



PRESS RELEASE

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CELTIC REPORTS SIGNIFICANT FINANCIAL GAINS IN THE FIRST QUARTER OF 2006

Celtic Exploration Ltd. ("Celtic" or the "Company") has released its financial and operating results for the three months ended March 31, 2006. Highlights are as follows:

HIGHLIGHTS

(\$ thousands, unless otherwise indicated)	Three months ended March 31,		
	2006	2005	Change
FINANCIAL			
Revenue, net of royalties	\$ 27,782	\$ 14,099	97%
Funds from operations	\$ 20,538	\$ 10,489	96%
Funds from operations per share			
Basic (\$/share)	\$ 0.71	\$ 0.41	73%
Diluted (\$/share)	\$ 0.69	\$ 0.39	77%
Net earnings	\$ 7,301	\$ 3,018	142%
Earnings per share			
Basic (\$/share)	\$ 0.25	\$ 0.12	108%
Diluted (\$/share)	\$ 0.24	\$ 0.11	118%
Capital expenditures, net of dispositions	\$ 42,354	\$ 23,623	79%
Total assets	\$ 288,839	\$ 155,257	86%
Bank debt	\$ 72,000	\$ 33,550	115%
Working capital deficiency, excluding bank debt	13,107	9,727	35%
Bank debt, net of working capital	\$ 85,107	\$ 43,277	97%
Shareholders' equity	\$ 133,592	\$ 79,861	67%
Common shares issued and outstanding (thousands)			
Basic	29,027	25,891	12%
Diluted	31,384	27,948	12%
OPERATIONS			
Production			
Oil (bbls/d)	3,617	2,269	59%
Natural Gas (mcf/d)	14,322	8,856	62%
Combined (BOE/d)	6,004	3,745	60%
Production per million shares (BOE/d)	207	145	43%
Realized sales prices, before financial derivatives			
Oil (\$/bbl)	\$ 62.62	\$ 53.91	16%
Natural gas (\$/mcf)	\$ 10.44	\$ 8.33	25%
Combined (\$/BOE)	\$ 62.66	\$ 52.35	20%
Operating netbacks, after financial derivatives			
Oil (\$/bbl)	\$ 37.12	\$ 35.80	4%
Natural gas (\$/mcf)	\$ 7.59	\$ 5.05	50%
Combined (\$/BOE)	\$ 40.49	\$ 33.64	20%
Drilling activity			
Total wells	32	22	45%
Working interest wells	20.5	15.5	32%
Success rate on working interest wells	73%	63%	16%
Undeveloped land			
Gross acres	318,549	240,052	33%
Net acres	199,228	145,330	37%

2006 First Quarter Highlights

The quarter ended March 31, 2006 was another successful quarter in the execution of the Company's growth strategy. Highlights for the first quarter of 2006 are as follows:

- Drilled 32 (20.5 net working interest) wells during the quarter resulting in 11 (8.9 net) oil wells, 10 (5.8 net) natural gas wells and 1 (0.2 net) coal bed methane well, for an overall success rate, based on net wells, of 73%;
- Reported net earnings of \$7.3 million (up 142%) and earnings per share (diluted) of \$0.24, an increase of 118% compared to \$0.11 in the first quarter of 2005;
- Reported funds from operations of \$20.5 million (up 96%) and funds from operations per share (diluted) of \$0.69, an increase of 77% from \$0.39 in the previous year;
- Generated an average operating netback of \$40.49 per BOE, up 20% from \$33.64 per BOE in 2005; and
- Increased average daily production by 60% to 6,004 BOE per day, up from 3,745 BOE per day in the first quarter of 2005 and achieved daily average production per million shares of 207 BOE per day, up 43% in 2006 compared to 145 BOE per day in the previous year.

The majority of the Company's drilling activity in the first quarter took place in the deep basin of West Central Alberta where 21 (14.4 net) wells were drilled with an overall success rate of 82%.

