



**PRESS RELEASE**

(TSX Stock Symbol - CLT)

November 10, 2008

Calgary, Alberta

**CELTIC REPORTS RECORD PRODUCTION OF 11,604 BOE PER DAY IN THE  
THIRD QUARTER OF 2008**

Celtic Exploration Ltd. ("Celtic" or the "Company") has released its financial and operating results for the three and nine months ended September 30, 2008. Summary of results are as follows:

	Three months ended September 30,			Nine months ended September 30,		
<i>(\$ thousands, unless otherwise indicated)</i>	<b>2008</b>	2007	Change	<b>2008</b>	2007	Change
<b>FINANCIAL</b>						
Revenue, before royalties and financial derivatives	<b>73,904</b>	40,356	83%	<b>211,495</b>	105,710	100%
Funds from operations	<b>34,227</b>	18,805	82%	<b>99,312</b>	60,095	65%
Per share, basic (\$)	<b>0.83</b>	0.50	66%	<b>2.50</b>	1.73	45%
Per share, diluted (\$)	<b>0.83</b>	0.50	66%	<b>2.47</b>	1.70	45%
Net earnings (loss)	<b>31,145</b>	4,584	579%	<b>14,654</b>	4,691	212%
Per share, basic (\$)	<b>0.76</b>	0.12	533%	<b>0.37</b>	0.13	185%
Per share, diluted (\$)	<b>0.75</b>	0.12	525%	<b>0.36</b>	0.13	177%
Capital expenditures, net of dispositions	<b>40,359</b>	31,637	28%	<b>140,703</b>	154,633	-9%
Total assets				<b>594,672</b>	479,026	24%
Bank debt, net of working capital, excluding non-cash financial instruments				<b>149,588</b>	131,695	14%
Shareholders' equity				<b>336,612</b>	277,294	21%
Weighted average common shares outstanding ( <i>thousands</i> )						
Basic	<b>41,107</b>	37,436	10%	<b>39,657</b>	34,837	14%
Diluted	<b>41,435</b>	37,961	9%	<b>40,157</b>	35,275	14%
<b>OPERATIONS</b>						
Production						
Oil ( <i>bbls/d</i> )	<b>3,386</b>	3,102	9%	<b>3,354</b>	3,065	9%
Natural gas ( <i>mcf/d</i> )	<b>49,310</b>	34,871	41%	<b>44,311</b>	26,140	70%
Combined ( <i>BOE/d</i> )	<b>11,604</b>	8,914	30%	<b>10,739</b>	7,422	45%
Production per million shares ( <i>BOE/d</i> )	<b>282</b>	238	18%	<b>271</b>	213	27%
Realized sales prices, after financial derivatives						
Oil ( <i>\$/bbl</i> )	<b>90.28</b>	69.84	29%	<b>87.36</b>	67.40	30%
Natural gas ( <i>\$/mcf</i> )	<b>8.28</b>	6.20	34%	<b>8.77</b>	7.97	10%
Operating netbacks ( <i>\$/BOE</i> )						
Oil and gas revenue, before hedging	<b>69.21</b>	47.00	47%	<b>71.89</b>	51.06	41%
Increased price from physical fixed price contracts	-	2.21		-	1.12	
Realized gain (loss) on financial instruments	<b>(7.70)</b>	(0.66)		<b>(8.43)</b>	3.73	
Realized sales price, after hedging	<b>61.51</b>	48.55	27%	<b>63.46</b>	55.91	14%
Royalties	<b>(16.03)</b>	(10.25)	56%	<b>(16.20)</b>	(10.67)	52%
Production expense	<b>(10.87)</b>	(11.55)	-6%	<b>(10.31)</b>	(11.34)	-9%
Transportation and selling expense	<b>(0.41)</b>	(0.97)	-58%	<b>(0.56)</b>	(0.90)	-38%
Operating netback	<b>34.20</b>	25.78	33%	<b>36.39</b>	33.00	10%
Drilling activity						
Total wells	<b>15</b>	18	-17%	<b>40</b>	57	-30%
Working interest wells	<b>10.0</b>	12.6	-21%	<b>30.9</b>	48.0	-36%
Success rate on working interest wells	<b>91%</b>	76%	20%	<b>88%</b>	78%	13%
Undeveloped land ( <i>acres</i> )						
Gross				<b>312,132</b>	324,002	-4%
Net				<b>243,563</b>	245,406	-1%

