capital Corp. and GMP Securities LP, and including BMO Nesbitt Burns Inc., RBC Capital Markets, TD Securities Inc., Orion Securities Inc. and Tristone Capital Inc., pursuant to which the underwriters have agreed to purchase for resale to the public, on a bought-deal basis, 1.6 million units at a price of \$28.70 per unit for gross proceeds of \$45.92 million. Each unit will comprise of one common share (at a price of \$14.35 per common share) and one subscription receipt for a common share (at a price of \$14.35 per subscription receipt).

Each subscription receipt will represent the right to receive one common share of Celtic, without the payment of any additional consideration, on the closing of the acquisition. The proceeds from the offering of subscription receipts will be deposited in escrow pending the closing of the acquisition. If the acquisition closes on or before August 31, 2007, the net proceeds from the offering of the subscription receipts will be released to Celtic and will be used by Celtic to pay a portion of the acquisition price. However, if the acquisition fails to close by August 31, 2007, the escrow agent will return to the holders of subscription receipts the issue price of each subscription receipt and such holder's pro-rata entitlement to interest earned thereon.

The offering is subject to certain conditions including normal regulatory approvals. The units will be offered by way of private placement. The closing of the offering is expected to occur on or about June 26, 2007. Net proceeds from the offering will be used by Celtic to fund the acquisition and for on-going capital expenditures.

This news release does not constitute an offer to sell or a solicitation of any offer to buy the common shares in the United States. The common shares have not been and will not be registered under the U.S. Securities Act of 1933 and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of such Act.

Advisory Regarding Forward-Looking Statements

The information with respect to Celtic contained herein, 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.

Measurements

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.

For further information, please contact:

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