



PRESS RELEASE

(Stock Symbol "CLT" – TSX)

May 20, 2005

Calgary, Alberta

CELTIC PROVIDES UPDATE REGARDING VIRGINIA HILLS ACQUISITION

Celtic Exploration Ltd. ("Celtic" or the "Company") has been notified that certain rights of first refusal have been exercised in connection with the previously announced agreement to acquire assets in the Swan Hills, Virginia Hills and Kakwa areas of west central Alberta. The assets affected by these rights are located in the Virginia Hills Unit No. 1 (the "ROFR'd Assets") and the aggregate exercise price, after estimated adjustments at closing, is expected to be approximately \$38.4 million. Celtic retained its independent engineers, Sproule Associates Limited ("Sproule"), to evaluate the properties effective March 31, 2005. Based on the Sproule report, the ROFR'd Assets are comprised of 3.5 million BOE of proved plus probable reserves (81% oil and 19% natural gas) and the net present value of reserves discounted at 10%, before tax, is \$48.1 million, using March 31, 2005 constant prices. Recent production from the ROFR'd Assets was approximately 550 BOE/d (85% oil and 15% natural gas).

Separate legal proceedings have been commenced by each of Penn West Petroleum and Chair Resources Inc. against Celtic and the vendor of the assets to Celtic in connection with the rights of first refusals affecting the ROFR'd Assets. Among other matters, these legal proceedings dispute the adequacy of the notices with respect to the rights of first refusals which have been issued in connection with the sale to Celtic. These legal proceedings do not affect the remaining assets to be acquired by Celtic. Celtic will be vigorously defending the legal proceedings and Celtic will also be asserting all of its rights and remedies which arise therefrom.

The Company expects to close the acquisition of the remaining assets in the Swan Hills, Virginia Hills and Kakwa areas of west central Alberta on or about June 1, 2005. At that time, Celtic will provide revised guidance for 2005 relating to expected production, funds from operations and net earnings.

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.

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