### Third Quarter 2008 Highlights

The three months ended September 30, 2008 was another successful quarter in the execution of the Company's growth strategy. Highlights for the third quarter of 2008 are as follows:

- Drilled 15 (10.0 net working interest) wells during the quarter resulting in 12 (7.1 net) natural gas wells and 2 (2.0 net) oil wells, for an overall success rate, based on net wells, of 91%;
- Increased average daily production by 30% to a Company quarterly record 11,604 BOE per day, up from 8,914 BOE per day in the third quarter of 2007 and achieved daily average production per million shares outstanding of 282 BOE per day, up 18% in 2008 compared to 238 BOE per day in the corresponding period of the previous year;
- Generated \$34.2 million in funds from operations for the three month period ended September 30, 2008, up 82% from \$18.8 million in the same period of the previous year. Reported funds from operations per share, diluted, of \$0.83, an increase of 66% from \$0.50 per share in the third quarter of the previous year;
- Received an average operating netback of \$34.20 per BOE, up 33% from \$25.78 per BOE in the same period of 2007.

### Message to Shareholders

Celtic Exploration Ltd. ("Celtic" or the "Company") is pleased to report to shareholders the Company's activities in the third quarter of 2008. During the quarter, Celtic drilled 15 (10.0 net) wells with an overall success rate of 91%. Production during the quarter averaged a record high 11,604 BOE per day, an increase of 30% from the third quarter of 2007. In the third quarter of 2008, Celtic recorded funds from operations of \$34.2 million (\$0.83 per share, diluted), an increase of 82% from \$18.8 million (\$0.50 per share, diluted) reported in the same period of the previous year.

In Southern Alberta, the Company participated in the drilling of a successful horizontal natural gas well in the Michichi area. Celtic's working interest in this well is 28.6%.

During the third quarter, Celtic drilled a successful oil well at Virginia Hills. The well has been completed and put on production. In addition, the Company drilled a well at Edwand that has been cased and is awaiting completion. Celtic's working interest in both these wells are 100%.

The remainder of Celtic's drilling activity in the third quarter of 2008 took place in the Greater Kaybob area of West Central Alberta, where 12 (7.7 net) wells were drilled with an overall success rate of 88%. Seven of these wells were horizontals with multi-fracture completions.

At Kaybob South, Celtic drilled one horizontal re-entry well (100% working interest) and two horizontal wells (25.5% working interest). All three wells have been completed in the Montney formation and are currently on-stream.

At KayFox, Celtic drilled three horizontal wells (100% working interest). All three wells were successfully completed in the Montney formation and are currently on-stream.

At Lower Kaybob South, Celtic drilled a Montney horizontal well (83.7%) on newly acquired lands. This well was successfully completed and is now on production. As a result, the Company believes it has validated an eleven section land block to the south of this well where Celtic recently entered into a farm-in arrangement. The first well on the farm-in lands is currently being drilled. In addition, the Company drilled three vertical wells at Lower Kaybob South, testing shallower horizons and resulting in two successful Cretaceous wells (100% and 25% working interests) and one unsuccessful well (91.7% working interest).

In the Kaybob South BHL Unit No. 1, Celtic participated in the drilling of two successful Devonian wells (9.3% working interest). The first well has been put on production and the second well is expected to be put on production in the fourth quarter.

Celtic expects to resume drilling operations at Chickadee during the winter, where it has discovered an additional Montney natural gas pool.

The Company was pleased to report significant production growth in the third quarter of 2008 despite having approximately 800 BOE per day off-line as a result of an unscheduled shut-down for repair of a third-party operated gas plant in Kaybob South from September 20, 2008 to October 9, 2008.

