



PRESS RELEASE
(Stock Symbol "CLT" – TSX)

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CELTIC PROVIDES OPERATIONS UPDATE, INCREASES CAPITAL BUDGET

Celtic Exploration Ltd. ("Celtic" or "the Company") has been active with drilling and other field operations in the fourth quarter of 2003. As a result, the Company has increased its capital expenditure budget for 2003 to \$55.0 million.

At Bow Island, Celtic drilled four wells, completing a six-well program that commenced at the end of the third quarter. Four have resulted in oil wells and the other two will be converted to water injection wells.

At Kakwa, the Company participated in a new exploration test at a 13.5% working interest. This well has been drilled and is expected to be tested in the next two weeks. Two other wells drilled earlier in the year are currently being tied-in and should be on production within a week. Celtic's first well drilled at Kakwa, which has been on production since late December 2002, is currently shut-in as operations are conducted to complete an up-hole zone in the well bore that previously tested natural gas. At Jayar, Celtic drilled an unsuccessful well early in the fourth quarter.

At Joffre, Celtic re-entered and completed a second well in the Ostracod formation which tested oil. In addition, the Company has now completed drilling a horizontal well in a Leduc pinnacle which is currently being tested. Pipeline construction has begun and the Leduc oil well and an Ostracod natural gas well drilled in the third quarter, is expected to be on-stream prior to year end. Celtic's average working interest in Joffre is 95% before pay-out and 53% after pay-out.

At Richdale, Celtic drilled a successful 100% working interest natural gas well that has recently been tested and will be placed on production in early 2004.

At Fox Creek, the Company experienced problems with hydrates in its 12 mile production line, however the line has been cleared and is currently being equipped to prevent a re-occurrence in the future. The field is expected to resume production this week. Celtic has completed the first of two horizontal wells in the Swan Hills reef formation. After an initial clean-up, the 5-13-62-18 W5 well was put on a 36 hour production test and flowed 48° API oil at an average rate in excess of 1,000 barrels per day and raw gas at a rate of 3.3 mmcf per day. Celtic has a 100% working interest in the well which will be put on production in the next 10 days. Sustainable productivity from this well will be determined after the well has produced for 3 to 5 months. Operations on the second horizontal well have begun and if successful will be tested early in January 2004. Both wells should qualify for the re-activation royalty holiday.

In Otter, the Company has moved on to the first well of a six well program. Celtic has a 50% working interest in the program which consists of two re-entry horizontals and four vertical tests.

In Ashmont, Celtic has continued to do up-hole completions which has increased production. In the first quarter of 2004, a 3 to 5 well drilling program will commence, targeting natural gas.

The Company has set its initial capital expenditure budget for 2004 at \$35.0 million. As new opportunities arise, the Company may increase this budget during the year. Celtic is well positioned financially and through a combination of cash flow from operations and unused bank lines has the ability to carry out and increase the capital program.

Celtic's common shares trade on the Toronto Stock Exchange under the symbol "CLT".

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