Celtic Exploration Ltd.

PRESS RELEASE
(Stock Symbol **"CLT"** – TSX)

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CELTIC REPORTS RECORD EARNINGS AND CASH FLOW FROM OPERATIONS IN THE THIRD QUARTER OF 2004

Celtic Exploration Ltd. ("Celtic" or the "Company") has released its financial and operating results for the three months and nine months ended September 30, 2004. Highlights are as follows:

($ thousands, unless otherwise indicated)	Three months ended September 30,			Nine months ended September 30,		
	2004	2003	% Change	**2004**	2003	% Change
FINANCIAL						
Revenue, net of royalties	**$ 13,986**	$ 5,924	136	**$ 37,174**	$ 15,122	146
Cash flow from operations	**$ 10,155**	$ 4,008	153	**$ 26,821**	$ 10,527	155
Cash flow from operations per share						
Basic ($/share)	**$ 0.39**	$ 0.17	129	**$ 1.04**	$ 0.50	108
Diluted ($/share)	**$ 0.38**	$ 0.17	124	**$ 1.01**	$ 0.49	106
Net earnings	**$ 3,594**	$ 1,789	101	**$ 8,223**	$ 3,737	120
Earnings per share						
Basic ($/share)	**$ 0.14**	$ 0.08	75	**$ 0.32**	$ 0.18	78
Diluted ($/share)	**$ 0.14**	$ 0.07	100	**$ 0.31**	$ 0.17	82
Capital expenditures, net of dispositions	**$ 11,860**	$ 11,319	5	**$ 36,784**	$ 42,542	-14
Total assets				**$ 122,416**	$ 84,703	45
Bank debt				**$ 17,450**	$ 2,650	558
Working capital deficiency, excluding bank debt				**3,122**	1,228	154
Bank debt, net of working capital				**$ 20,572**	$ 3,878	430
Shareholders' equity				**$ 72,939**	$ 62,276	17
OPERATIONS						
Production						
Oil (bbls/d)	**2,396**	1,270	89	**2,331**	904	158
Natural gas (mcf/d)	**8,086**	5,161	57	**7,838**	4,642	69
Combined (BOE/d)	**3,744**	2,130	76	**3,637**	1,678	117
Production per million shares (BOE/d)	**145**	92	58	**141**	80	76
Realized sales prices						
Oil ($/bbl)	**$ 53.06**	$ 35.78	48	**$ 47.36**	$ 37.18	27
Natural gas($/mcf)	**$ 6.91**	$ 6.17	12	**$ 6.91**	$ 7.26	-5
Combined ($/BOE)	**$ 48.86**	$ 36.27	35	**$ 45.23**	$ 40.13	13
Operating netbacks						
Oil ($/bbl)	**$ 34.86**	$ 22.48	54	**$ 31.02**	$ 23.00	35
Natural gas ($/mcf)	**$ 4.12**	$ 3.78	9	**$ 3.96**	$ 4.51	-12
Combined ($/BOE)	**$ 31.02**	$ 22.56	38	**$ 28.42**	$ 24.87	14
Drilling activity						
Total wells	**16**	10	60	**42**	23	83
Working interest wells	**9.1**	6.9	32	**28.0**	12.9	117
Success rate on working interest wells	**78%**	86%		**88%**	68%	
Undeveloped land						
Gross acres				**182,481**	145,700	25
Net acres				**103,259**	70,736	46

Production
For the three months ended September 30, 2004, Celtic's production averaged 3,744 BOE/d, comprised of 2,396 barrels per day of oil and 8.1 million cubic feet per day of natural gas. This represented a 76% improvement from the average production of 2,130 BOE/d in the third quarter of 2003. For the nine months ended September 30, 2004, production averaged 3,637 BOE/d, made up of 2,331 barrels per day of oil and 7.8 million cubic feet per day of natural gas, resulting in a 117% increase from 1,678 BOE/d average production for the same period in 2003. Celtic's growth in production volumes compared to the previous year reflects the successful results from the Company's exploration and development drilling program. With additional new production coming on-stream as a result of recent drilling success and wells that were delayed from being brought on production due to wet weather conditions in the summer, Celtic expects to show further production growth in the fourth quarter of 2004.