At September 30, 2008, the Company had 312,132 (243,563 net) acres of undeveloped land. With this inventory of land and with plans to continue developing the Kaybob prospects, Celtic continues to generate numerous drilling locations that will provide continued growth over the next few years.

Oil and gas producers, like Celtic, are continually exposed to fluctuations in commodity prices that are beyond the control of the companies that produce hydrocarbons. In order to mitigate this risk and provide certainty to a portion of its cash flow supporting its capital investment program, Celtic employs an active risk management program. The Company's outstanding financial derivative contracts relating to its hedged oil production is as follows: 2,300 barrels per day of oil is fixed for the period from November 1 to December 31, 2008 with an average floor price of \$94.35 per barrel based on the WTI index and 2,000 barrels per day of oil is fixed for the period from January 1, to December 31, 2009 with an average floor price of \$115.00 per barrel based on the WTI index.

## **Production**

Oil and gas production in the third quarter of 2008 increased 30% to average 11,604 BOE per day compared to 8,914 BOE per day in the same period of 2007. Production per million shares outstanding for the three months ended September 30, 2008 averaged 282 BOE per day, up 18% from 238 BOE per day in the corresponding period of the previous year.

Oil and gas production for the nine months ended September 30, 2008 increased 45% to average 10,739 BOE per day compared to 7,422 BOE per day in the same period of 2007. Production per million shares outstanding for the nine months ended September 30, 2008 averaged 271 BOE per day, up 27% from 213 BOE per day in the corresponding period of the previous year.

Celtic's production is entirely based in Alberta and is divided into four core areas. In Southern Alberta, the Company's primary natural gas producing properties are located at Drumheller and Michichi and its primary oil producing properties are located at Princess and Bantry. In East Central Alberta, the principal producing asset is a shallow natural gas property at Ashmont and Figure Lake. In Northern Alberta, the Company produces light oil primarily from Utikuma Lake. In West Central Alberta, Celtic has both natural gas and light oil production at Kaybob, Fox Creek and Swan Hills. West Central Alberta was the Company's most active drilling area in the first nine months of 2008.

## **Revenue**

Revenue, before royalties, and before realized and unrealized gains or losses on financial derivatives, for the three months ended September 30, 2008 was \$73.9 million, an increase of 83% compared to \$40.4 million in the same period of the previous year. Revenue, before royalties, and before realized and unrealized gains or losses on financial derivatives, for the nine months ended September 30, 2008 was \$211.5 million, an increase of 100% compared to \$105.7 million in the same period of the previous year.

The combined average product price received for oil and gas sales, adjusted for realized gains or losses on financial derivatives for the three months ended September 30, 2008 was \$61.51 per BOE, an increase of 27% compared to the corresponding three month period of the previous year. The combined average product price received for oil and gas sales, adjusted for realized gains or losses on financial derivatives for the nine months ended September 30, 2008 was \$63.46 per BOE, an increase of 14% compared to the corresponding nine month period of the previous year.

## **Oil Operations**

Oil production for the third quarter ended September 30, 2008 averaged 3,386 barrels per day, an increase of 9% compared to the same quarter of the previous year. Oil production for the nine months ended September 30, 2008 averaged 3,354 barrels per day, an increase of 9% compared to the same nine month period of the previous year. Growth in oil production in 2008 reflects the addition of NGLs generated from the associated natural gas production additions at Kaybob South.

The average price received for oil sales, after realized financial derivatives, for the third quarter ended September 30, 2008 was \$90.28 (\$110.22 before financial derivatives) per barrel, up 29% from the average price of \$69.84 (\$71.73 before financial derivatives) per barrel received in the third quarter of 2007. The average price received for oil sales, after realized financial derivatives, for the nine months ended September 30, 2008 was \$87.36 (\$103.88 before financial derivatives) per barrel, up 30% from the average price of \$67.40 (\$65.40 before financial derivatives) per barrel received in the first nine months of 2007.

