



PRESS RELEASE

(Stock Symbol "CLT" – TSX)

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Calgary, Alberta

CELTIC ENTERS INTO A LARGE AREA FARM-IN AGREEMENT AND INCREASES CAPITAL EXPENDITURE BUDGET FOR 2004

Celtic Exploration Ltd. ("Celtic" or the "Company") is pleased to report that it has entered into a farm-in agreement whereby Celtic has committed to drill a minimum of four wells in the Ashmont area, in close proximity to the Company's existing acreage and operations. The farm-in area consists of 109 (68 net) sections of land and under certain conditions, Celtic can continue to drill land-earning option wells until September 1, 2006. Celtic will pay 100% of the drilling and completion costs, earning a 65% working interest. Prior to entering into this farm-in agreement, Celtic owned a 100% interest in over 50 sections of land in the Ashmont area. Celtic has been successful to date at Ashmont increasing production from 100 BOE/d to approximately 350 BOE/d. The area provides lower risk and shallow depth multi-zone natural gas drilling opportunities with relatively low drilling costs.

Celtic has just completed an active and successful drilling program in the second quarter. The Company drilled 9 (5.3 net) wells during the second quarter with an overall success rate of 100%. As a result of the recent drilling success, the large area farm-in agreement mentioned above and the generation of new exploration and development prospects, Celtic is increasing its 2004 capital expenditure budget to \$50.0 million (previously \$40.0 million). The increase in capital spending will be financed by cash flow from operations and existing bank credit lines.

NEW GUIDANCE FOR 2004

After giving effect to the increased capital expenditure program, the Company expects to exit 2004 with approximately 5,000 BOE/d of production (previous guidance was 4,700 BOE/d). Average production for the year is expected to be approximately 4,100 BOE/d. Cash flow from operations is forecasted to be approximately \$34.5 million (previous guidance was \$32.4 million) in 2004 or \$1.34 per share (previous guidance was \$1.25 per share). Debt, net of working capital, is estimated to reach \$26.3 million (previous guidance was \$18.4 million) by the end of 2004 or 0.8 times 2004 cash flow (previous guidance was 0.6 times 2004 cash flow).

OPERATIONS UPDATE

In Southern Alberta, Celtic drilled one oil well and four natural gas wells in the second quarter to kick-off a ten well drilling program that is expected to be completed in the third quarter. In addition, the Company has been successful in recently adding natural gas production by completing previously non-producing zones in existing well bores, in the Richdale/Michichi area. The Company is currently taking measures to increase facility capacity in the area to allow for Celtic's increased natural gas producing capacity.

In the Richdale/Michichi area, the Company has entered into an agreement with an experienced operator to farm-out 31 (19.5 net) sections of Celtic land prospective for Coal Bed Methane natural gas drilling. Initially, five wells will be drilled, after which the operator has the option to continue drilling additional wells, earning a section per well. Celtic will retain a 50% working interest after drilling and completion operations.

In East Central Alberta, the Company recently tied-in three new natural gas wells at Ashmont. However, the facility through which Celtic processes its natural gas is currently shut-in. The operator of the facility is actively working to restore the facility which is expected to be up and running by the end of July.

In West Central Alberta, Celtic recently put on production a horizontal well drilled in the Morse River Unit at Swan Hills. A second horizontal well has recently completed drilling and is currently testing. At Kakwa/Chime, the Company is participating in the completion of a Dunvegan natural gas well that was drilled on a 3-D seismic anomaly. At Fox Creek, Celtic is drilling an exploration test at the southern tip of its existing oil pool.

In Northern Alberta, the Company participated in the drilling of a successful light oil well at Red Earth, close to Celtic's active operating area at Otter/Ogston. Three additional wells will be drilled in the Otter/Ogston area in the third quarter. At McLean's Creek, the Company followed-up its recent light oil discovery with a second successful well. A third well is planned for this area in the third quarter.

OUTLOOK

Celtic is excited about its recent drilling success and with a growing inventory of drillable prospects, looks forward to continued growth in production. Common shares of the Company trade on the Toronto Stock Exchange under the symbol "CLT". Celtic has 25.8 million common shares issued and outstanding. In addition, the Company has 1.7 million stock options outstanding.

For further information, please contact:

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