



PRESS RELEASE

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CELTIC ACHIEVES RECORD PRODUCTION AS AT THE END OF 2011

Celtic Exploration Ltd. ("Celtic" or the "Company") is pleased to provide an update on operations activity and guidance information.

EXIT PRODUCTION

On December 30, 2011, based on estimates provided by field reports, Celtic's production was a record 24,929 BOE per day. In addition, the Company has estimated that it has approximately 3,000 BOE per day of production behind pipe from wells that have been drilled, completed and tested, giving Celtic current capability of approximately 27,900 BOE per day. This compares to average production of 15,808 BOE per day in the third quarter of 2011.

OPERATIONS UPDATE

Results of wells completed and tested for which the Company has estimated approximately 3,000 BOE per day of production behind pipe are as follows:

Resthaven – Triassic Montney

As reported in our 2011 third quarter results, a horizontal well was drilled on the western edge of the Company's Resthaven land block, located north of the Simonette River near Jayar at 04-34-061-03W6 (100% WI). The well was drilled to a measured depth of 5,130 metres and was completed with a 16-stage foam fracture technique. After 82 hours of clean-up and flow, at the end of the test, the well was producing natural gas at a rate of 20.4 MMCF per day and field condensate at 568 barrels per day, at a flowing wellhead pressure of 12,863 kPa (1,864 psi). Additional liquids will be recovered from the gas at the gas plant after this well is brought on stream.

On the southern part of Celtic's Resthaven land block, the Company drilled a horizontal well located near Horse at 12-20-058-27W5 (100% WI). The well was drilled to a measured depth of 5,361 metres and was completed with a 17-stage foam fracture technique. After 165 hours of clean-up and flow, at the end of the test, the well was producing natural gas at a rate of 7.9 MMCF per day and field condensate at 68 barrels per day, at a flowing wellhead pressure of 3,473 kPa (503 psi). Additional liquids will be recovered from the gas at the gas plant after this well is brought on stream.

In the northeastern part of the Company's Resthaven land block, Celtic completed a re-entry horizontal well located near Simonette at 04-11-062-27W5 (100% WI). This well tested an eight section block near Simonette, away from Celtic's contiguous block of lands in the Greater Resthaven area. The well was completed with a 13-stage foam fracture technique. After 205 hours of clean-up and flow, at the end of the test, the well was producing oil at a rate of 106 barrels per day.

In the Greater Resthaven area, Celtic currently has two Montney wells awaiting completion and testing from which production has not been included in the behind pipe estimates outlined above. The first well is located in

the north near Karr at 13-10-063-02W6 (100% WI). Completion operations were completed on January 9, 2012 and the well is currently being tested. The second well is located in the south near Leland at 01-25-058-27W5 (100% WI) and is expected to be completed and tested by the end of January 2012. In addition, the Company currently has four rigs operating in the area, drilling 100% working interest horizontal wells located at Jayar 16-22-061-03W6; Resthaven 02-30-060-02W6; Smoky 13-33-058-01W6 and Harley 06-12-057-27W5.

Resthaven – Cretaceous

In the northern part of Celtic's Resthaven land block, the Company completed a re-entry horizontal well located near Lator at 02-34-062-03W6 (100% WI), targeting the Cretaceous Falher formation. The well was completed with a 14-stage foam fracture technique. After 180 hours of clean-up and flow, at the end of the test, the well was producing natural gas at a rate of 6.3 MMCF per day, at a flowing wellhead pressure of 2,000 kPa (290 psi).

In addition to the horizontal completion in the Montney in the Horse 12-20-058-27W5 (100%WI) well, Celtic is currently testing several Cretaceous sands (Bluesky/Gething/Cadomin) in the vertical section of the wellbore. In the event of a successful vertical test, Celtic plans to follow up with a horizontal multi-fracture well in the Cretaceous in the near future.

As a result of several strat wells drilled to date in the Resthaven area, while de-risking the Triassic Montney formation, Celtic has identified additional Cretaceous locations that it plans to drill horizontally in the near future.

Fir – Triassic Montney

At Fir, Celtic has drilled a well located at 12-33-059-22W5 with a measured depth of 5,802 metres. The horizontal lateral was 2,979 metres in length within the Triassic Montney formation. Completion operations have commenced and the well is expected to be tested in-line through the K3 Gas Plant this week. Anticipated production from this well is not included in the behind pipe estimates outlined above.

Kaybob – Devonian Duvernay

In the Kaybob area, Celtic managed the drilling and completion operations for the third horizontal well targeting the Devonian Duvernay shale formation under an existing joint venture with Trilogy Energy and Yoho Resources Inc., pursuant to which each partner has a one-third working interest in 30 gross sections of land.

The well is located at 13-36-060-20W5 and was drilled to a measured depth of 5,157 metres. The horizontal lateral was 1,727 metres in length within the Duvernay shale formation. The well was drilled and cased over 42 days at a cost of approximately \$4.5 million. Well completion operations commenced in December 2011. The well was fracture stimulated in 25 stages and approximately 2,480 tonnes of sand and 150,100 barrels of slick water were used to stimulate the well. The total estimated cost of the completion is approximately \$5.8 million. As a result, the total estimated cost to drill, complete and test the well is approximately \$10.3 million.