For the quarter ended September 30, 2008, average oil royalties were 31.4% of revenue, after realized financial derivatives (25.7% of sales, before financial derivatives). In the third quarter of the previous year, average oil royalties were 22.7% of revenue, after realized financial derivatives (22.1% of sales, before financial derivatives). For the nine months ended September 30, 2008, average oil royalties were 30.1% of revenue, after realized financial derivatives (25.3% of sales, before financial derivatives). In the corresponding nine month period of the previous year, average oil royalties were 21.0% of revenue, after realized financial derivatives (21.6% of sales, before financial derivatives). Higher royalty rates, before financial derivatives, in 2008 were primarily a result of higher oil prices received, compared to the previous year.

Transportation expenses for oil production in the third quarter of 2008 averaged \$0.50 per barrel compared to \$0.71 per barrel in the third quarter of 2007. Transportation expenses for oil production in the first nine months of 2008 averaged \$0.57 per barrel compared to \$0.68 per barrel in the same period of 2007. Lower per unit transportation expenses in 2008 reflect the larger portion of newer liquids production which is mostly pipeline connected and therefore less expensive to transport compared to trucking.

For the third quarter ended September 30, 2008, production expenses were \$15.06 per barrel. In the same period of the previous year, production expenses were \$15.08 per barrel. For the nine months ended September 30, 2008, production expenses were \$14.05 per barrel. In the same period of the previous year, production expenses were \$13.80 per barrel.

## **Natural Gas Operations**

Natural gas production for the third quarter ended September 30, 2008 averaged 49,310 mcf per day, an increase of 41% compared to the corresponding period of the previous year. Natural gas production for the nine months ended September 30, 2008 averaged 44,311 mcf per day, an increase of 70% compared to 26,140 mcf per day in the corresponding period of the previous year. Increases in natural gas production in 2008 were primarily a result of Celtic's successful drilling results in its resource development prospect located at Kaybob, Alberta.

The average price received for natural gas sales, after realized financial derivatives, for the third quarter ended September 30, 2008 was \$8.28 (\$8.72 before financial derivatives) per mcf, up 34% from the average price of \$6.20 (\$5.64 before financial derivatives and physical fixed price contracts) per mcf received in the third quarter of 2007. The average price received for natural gas sales, after realized financial derivatives, for the nine months ended September 30, 2008 was \$8.77 (\$9.56 before financial derivatives) per mcf, up 10% from the average price of \$7.97 (\$6.83 before financial derivatives and physical fixed price contracts) per mcf received in the same period of 2007.

For the quarter ended September 30, 2008, average natural gas royalties were 22.1% of revenue, after realized financial derivatives (21.3% of sales, before financial derivatives). In the third quarter of the previous year, average natural gas royalties were 19.5% of revenue, after realized financial derivatives (22.1% of sales, before financial derivatives). For the nine month period ended September 30, 2008, average natural gas royalties were 22.1% of revenue, after realized financial derivatives (20.5% of sales, before financial derivatives). In the first nine months of the previous year, average natural gas royalties were 17.2% of revenue, after realized financial derivatives (19.3% of sales, before financial derivatives). Lower royalty rates, after financial derivatives, in 2007 were primarily a result of significant increases in revenue resulting from physical fixed price contracts and realized gains on financial derivatives. Actual Crown natural gas royalties payable are based on an Alberta reference price and not on actual corporate realized prices.

Transportation expenses for the third quarter ended September 30, 2008 were \$0.06 per mcf, a decrease of 68% compared to \$0.19 per mcf for the same period in the previous year. Transportation expenses for the nine months ended September 30, 2008 were \$0.09 per mcf, a decrease of 50% compared to \$0.18 per mcf for the same period in the previous year. Lower transportation expenses in 2008 reflect the Company's ownership in the majority of the pipeline infrastructure at its main producing area of Kaybob, Alberta.

