



PRESS RELEASE

(Stock Symbol "CLT" – TSX)

June 7, 2011

Calgary, Alberta

**CELTIC REPORTS FINANCIAL AND OPERATING RESULTS
FOR THE THREE MONTHS ENDED MARCH 31, 2011**

Celtic Exploration Ltd. ("Celtic" or the "Company") has released its financial and operating results for the three months ended March 31, 2011. Summary of results are as follows:

(\$000's, unless otherwise specified)	Three months ended March 31,		
	2011	2010	Change
Revenue, before royalties and financial instruments	53,652	63,809	-16%
Funds from operations	32,659	35,083	-7%
Basic (\$/share)	0.36	0.39	-8%
Diluted (\$/share)	0.34	0.39	-13%
Net earnings (loss)	672	26,110	-97%
Basic (\$/share)	0.01	0.29	-97%
Diluted (\$/share)	0.01	0.29	-97%
Capital expenditures, net of dispositions and drilling credits	69,253	(5,994)	-
Total assets	818,492	677,010	21%
Bank debt, net of working capital	147,879	126,366	17%
Shareholder's equity	520,536	403,931	29%
Common shares outstanding (thousands)	96,449	89,556	8%
Stock options outstanding (thousands)	5,976	6,286	-5%
Weighted average common shares			
Basic (thousands)	91,444	89,360	2%
Diluted (thousands)	94,707	91,113	4%
Production			
Oil [BBLs/d]	3,791	4,297	-12%
Gas [MCF/D]	70,884	78,031	-9%
Combined [BOE/D]	15,605	17,302	-10%
Production per million shares [BOE/D]	171	194	-12%
Drilling activity			
Total wells	22	21	5%
Working interest wells	14.6	15.2	-4%
Success rate on working interest wells	100%	87%	15%
Undeveloped land			
Gross acres	689,856	312,217	121%
Net acres	626,173	256,689	144%

MESSAGE TO SHAREHOLDERS

Celtic Exploration Ltd. ("Celtic" or the "Company") is pleased to report to shareholders the Company's activities in the first quarter of 2011. During the quarter, Celtic drilled 22 (14.6 net) wells with an overall success rate of 100%. Production during the quarter averaged 15,605 BOE per day, a decrease of 10% from 17,302 BOE per day in the first quarter of 2010. During the quarter, the Company experienced significant downtime as a result of gas plant outages at the KA and K3 Gas Plants, where over 85% of the Company's production is processed, which negatively affected production for the quarter. The most significant downtime for production during the first quarter was the outage at the K3 Gas Plant, which was down from March 10th to April 8th, 2011.

In the first quarter of 2011, Celtic recorded funds from operations of \$32.7 million (\$0.34 per share, diluted), down from \$35.1 million (\$0.39 per share, diluted) reported in the same quarter of the previous year. Net capital expenditures during the quarter were \$69.3 million and bank debt, net of working capital, at March 31, 2011 was \$147.9 million, up 17% from \$126.4 million at March 31, 2010.

Operations Update

The first quarter of 2011 proved to be Celtic's most active quarter since the Company started in 2002. In total, 19 operations were conducted during the quarter, with 12 of the operations occurring in Celtic's exciting new resource plays.

At Kaybob, Alberta, two Bluesky horizontals (1.0 net), one Notikewin horizontal (0.25 net) and four Montney horizontals (3.36 net) were drilled. With the colder weather in April, these wells were all completed prior to break-up.

In the Kaybob Duvernay shale play, four operations were conducted with three verticals (2.01 net) and one horizontal (0.33 net) being drilled. The horizontal well tested gas at 5.2 MMCF per day, with associated liquids estimated at 75 barrels per MMCF or 390 barrels per day. On a combined basis, after adjusting for shrinkage, the well's test equates to approximately 1,170 BOE per day. The vertical wells earned the Company additional lands in the play and provided valuable information regarding rock characteristics and liquids content. Two additional vertical tests are planned in 2011 that are expected to be equipped with seven-inch intermediate casing, set above the Duvernay zone, allowing the Company to drill these wells horizontally in the near future. Other industry participants are expected to become active in the area throughout the remainder of the year, further de-risking the play.

At Fir, Alberta, a two mile horizontal well was drilled and completed. The well tested at a gas rate of 13.1 MMCF per day, with associated liquids of 50 barrels per MMCF or 655 barrels per day. On a combined basis, after adjusting for shrinkage, the well's test equates to approximately 2,620 BOE per day. Celtic tied-in its two wells at Fir in late April and continues to develop the pool. The Company plans to drill a total of nine horizontals in 2011, the majority of which will be longer horizontals that will drain over the length of two sections of land.