Commodity Prices
Average prices received during the three month period ended September 30, 2004 were $53.06 per barrel for oil sales and $6.91 per thousand cubic feet for natural gas sales. During the same period ended September 30, 2003, average prices received for sales were $35.78 per barrel for oil and $6.17 per thousand cubic feet for natural gas. During the nine months ended September 30, 2004, average selling prices were $47.36 per barrel for oil and $6.91 per thousand cubic feet for natural gas. In comparison, average selling prices for the same period in the previous year were $37.18 per barrel for oil and $7.26 per thousand cubic feet for natural gas. Higher commodity prices in the third quarter of 2004 contributed to increases in revenue and cash flow from operations for the period. Celtic is forecasting oil prices to average $49.60 per barrel and natural gas prices to average $6.40 per thousand cubic feet in the fourth quarter of 2004. However, recent strength in both oil and gas prices may result in higher than forecasted prices for the remainder of the year.

Revenue and Royalties
Oil and gas revenue, before royalties, for the three months ended September 30, 2004 was $16.9 million, up 138% from $7.1 million during the same period of the previous year. Royalties during the third quarter of 2004 were $2.9 million, averaging 17.1% of sales. During the same period of 2003, royalties were $1.2 million, averaging 16.9% of sales. Oil and gas revenue, before royalties, for the nine months ended September 30, 2004 was $45.1 million, up 145% from $18.4 million during the same period of the previous year. Royalties during the first nine months of 2004 were $8.0 million, averaging 17.7% of sales. During the same period of 2003, royalties were $3.3 million, averaging 17.9% of sales. Celtic has been able to achieve lower royalties than industry standard through its participation in royalty incentive programs available for deep drilling and horizontal re-activation wells.

Expenses
For the three month period ended September 30, 2004, production expenses were $3.1 million ($8.98 per BOE), transportation and selling expense was $0.2 million ($0.60 per BOE), general and administrative expenses were $0.5 million ($1.35 per BOE), interest expense was $0.1 million, and depletion, depreciation and amortization expenses were $4.8 million ($13.84 per BOE). In the previous year, for the three month period ended September 30, 2003, production expenses were $1.4 million ($6.89 per BOE), transportation and selling expense was $0.2 million ($0.78 per BOE), general and administrative expenses were $0.2 million ($1.19 per BOE), interest expense was $0.1 million, and depletion, depreciation and amortization expenses were $2.6 million ($13.02 per BOE).

For the nine months ended September 30, 2004, production expenses were $8.2 million ($8.21 per BOE), transportation and selling expense was $0.7 million ($0.67 per BOE), general and administrative expenses were $1.1 million ($1.14 per BOE), interest expense was $0.3 million, and depletion, depreciation and amortization expenses were $14.0 million ($14.03 per BOE). In the previous year, for the nine months ended September 30, 2003, production expenses were $3.3 million ($7.12 per BOE), transportation and selling expense was $0.4 million ($0.98 per BOE), general and administrative expenses were $0.6 million ($1.25 per BOE), interest expense was $0.2 million, and depletion, depreciation and amortization expenses were $6.2 million ($13.45 per BOE).

Taxes
For the nine months ended September 30, 2004, capital taxes were $0.03 million compared to $0.12 million in the corresponding period of the previous year. As at September 30, 2004, Celtic had sufficient tax deductions available allowing the Company not to record any current income tax expense. However, a provision for future income taxes in the amount of $1.6 million and $4.0 million was recorded for the three month period and nine month period ended September 30, 2004, respectively. An analysis of the future income tax provision is included in the notes to the interim financial statements.

Cash Flow from Operations and Net Earnings
Cash flow from operations for the three months ended September 30, 2004 was $10.2 million ($29.48 per BOE) or $0.39 per share ($0.38 per share diluted). During the same period in the previous year, cash flow from operations

was $4.0 million ($20.45 per BOE) or $0.17 per share ($0.17 per share diluted). Cash flow from operations for the nine months ended September 30, 2004 was $26.8 million ($26.91 per BOE) or $1.04 per share ($1.01 per share diluted). During the same period of 2003, cash flow from operations was $10.5 million ($22.99 per BOE) or $0.50 per share ($0.49 per share diluted).