For the third quarter ended September 30, 2008, production expenses of \$1.52 per mcf were 6% lower than \$1.61 per mcf in the corresponding period of the previous year. For the nine months ended September 30, 2008, production expenses of \$1.43 per mcf were 11% lower than \$1.60 per mcf in the corresponding period of the previous year. Lower production expenses in 2008 reflect the increasing portion of Kaybob production as a percentage of the Company's total production base, where costs are lower than the corporate average.

### **Other Expenses**

For the quarter ended September 30, 2008, general and administrative expenses were \$0.9 million (\$0.80 per BOE), interest expense was \$1.4 million, and depletion, depreciation and accretion expenses were \$21.8 million (\$21.18 per BOE). In the previous year, for the quarter ended September 30, 2007, general and administrative expenses were \$0.6 million (\$0.76 per BOE), interest expense was \$1.7 million, and depletion, depreciation and accretion expenses were \$17.8 million (\$21.75 per BOE).

For the nine month period ended September 30, 2008, general and administrative expenses were \$2.9 million (\$0.99 per BOE), interest expense was \$4.8 million, and depletion, depreciation and accretion expenses were \$62.3 million (\$21.18 per BOE). In the previous year, for the nine month period ended September 30, 2007, general and administrative expenses were \$2.2 million (\$1.10 per BOE), interest expense was \$4.5 million, and depletion, depreciation and accretion expenses were \$44.6 million (\$22.02 per BOE).

### **Taxes**

For the quarter ended September 30, 2008, Celtic provided for a provision of future income taxes in the amount of \$13.4 million, compared to a provision of \$1.2 million in the third quarter of 2007. For the nine months ended September 30, 2008, Celtic provided for a provision of future income taxes in the amount of \$6.8 million, compared to a provision of \$1.3 million in the first nine months of 2007. For the nine months ended September 30, 2008, Celtic is not required to pay current income taxes as it has sufficient income tax deductions available to shelter taxable income for the period. The Company does not anticipate paying current income taxes in 2008.

### **Earnings and Funds from Operations**

Net earnings for the quarter ended September 30, 2008 was \$31.1 million (\$0.76 per share, basic and \$0.75 per share, diluted). During the same period, funds from operations were \$34.2 million (\$0.83 per share, basic and diluted). On a barrel of oil equivalent basis, funds from operations in the third quarter of 2008 were \$32.05 per BOE, up 40% from \$22.93 per BOE in the same period of 2007. The main reasons

for the increase in 2008 were higher commodity prices and lower production and transportation expenses during the period.

Net earnings for the nine months ended September 30, 2008 was \$14.7 million (\$0.37 per share, basic and \$0.36 per share, diluted). During the same period, funds from operations were \$99.3 million (\$2.50 per share, basic and \$2.47 per share, diluted). On a barrel of oil equivalent basis, funds from operations in the first nine months of 2008 were \$33.77 per BOE, up 14% from \$29.66 per BOE in the same period of 2007.

### **Capital Expenditures**

During the quarter ended September 30, 2008, Celtic spent \$40.4 million on capital projects. Drilling and completion operations accounted for \$26.9 million, equipment and facility expenditures were \$7.3 million and \$2.3 million was spent on land and seismic. In addition, the Company spent \$3.9 million on acquisitions. In the third quarter of the previous year, capital expenditures were \$31.6 million.

During the nine months ended September 30, 2008, Celtic spent \$140.7 million on capital projects. Drilling and completion operations accounted for \$68.6 million, equipment and facility expenditures were \$21.4 million and \$4.4 million was spent on land and seismic. In addition, the Company spent \$49.7 million on acquisitions and received proceeds of \$3.7 million from dispositions. In the first nine months of the previous year, capital expenditures were \$154.6 million, including acquisitions of \$45.6 million.

At September 30, 2008, the Company had 312,132 (243,563 net) acres of undeveloped land. The Company continues to build on its inventory of prospects for future drilling.