At Swan Hills, five oil wells and one natural gas well were drilled at 100% working interest. All six wells are currently on production at a combined rate of approximately 400 BOE per day. Oil production from this area is 41° API and fetches premium light oil pricing. Production from the oil wells is expected to increase in the summer when the associated solution gas is tied-in. The natural gas well marks Celtic's first production in the Swan Hills area from the Gilwood formation. The Company will continue to keep two rigs operating throughout the summer targeting Beaverhill Lake light oil.

At Virginia Hills, Celtic drilled five wells at working interests ranging from 9.4% to 45.0%, resulting in two natural gas wells and one oil well. These are the first wells drilled by the Company in this new exploration area.

At Lator, the Company tested a 100% working interest Cretaceous natural gas well at a stabilized rate of 1.8 mmcf per day (300 BOE per day). This well is expected to come on production during the summer and a follow-up location is planned.

At Fox Creek, Celtic drilled a horizontal well in 2005 confirming an extension of the eastern edge of the Beaverhill Lake pool. In the first quarter of 2006, the Company drilled a second step-out well which also proved successful. Celtic has a third location planned for the second quarter.

At Kaybob South, Celtic acquired seven sections (4,480 acres) of land at a Crown sale in January 2006, bringing the Company's total land holdings in the area to nine sections (5,760 acres). As a follow-up to the initial two wells drilled in 2005, Celtic drilled two more wells in the first quarter that are now completed and subsequent to March 31, 2005 and prior to break-up, the Company drilled another two wells in order to gain sufficient information before the Crown land sale in early May. At this land sale, Celtic acquired additional acreage and has resumed drilling and completion operations. Natural gas production from the first well has now commenced and tie-ins are proceeding on the remaining five wells that have been drilled to date. Celtic estimates that it will have production of approximately 1,200 to 1,500 BOE per day on this acreage prior to down spacing the property in late fall.

In West Central Alberta, the Company is currently evaluating new exploration prospects that, if successful, could lead to meaningful development activity later in 2006 and in 2007. Celtic continues to assemble lands in these new areas and will be in a position to discuss the specifics of these prospects after all of the necessary land positions have been acquired.

In East Central Alberta, prior to break-up, Celtic drilled the first well of a nine well program in the Ashmont area. The Company has commenced testing five potential natural gas zones encountered in the well and the remainder of the drilling program is expected to continue at the end of May, subject to suitable weather conditions.

At Chime, the Company divested its non-operated, lower working interest properties for proceeds of \$9.5 million. Celtic's share of natural gas production, with associated liquids, included in this disposition was made up of approximately 130 BOE/d. The proceeds from this sale of assets is being re-directed towards undeveloped Crown land acquisitions on new higher working interest prospects in West Central Alberta.

At March 31, 2006, Celtic's undeveloped land holdings increased by 37% compared to the corresponding period of the previous year to over 199,000 net acres. In addition to the increase in its undeveloped land position, the Company continues to add significantly to its drilling inventory as a result of successful exploration and development activity.

Production

Oil and gas production in the first quarter of 2006 increased 60% to average 6,004 BOE per day compared to 3,745 BOE per day in the first quarter of 2005. Average production in the fourth quarter of 2005 was 5,094 BOE per day. Production per million shares outstanding in the first quarter of 2006 averaged 207 BOE per day, up 43% from 145 BOE per day in the same period of 2005.

Revenue and Royalties

Revenue, after royalties, for the three months ended March 31, 2006 was \$27.8 million, an increase of 97% compared to \$14.1 million in the same period of the previous year. Royalties in the first quarter of 2006 averaged 21.5% of sales compared to 18.7% in the corresponding period of 2005. Celtic continues to achieve lower royalties than industry standard through its participation in royalty incentive programs available for deep drilling and horizontal re-activation wells.