The Company recorded net earnings of $3.6 million or $0.14 per share (basic and diluted) during the three month period ended September 30, 2004. During the same period in the previous year, net earnings were $1.8 million or $0.08 per share (basic) and $0.07 per share (diluted). Net earnings for the nine months ended September 30, 2004 were $8.2 million or $0.32 per share (basic) and $0.31 per share (diluted), an increase of 120% from $3.7 million in earnings for the same period in 2003.

The significant increases in cash flow from operations and net earnings in the first nine months of 2004, compared to the same period in 2003, were primarily due to the 117% growth in production and the 13% higher realized sales price per barrel of oil equivalent.

Weighted average common shares outstanding as at September 30, 2004 used to compute per share amounts were 25.8 million basic and 26.4 million diluted.

Capital Expenditures

During the three month period ended September 30, 2004, Celtic incurred $11.9 million in capital expenditures, after proceeds from minor property dispositions. Approximately $8.6 million was spent on drilling and completing wells, $2.6 million was spent on well equipment and facilities and the balance was spent on land, seismic and other.

Celtic is committed to future growth through its dual-prong strategy to augment strategic oil and gas asset acquisitions with exploration and development drilling activity. As a result, the Company has recently increased its capital budget for 2004 to $55.0 million, of which $18.2 million is expected to be incurred during the fourth quarter of the year. The majority of these fourth quarter expenditures are planned for exploration and development activity, whereby Celtic will drill 15 to 20 wells.

LIQUIDITY AND CAPITAL RESOURCES

Capital expenditures for the nine months ended September 30, 2004 were funded by cash flow from operations and bank debt.

The Company currently has a revolving demand loan facility with a Canadian chartered bank, with an authorized borrowing amount of $36.0 million. At September 30, 2004, Celtic had $17.5 million outstanding under this facility. Bank debt, including working capital deficiency at September 30, 2004 was $20.6 million. As a result, the Company has significant unutilized bank lines, remaining in a strong financial position to implement its growth strategy in the near future.

Celtic expects to fund future capital expenditures through the use of a combination of cash flow from operations and bank debt, supplemented by new equity financings, if required and subject to market conditions.

OUTLOOK

Celtic's Board of Directors has approved an initial capital expenditure budget in the amount of $60 million for 2005. This capital spending will be financed by cash flow 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 2005 to average 5,500 BOE/d (60% oil and 40% gas). This represents a 43% increase from estimated average production of 3,850 BOE/d in 2004.

World oil demand has shown resilient growth in 2004. The response in world oil supply has left major oil exporting nations with limited spare productive capacity. As a result, Celtic expects oil prices to remain strong in 2005. In addition, natural gas demand in North America has also expanded in 2004 resulting in record natural gas drilling in Canada and the United States. However, natural gas prices in North America are expected to remain strong until supply increases significantly with the introduction of additional volumes of liquefied natural gas ("LNG") expected in two to four years. The Company's commodity price assumptions for 2005 are US$41.50 per barrel for WTI oil, US$6.25 per MMBTU for natural gas and a US/Canadian exchange rate of US$0.80.

As a result, cash flow from operations for 2005 is forecasted to be approximately $51.6 million or $2.00 per share. Bank debt, net of working capital, is estimated to reach $28.0 million by the end of 2004 or 0.5 times 2005 cash flow from operations.

Celtic's capital expenditure budget for 2005 will see the Company participate at high working interests in the drilling of approximately 75 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, cash flow from operations and earnings.

Common shares of the Company trade on the Toronto Stock Exchange under the symbol "CLT". Celtic's unaudited financial statements for the nine months ended September 30, 2004 are available on SEDAR at www.sedar.com.

CAUTIONARY STATEMENTS

Cash flow from operations, which is determined before changes in non-cash working capital, is used in the oil and gas industry as a key measure of performance. Cash flow from operations, as used by Celtic, does not have a standardized meaning prescribed by Canadian GAAP and therefore may not be comparable with the calculation of similar measures by other companies. Cash flow from operations, as presented, is not intended to represent operating profits nor should it 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 Company calculates cash flow from operations per share using the same method and shares outstanding which are used in the determination of earnings per share.

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.

Certain information with respect to Celtic Exploration Ltd. ("Celtic" or the "Company") contained in this interim report, 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, some 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. 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.

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