### **Drilling Activity**

During the third quarter of 2008, the Company drilled 15 (10.0 net) wells resulting in 12 (7.1 net) natural gas wells and 2 (2.0 net) oil wells, for an overall success rate, based on net wells, of 91%. During the third quarter ended September 30, 2007, Celtic drilled 18 (12.6 net) wells, with an overall success rate of 76%. The average measured depth of net wells drilled in the third quarter of 2008 was 2,898 metres, an increase of 40% compared to the average drilling measured depth of 2,076 metres in the third quarter of 2007.

During the nine month period ended September 30, 2008, the Company drilled 40 (30.9 net) wells resulting in 29 (22.5 net) natural gas wells, 6 (4.6 net) oil wells and 1 (0.1 net) coal bed methane wells, for an overall success rate, based on net wells, of 88%. During the first nine months of 2007, Celtic drilled 57 (48.0 net) wells, with an overall success rate of 78%. The average measured depth of net wells drilled in the nine month period ended September 30, 2008 was 2,845 metres, an increase of 38%, compared to the average drilling depth of 2,055 metres in the first nine months of 2007.

### **Source of Funds**

Investment funding for capital expenditures incurred in the first nine months of 2008 was provided by proceeds from issuance of common shares, bank debt and cash provided by operating activities.

At September 30, 2008, Celtic had drawn \$137.5 million on its bank credit facility, leaving sufficient unused credit lines available to fund on-going capital expenditures and working capital deficiencies. Repayments of principal are not required provided that the borrowings under the facility do not exceed the authorized borrowing amount and the Company is in compliance with all covenants, representations and warranties.

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. In the current environment, while access to capital has constricted due to the global credit crisis, Celtic plans to manage its future capital expenditures by spending amounts that match forecasted cash provided by operating activities.

## **Working Capital**

The capital intensive nature of Celtic's activities may create a working capital deficiency position during periods with high levels of capital investment. However, during such periods, the Company maintains sufficient unused bank credit lines to satisfy such working capital deficiencies. At September 30, 2008, the working capital amount, excluding non-cash financial instruments, plus outstanding bank debt represented 75% of the Company's maximum authorized bank borrowing credit limit.

Celtic has a potential financial exposure of approximately \$31.4 million relating to natural gas and associated by-product sales, net of processing costs. During the third quarter of 2008, the Company has expensed \$18.0 million of this amount as a bad debt expense. The amount receivable on the balance sheet at September 30, 2008 is approximately \$13.4 million. The exposure relates to the announcement by SemCAMS ULC ("SemCAMS"), a Canadian subsidiary of U.S. based SemGroup LP ("SemGroup"), whereby SemGroup filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code and SemCAMS filed an application to obtain an order under the *Companies' Creditors Arrangement Act (Canada)* in the Court of Queen's Bench of Alberta Judicial District of Calgary. The full amount of the potential financial exposure relates to the marketing of a portion of the Company's natural gas and associated by-products production. Effective July 22, 2008, the Company began marketing its natural gas through an alternative purchaser, with the agreement of SemCAMS. At this time, Celtic cannot determine the period within which or the amount of the financial exposure that will ultimately be collected. As at September 30, 2008, Celtic has sufficient available bank credit lines to finance the potential financial exposure.

## **Share Information**

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. As at September 30, 2008, there were 41.1 million common shares outstanding (as at November 6, 2008, there were 41.1 million common shares outstanding). There are no preferred shares outstanding.

As at September 30, 2008, directors, employees and consultants have been granted options to purchase 3.0 million common shares of the Company at an average exercise price of \$12.66 per share.

The Company's common shares trade on the Toronto Stock Exchange ("TSX") under the symbol "CLT".

## **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. Celtic does not intend, and does not assume any obligation, to update or revise these forward-looking statements except as required pursuant to applicable securities laws.

## **2008 Outlook**

Celtic plans to spend \$184.0 million (net) in 2008 on capital investment activities. The Company expects production in 2008 to average in a range from 11,000 to 11,400 BOE per day. Celtic expects to exit 2008 with production of approximately 13,000 BOE per day.