At Inga, in north-east British Columbia, the Company continues to participate in the exploitation of a liquids-rich Doig play which is being developed through horizontal drilling. The Company's working interest in this play is 40%. During the first quarter, the Company participated in the drilling and completion of a horizontal well which tested gas at a rate of 4.0 MMCF per day and 1,400 barrels per day of flowing condensate. On a combined basis, after adjusting for shrinkage, the well's test equates to approximately 2,000 BOE per day. The well is currently tied-in and it is expected that horizontals drilled in the pool will eventually gravitate back to liquids yields that are similar to producing vertical wells in the range of 50 to 100 barrels per MMCF. Three additional wells are planned for the remainder of 2011.

At Resthaven, Alberta, Celtic carried out six operations which further delineate this exciting Montney play. Two vertical wells were deepened and tested at rates of 400 and 700 MCF per day. A third vertical was re-entered and deepened. This well was completed but not flow tested due to the onset of break-up. This well is expected to be tested in June.

In addition, three horizontals at Resthaven, were drilled during the quarter. The well located at 14-04-061-02W6 (100% WI) tested a lower interval below the middle Montney which turned out to be a lower permeability zone that proved to be difficult to frac. The Company was only able to complete five fracs successfully, resulting in a gas test rate of 2.4 MMCF per day. Celtic expects to drill a second horizontal leg in this well targeting the upper middle Montney formation, which appears to be a superior reservoir. The Company participated in the drilling and completion of a horizontal well located at 16-27-061-02W6 (30% WI); however, a test was not completed due to break-up. In addition, a horizontal well located at 15-31-060-02W6 was drilled and a completion is planned for the second quarter.

Celtic expects to drill 16.3 net wells in the Resthaven area during 2011. The Company has completed a portion of its 12-inch gas gathering system with the remainder to be built along with the compression facility in June and July.

Non-core Property Dispositions

During the first quarter, the Company completed the disposition of several non-core properties with production of approximately 235 BOE per day for proceeds of \$17.2 million, prior to adjustments. The Company expects to continue to monetize non-core assets and has identified potential assets that could be divested representing approximately 1,100 BOE per day of production.

Outlook

In spite of low natural gas prices, Celtic is able to generate profitable returns on its investments due to the nature of its asset base that is primarily made up of predictable and repeatable resource type development in liquids-rich natural gas formations. Celtic expects to exit 2011 with production of approximately 24,500 BOE per day. The Company is excited about its active exploration program and looks forward to updating shareholders with further results in the near future.

2011 GUIDANCE

Celtic continues to remain optimistic about its future prospects. 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 hydrocarbon potential.

Celtic's Board of Directors has approved the Company's 2011 capital expenditure budget of \$260.0 million. The Company expects to spend \$207.0 million on drilling and completing wells, \$40.0 million on facilities, equipment and pipelines, and \$13.0 million on land and seismic.

On May 16, 2011, the Company issued a press release outlining various production interruptions resulting from gas plant outages and repair and maintenance downtime. After taking into consideration these production interruptions, Celtic has changed its production and financial expectations as outlined below.

Celtic expects production in 2011 to average between 19,300 and 19,700 BOE per day (previously between 20,000 and 20,400 BOE per day). This estimate is based on production in the second quarter averaging between 16,000 and 16,500 BOE per day, and production in the second half of the year averaging between 22,800 and 23,300 BOE per day. Production in the second quarter has been negatively affected by approximately 2,500 BOE per day as a result of plant outages at the Kaybob KA and K3 facilities, downtime at Utikuma Lake and a plant turnarounds affecting Inga and Pedley production. The Company expects to show significant production growth in the second half of the year with new production from the Montney play at Resthaven and production adds from its on-going drilling at Fir/Bigstone and Inga. The Company expects to exit 2011 with production of approximately 24,500 BOE per day, an increase of 41% from fourth quarter 2010

production of 17,385 BOE per day. Average production in 2011 is expected to be weighted 24% oil and 76% gas. However, operating income in 2011 is expected to be weighted 52% oil and 48% gas.

Celtic expects to achieve continued improvement in its cost structure in 2011. Production expense is estimated to be \$7.71 per BOE, an improvement of 5% from \$8.13 per BOE in 2010. Royalties are expected to average 11.3% compared to 11.5% in 2010. General and administrative expense is estimated to be at industry leading low levels of \$0.77 per BOE.

The Company's average commodity price assumptions for 2011 are US\$90.00 per barrel for WTI oil, US\$4.30 per MMBTU for NYMEX natural gas, \$3.55 per GJ for AECO natural gas and a US/Canadian dollar exchange rate of US\$1.000. These price assumptions have not changed from the Company's previous forecast. These prices compare to average 2010 prices of US\$79.43 per barrel for WTI oil, US\$4.42 per MMBTU for NYMEX natural gas, \$3.95 per GJ for AECO natural gas and a US/Canadian dollar exchange rate of US\$0.970.