The combined average product price received for oil and gas sales, before financial derivative contracts, for the quarter ended March 31, 2006 was \$62.66 per BOE, an increase of 20% compared to the first quarter of the previous year.

Expenses

For the three month period ended March 31, 2006, production expenses were \$5.3 million (\$9.82 per BOE), transportation and selling expense was \$0.4 million (\$0.83 per BOE), general and administrative expenses were \$0.6 million (\$1.20 per BOE), interest expense was \$0.7 million, and depletion, depreciation and amortization expenses were \$9.8 million (\$18.20 per BOE). In the previous year, for the three month period ended March 31, 2005, production expenses were \$2.8 million (\$8.19 per BOE), transportation and selling expense was \$0.3 million (\$0.81 per BOE), general and administrative expenses were \$0.6 million (\$1.72 per BOE), interest expense was \$0.2 million, and depletion, depreciation and amortization expenses were \$5.7 million (\$16.87 per BOE).

Taxes

For the three months ended March 31, 2006, Celtic provided for a provision of future income taxes in the amount of \$3.2 million. This amount differs from the expected provision for income taxes of \$3.8 million based on the statutory combined income tax rate of 35.62% due to the differences between the resource allowance deduction and non-deductible Crown charges and non-taxable Provincial tax credits (Alberta Royalty Tax Credit).

Net Earnings and Funds from Operations

Net earnings for the three months ended March 31, 2006 was \$7.3 million (\$0.25 per share, basic and \$0.24 per share, diluted), an increase of 142% from \$3.0 million (\$0.12 per share, basic and \$0.11 per share, diluted) in the same period of the previous year. In addition, funds from operations were \$20.5 million (\$0.71 per share, basic and \$0.69 per share, diluted), an increase of 96% compared to \$10.5 million (\$0.41 per share, basic and \$0.39 per share, diluted) for the three months ended March 31, 2005.

Capital Expenditures

During the three month period ended March 31, 2006, Celtic spent \$52.7 million on exploration and development activity and property acquisitions. Drilling and completion operations accounted for \$33.0 million, equipment and facility expenditures were \$7.7 million and \$11.8 million was spent on land and seismic. The Company continues to invest in land and seismic in order to build on its inventory of prospects for future drilling. Proceeds from disposition of assets in the first quarter of 2006 amounted to \$10.3 million and includes the disposition of non-operated and low working interest properties at Chime, Alberta for proceeds of \$9.5 million.

Drilling Activity

During the three months ended March 31, 2006, Celtic drilled 32 (20.5 net) wells compared to 22 (15.5 net) wells in the first quarter of the previous year, with an overall success rate of 73% on net wells drilled. The split between development drilling and exploratory drilling was 74% and 26%, respectively. The average vertical depth of net wells drilled was 2,225 metres, 16% deeper than the average drilling depth of 1,910 metres in the first three months of 2004.

Source of Funds

Investment funding for capital expenditures incurred in the first quarter of 2005 was provided by bank debt and cash provided by operating activities.

The Company has recently put in place a committed term loan facility whereby the maximum amount available to be drawn is \$100.0 million. At March 31, 2006, Celtic had drawn \$72.0 million, leaving significant unused credit lines available to fund working capital deficiency and future capital expenditures.

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.

Share Information

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. As at March 31, 2006, there were 29.0 million common shares outstanding. There were no preferred shares outstanding. As at March 31, 2006, directors, employees and consultants have been granted options to purchase 2.4 million common shares of the Company at an average exercise price of \$7.02 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 after 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.

The Company's commodity price assumptions for 2006 are US\$65.00 per barrel for WTI oil, US\$8.00 per MMBTU for natural gas and a US/Canadian exchange rate of US\$0.870.

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 \$96.3 million or \$3.31 per share (\$3.17 per share, diluted) and net earnings is forecasted to be approximately \$30.2 million or \$1.04 per

share (\$1.00 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 \$87.2 million by the end of 2006 or approximately 0.9 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 80 to 90 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.

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.

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