Celtic's forecasted commodity price assumptions for 2008 include oil prices that are estimated to average US\$102.00 per barrel for WTI and natural gas prices are forecasted to average US\$8.90 per MMBTU for

NYMEX and \$7.87 per GJ for AECO. The Company's forecasted 2008 average US/Canadian exchange rate is US\$0.9390. In order to achieve these prices, WTI oil and NYMEX gas are forecasted to average US \$68.37 per barrel and US \$6.67 per MMBTU, respectively, in the fourth quarter of 2008.

After giving effect to the production and commodity price assumptions, funds from operations for 2008 is estimated to be approximately \$134.5 million or \$3.35 per share (\$3.27 per share, diluted). Net earnings for 2008 are estimated to be approximately \$34.0 million or \$0.85 per share (\$0.83 per share, diluted). Bank debt, net of working capital, excluding non-cash financial instruments is expected to be \$157.7 million at December 31, 2008. Changes in forecasted commodity prices and variances in production estimates can have a significant impact to estimated funds from operations and net earnings. Please refer to the advisory regarding forward-looking statements shown above.

## **2009 Guidance**

Celtic has established an initial capital expenditure budget for 2009 at \$150.0 million. The Company expects production in 2009 to average in a range from 13,800 to 14,200 BOE per day. This estimated average production range takes into account the planned turnaround at the KA Gas Plant that is scheduled to take place during May 2009. As a result, Celtic expects to shut-in approximately 10,000 BOE per day during the month of May 2009. Celtic expects to exit 2009 with production of approximately 16,500 BOE per day.

Celtic's forecasted commodity price assumptions for 2009 include oil prices that are estimated to average US\$65.00 per barrel for WTI and natural gas prices are forecasted to average US\$7.00 per MMBTU for NYMEX and \$6.54 per GJ for AECO. The Company's forecasted 2009 average US/Canadian exchange rate is US\$0.8696.

After giving effect to the production and commodity price assumptions, funds from operations for 2009 is estimated to be approximately \$157.0 million or \$3.82 per share (\$3.74 per share, diluted). Net earnings for 2009 are estimated to be approximately \$18.0 million or \$0.44 per share (\$0.43 per share, diluted). Bank debt, net of working capital, excluding non-cash financial instruments is expected to be \$150.7 million at December 31, 2009. Changes in forecasted commodity prices and variances in production estimates can have a significant impact to estimated funds from operations and net earnings. Please refer to the advisory regarding forward-looking statements shown above.

Celtic's capital expenditure budget for 2009 will see the Company participate at high working interests in the drilling of approximately 45 to 50 wells during the year, of which approximately 80% will be horizontal wells with multi-fracture completions. Celtic continues to pursue property acquisitions that would complement its existing asset base and completion of any future acquisitions would be over and above the Company's planned capital expenditure budget.

In the current environment, where access to capital has constricted due to the global crisis, Celtic has planned its 2009 capital expenditures to be less than forecasted funds from operations. Included in forecasted 2009 funds from operations is a gain on oil related financial instruments in the amount of \$29.4 million. These contracts provide the Company with insurance during a period of volatile oil prices. Celtic has the drilling inventory to expand its capital budget in the future, subject to stability in global financial markets and more favourable financing terms.

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, earnings and funds from operations. Given the Company's strong inventory of drilling locations, we look forward to continued growth in 2009 and beyond.

## **Non-GAAP Financial Measurements**

This document contains the terms "funds from operations", "operating netbacks" and "production per share" 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 audited 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 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.

For further information, please contact:

**CELTIC EXPLORATION LTD.**, Suite 500, 505 - 3<sup>rd</sup> Street SW, Calgary, Alberta, Canada T2P 3E6  
**David J. Wilson**, President and Chief Executive Officer (403) 201-5340; or  
**Sadiq H. Lalani**, Vice President, Finance and Chief Financial Officer (403) 215-5310; or  
Visit our website at [www.celticex.com](http://www.celticex.com).