After giving effect to the aforementioned production and commodity price assumptions, funds from operations for 2011 is forecasted to be approximately \$156.0 million or \$1.58 per share, diluted (previous forecast was \$160.0 million or \$1.63 per share, diluted) and net loss is forecasted to be approximately \$7.5 million or \$0.08 per share, diluted.

Changes in forecasted commodity prices and variances in production estimates can have a significant impact on estimated funds from operations and net earnings. Please refer to the advisory regarding forward-looking statements below.

Sensitivities to changes in commodity prices would affect forecasted 2011 funds from operations and net earnings as follows:

- (i) change in AECO natural gas price of \$1.00 per GJ would affect funds from operations by \$32.0 million (\$0.32 per share) and earnings by \$23.3 million (\$0.24 per share);
- (ii) change in WTI oil price of US\$10.00 per barrel would affect funds from operations by \$3.8 million (\$0.03 per share) and earnings by \$2.8 million (\$0.02 per share); and
- (iii) change in US/Canadian dollar exchange rate of US\$0.05 per CAD would affect funds from operations by \$7.9 million (\$0.08 per share) and earnings by \$5.8 million (\$0.06 per share).

Bank debt, net of working capital, is estimated to be \$178.4 million by the end of 2011 or approximately 1.1 times forecasted 2011 funds from operations.

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, reserves, net asset value and funds from operations. Given the Company's strong inventory of drilling locations, we look forward to continued growth in 2011 and beyond.

The information set out herein under the heading "2011 Guidance" is "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 2011. Readers are cautioned that this financial outlook may not be appropriate for other purposes.

FINANCIAL STATEMENTS

Electronic versions of Celtic's unaudited interim financial statements and related notes for the interim period ended March 31, 2011 and its management's discussion and analysis will be available to the public on SEDAR at www.sedar.com and will also be posted on the Company's website at www.celticex.com on June 7, 2011. Celtic will provide copies of the foregoing interim financial statements and management's discussion and analysis to each shareholder who requests them, by directing a request to the Vice President, Finance and Chief Financial Officer of Celtic, as set forth below.

DISCLAIMERS AND ADVISORIES

Forward-looking Statements

This press release contains expectations, beliefs, plans, goals, objectives, assumptions, information and statements about future events, conditions, results of operations or performance that constitute "forward-looking information" or "forward-looking statements" (collectively, "forward-looking statements") under applicable securities laws. Undue reliance should not be placed on forward-looking statements. Forward-looking statements are based on current expectations, estimates and projections that involve a number of risks and uncertainties, which could cause actual results to differ materially from those anticipated by the Company and described in the forward-looking statements. We caution that the foregoing list of risks and uncertainties is not exhaustive. Events or circumstances could cause actual dates to differ materially from those estimated or projected and expressed in, or implied by, these forward-looking statements. The forward-looking statements contained in this press release are made as of the date hereof and the Company does not intend, and does not assume any obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise unless expressly required by applicable securities laws.

The information set out herein with respect to forecasted 2011 results is "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 2011. Readers are cautioned that this financial outlook may not be appropriate for other purposes.

Non-IFRS Financial Measurements

This press release contains the terms "funds from operations", "operating netback" and "production per share" which do not have a standardized meaning prescribed by IFRS 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 provided by operating activities, net earnings or other measures of financial performance calculated in accordance with IFRS. Operating netbacks are determined by deducting royalties, production expenses and transportation expenses from oil and gas revenue. Funds from operations are determined by adding back change in non-cash operating working capital to cash provided by operating activities. 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 and sulphur volumes have been converted to oil equivalence at 0.6 long tons 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. References to gas in this discussion include natural gas and sulphur.

Critical Accounting Estimates

Management is required to make judgments, assumptions and estimates in the application of IFRS that have a significant impact on the financial results of the Company. These estimates and assumptions are developed based on the best available information and are believed by management to be reasonable under the existing circumstances. New events or additional information may result in the revision of these estimates over time.

Adoption of International Financial Reporting Standards

The three month period ending March 31, 2011 is the first interim period for which the Company has applied IFRS. In accordance with IFRS 1, the Company's transition date to IFRS was January 1, 2010 and, therefore, the comparative information for 2010 has been prepared in accordance with IFRS. The Company concluded that the adoption of IFRS did not have a significant impact on any of its internal control processes. In terms of financial literacy, the Company recently hired new staff and continues to provide training in order to ensure that there is a strong level of knowledge of IFRS throughout the organization. The information below summarizes the significant accounting policies that the Company has adopted under IFRS as well as the actual impact of adopting the policies.

For further information, please contact:

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