



PRESS RELEASE

(Stock Symbol "CLT" – TSX)

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Calgary, Alberta

CELTIC REPORTS INCREASED EARNINGS IN THE FIRST QUARTER OF 2005

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

HIGHLIGHTS

(\$ thousands, unless otherwise indicated)	Three months ended March 31,		Change
	2005	2004	
FINANCIAL			
Revenue, net of royalties	\$ 14,099	\$ 11,212	26%
Funds from operations	\$ 10,489	\$ 8,195	28%
Funds from operations per share			
Basic (\$/share)	\$ 0.41	\$ 0.32	28%
Diluted (\$/share)	\$ 0.39	\$ 0.31	26%
Net earnings	\$ 3,018	\$ 2,047	47%
Earnings per share			
Basic (\$/share)	\$ 0.12	\$ 0.08	50%
Diluted (\$/share)	\$ 0.11	\$ 0.08	38%
Capital expenditures, net of dispositions	\$ 23,623	\$ 12,780	85%
Total assets	\$ 155,257	\$ 106,166	46%
Bank debt	\$ 33,550	\$ 11,900	182%
Working capital deficiency, excluding bank debt	9,727	3,676	165%
Bank debt, net of working capital	\$ 43,277	\$ 15,576	178%
Shareholders' equity	\$ 79,861	\$ 66,310	20%
OPERATIONS			
Production			
Oil (bbls/d)	2,269	2,281	-1%
Natural gas (mcf/d)	8,856	8,054	10%
Combined (BOE/d)	3,745	3,623	3%
Production per million shares BOE/d)	145	140	4%
Realized sales prices			
Oil (\$/bbl)	\$ 53.91	\$ 42.89	26%
Natural gas (\$/mcf)	\$ 8.33	\$ 6.57	27%
Combined (\$/BOE)	\$ 52.35	\$ 41.59	26%
Operating netbacks			
Oil (\$/bbl)	\$ 35.80	\$ 28.19	27%
Natural gas (\$/mcf)	\$ 5.05	\$ 3.77	34%
Combined (\$/BOE)	\$ 33.64	\$ 26.13	29%
Drilling activity			
Total wells	22	17	29%
Working interest wells	15.5	12.7	22%
Success rate on working interest wells	63%	84%	
Undeveloped land			
Gross acres	240,052	164,015	46%
Net acres	145,330	81,922	77%

2005 FIRST QUARTER HIGHLIGHTS

- Drilled 22 (15.5 net working interest) wells during the year resulting in 6 (5.5 net) oil wells, 7 (3.8 net) natural gas wells and 1 (0.5 net) coal bed methane wells, for an overall success rate, based on net wells, of 63%;
- Incurred capital expenditures of \$23.6 million;
- Reported earnings per share (diluted) of \$0.11, an increase of 38% compared to the first quarter of 2004;
- Reported funds from operations per share (diluted) of \$0.39, an increase of 26% from the same period in the previous year;
- Generated an average operating netback of \$33.64 per BOE, up 29% from \$26.13 per BOE in the corresponding period of 2004;
- Increased average daily production by 3% to 3,745 BOE per day and achieved daily average production per million shares of 145 BOE per day, up 4% in 2005 compared to the previous year;

PRODUCTION

Oil and gas production in the first quarter of 2005 increased 3% to average 3,745 BOE per day compared to 3,623 BOE per day in the first quarter of 2004. Average production in the fourth quarter of 2004 was 3,524 BOE per day. Production per million shares outstanding in the first quarter of 2005 averaged 145 BOE per day, up 4% from 140 BOE per day in the same period of 2004.

REVENUE AND ROYALTIES

Revenue, after royalties, for the three months ended March 31, 2005 was \$14.1 million, an increase of 26% compared to \$11.2 million in the same period of the previous year. Royalties in the first quarter of 2005 averaged 18.7% of sales compared to 17.7% in the corresponding period of 2004. Celtic has been able to achieve lower royalties than industry standard through its participation in royalty incentive programs available for deep drilling and horizontal reactivation wells.

The combined average product price received for oil and gas sales for the quarter ended March 31, 2005 was \$52.35 per BOE, an increase of 26% compared to the first quarter of the previous year.

EXPENSES

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). In the previous year, for the three month period ended March 31, 2004, production expenses were \$2.4 million (\$7.31 per BOE), transportation and selling expense was \$0.2 million (\$0.55 per BOE), general and administrative expenses were \$0.3 million (\$0.97 per BOE), interest expense was \$0.1 million, and depletion, depreciation and amortization expenses were \$4.8 million (\$14.44 per BOE).

TAXES

For the three months ended March 31, 2005, Celtic provided for a provision of future income taxes in the amount of \$1.3 million. This amount differs from the expected provision for income taxes of \$1.6 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 \$0.2 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 three months ended March 31, 2005 was \$37,000. 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.

NET EARNINGS AND FUNDS FROM OPERATIONS

Net earnings for the three months ended March 31, 2005 was \$3.0 million (\$0.12 per share, basic and \$0.11 per share, diluted). During the same period, funds from operations were \$10.5 million (\$0.41 per share, basic and \$0.39 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.

During the three month period ended March 31, 2005, Celtic spent \$23.6 million on exploration and development activity and property acquisitions. Drilling and completion operations accounted for \$16.7 million, equipment and facility expenditures were \$3.6 million and \$1.9 million was incurred on property acquisitions. The balance was spent on land and seismic, building the Company's inventory of prospects for future drilling. Approximately 75% of net wells drilled were development and 25% were exploratory.

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.

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 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.

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