The well was tested in-line through the KA Gas Plant. During clean-up, the well flowed at a maximum rate of 7.1 MMCF per day. The well was shut-in in order to run 2 3/8 inch production tubing. The well was returned to production and held at a constant rate of 3.6 MMCF per day, at a static casing pressure of 12,500 kPa (1,812 psi). At the end of the test, in addition to the sweet natural gas production, the well was producing field condensate (56° API) at a rate of 339 barrels per day (92 barrels per MMCF of raw gas). With additional liquids to be extracted from the gas at the KA Gas Plant, the Company expects to yield total liquids of over 100 barrels per MMCF of raw gas, including the field condensate.

Celtic has shut-in the well and plans to leave the well shut-in for approximately one month to allow the water to absorb into the formation. At the time of shut-in, approximately 44,700 barrels (30%) of load water had been recovered. Based on previous experience, the Company expects the well to start-up at a higher gas production rate, after the water has dispersed into the formation.

Also in the Kaybob area, Celtic participated in the drilling of a fourth horizontal well targeting the Devonian Duvernay shale formation at a 50% working interest. This well is located northwest of the 30 gross section joint

venture mentioned above and drilling and completion operations are being managed by the Company's joint venture partner, Yoho Resources Inc. The well is located at 13-22-062-21W5 and was drilled to a measured depth of 4,861 metres. The horizontal lateral was 1,461 metres in length within the Duvernay shale formation. The well was drilled and cased over 39 days at a cost of approximately \$4.9 million. Well completion operations are currently underway and the Company expects to have test results by the end of January 2012. Anticipated production from this well is not included in the behind pipe estimates outlined above.

Celtic is very encouraged by the results from the third horizontal Duvernay shale well and is particularly pleased with the high liquids content given the current premium in pricing for condensate. As at December 31, 2011, the Company owns approximately 127,300 gross acres (199 gross sections) and 100,800 net acres (157 net sections) of land with Duvernay rights in the Kaybob area of Alberta.

GUIDANCE UPDATE

Celtic has increased its capital expenditures for 2011 by 10% to \$390.0 million (previously \$355.0 million which included the recently announced Grande Cache asset acquisition). The increased spending reflects additional pipeline and facility infrastructure at Resthaven where the Company has successfully expanded the potential prospectivity of its Montney resource play to the west and to the south of its 692 section (443,254 acres) land block, and increased drill and complete expenditures for additional wells drilled in the Resthaven area. Approximately \$20.0 million of the foregoing increased 2011 spending was previously planned for 2012. As a result 2012 capital expenditures are now forecasted at \$355.0 million (previously \$375.0 million).

Celtic has reduced its estimated average natural gas price forecast for 2012. The Company's average commodity price assumptions for 2012 are US\$82.50 (unchanged) per barrel for WTI oil, US\$3.75 (previously US\$4.15) per MMBTU for NYMEX natural gas, \$3.35 (previously \$3.65) per GJ for AECO natural gas and a US/Canadian dollar exchange rate of US\$0.9755 (unchanged). These prices compare to forecasted average 2011 prices of US\$95.00 per barrel for WTI oil, US\$4.05 per MMBTU for NYMEX natural gas, \$3.42 per GJ for AECO natural gas and a US/Canadian dollar exchange rate of US\$1.0101.

Celtic expects production in 2012 to average between 29,000 and 29,500 (previously between 27,500 and 28,000) BOE per day. The Company recently added significant production at Resthaven and Fir after installing gas gathering pipelines and compression and dehydration facilities and looks forward to continued growth from both these areas in 2012. Average production in 2012 is expected to be weighted 23% oil and 77% gas; however, operating income in 2012 is expected to be weighted 55% oil and 45% gas. At the low end of the range of 2012's average production forecast, this represents a 79% increase from the estimated average production of 16,200 BOE per day for 2011. On a production per share basis, the increase would be 68%.

Celtic expects to achieve continued efficiencies in its cost structure in 2012. Production expense is estimated to be \$7.40 per BOE and royalties are expected to average 10.3%. General and administrative expense is estimated to be at industry leading low levels of \$0.60 per BOE.

After giving effect to the aforementioned production and commodity price assumptions, funds from operations for 2012 is forecasted to be approximately \$253.5 (previously \$243.0) million or \$2.31 (previously \$2.22) per common share, diluted, and profit is forecasted to be approximately \$1.5 million (previously a net loss of \$10.0 million) or \$0.01 (previously a loss of \$0.10) per common share, diluted.

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

Sensitivities to changes in commodity prices would affect forecasted 2012 funds from operations and profit as follows:

- (i) A change of 15% in the AECO natural gas price of \$0.50 per GJ, would affect funds from operations by \$25.9 million (\$0.23 per common share) and profit by \$19.4 million (\$0.18 per common share);
- (ii) A change of 15% in the WTI oil price of US\$12.38 per barrel, would affect funds from operations by \$1.0 million (\$0.01 per common share) and profit by \$0.8 million (\$0.01 per common share) – impact is minimal due to Celtic's fixed WTI financial instrument contracts currently in place; and

- (iii) A change of 5% in the US/Canadian dollar exchange rate of US\$0.0488 per CAD, would affect funds from operations by \$15.9 million (\$0.14 per common share) and profit by \$11.9 million (\$0.11 per common share).

Bank debt, net of working capital, is estimated to be \$271.0 million by the end of 2012 or approximately 1.1 times forecasted 2012 funds from operations.

Advisory Regarding Forward-Looking Statements

Certain information with respect to Celtic contained herein, including management's assessment of future plans and operations contain forward-looking statements. These forward-looking statements are based on assumptions and estimates, 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. The forward-looking statements contained herein 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.

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.

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