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**PRESS RELEASE**

(Stock Symbol "CLT" – TSX)

May 10<sup>th</sup>, 2006  
**Calgary, Alberta**

**CELTIC ANNOUNCES BOUGHT DEAL EQUITY FINANCING**

Celtic Exploration Ltd. ("Celtic" or "the Company") has entered into an agreement with a group of underwriters, led by FirstEnergy Capital Corp. and including BMO Nesbitt Burns Inc., Canaccord Capital Corporation, GMP Securities L.P., Orion Securities Inc., TD Securities Inc. and Tristone Capital Inc., to issue by way of private placement, 1.5 million common shares of the Company at a price of \$13.15 per share. The offering will result in gross proceeds of \$19.725 million. In addition, the Company has provided the underwriters with an option to purchase up to an additional 500,000 common shares at a price of \$13.15 per share, at any time prior to 24 hours before closing. The weighted average trading price of Celtic common shares on the Toronto Stock Exchange for the five trading days ended May 9, 2006 was \$13.67.

The offering is subject to approval by the Toronto Stock Exchange and closing is expected to occur on or about May 30, 2006. Net proceeds from the offering will be used to fund Celtic's on-going capital expenditures, including the development drilling opportunities recently created at Kaybob South. The Company's 2006 capital expenditure program will be expanded from \$120 million to \$140 million.

For further information, please contact:

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The common shares offered have not been and will not be registered under the United States Securities Act of 1933, as amended and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirement. This press release shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.