



## **PRESS RELEASE**

(Stock Symbol "CLT" – TSX Venture)

October 21, 2002

**Calgary, Alberta**

### **CELTIC ANNOUNCES CORPORATE ACQUISITIONS AND PURCHASES OF PRODUCING OIL & GAS ASSETS; EQUITY FINANCING**

Celtic Exploration Ltd. ("Celtic" or "the Company") (TSX Venture: CLT) has entered into agreements to acquire oil and gas assets through corporate and property transactions outlined below:

- (1) Celtic will acquire all of the issued and outstanding shares of Dorchester Energy Inc. ("Dorchester") (TSX Venture: DEI) for approximately \$11.3 million, plus the assumption of \$5.4 million of debt, net of working capital, after estimated transaction costs. Dorchester currently produces approximately 720 barrels of oil equivalent per day (BOE/d) from five principal properties in Alberta, of which 58% is natural gas and the balance is oil and natural gas liquids (NGLs);
- (2) Celtic will also acquire all of the issued and outstanding shares of Denim Energy Corp. ("Denim"), a private company, for approximately \$3.5 million. Denim produces approximately 154 BOE/d from three properties in Alberta where Dorchester is a joint venture partner. Approximately 85% of Denim's production is natural gas and the remainder is oil and NGLs;
- (3) Celtic has further offered to acquire producing oil and gas assets located in the Richdale area, Alberta ("Richdale assets") for approximately \$1.1 million. Current production from the Richdale assets is approximately 66 BOE/d. Both Dorchester and Denim are joint venture partners in the Richdale assets, of which 90% is natural gas;

and

- (4) In a transaction unrelated to the foregoing, Celtic closed the acquisition of producing oil and gas assets in the Alderson area, Alberta ("Alderson assets") for approximately \$850,000. Current production from the Alderson assets is approximately 47 barrels per day of oil.

#### **ACQUISITIONS**

Celtic has offered to acquire all of the issued and outstanding shares of Dorchester for \$0.70 cash for each of the 16,108,161 fully diluted Dorchester shares; or 0.233 of a Celtic share for each Dorchester share; or a combination thereof (the "Offer"). The Offer is subject to a maximum of 1,879,285 Celtic shares being used as part of the total consideration. The Offer has the unanimous support of the directors of Dorchester. Dorchester has agreed to the following: (a) Company representatives will not solicit or encourage others to make a competing offer for the company; (b) Celtic will have the right to match any new proposals to acquire Dorchester that are superior to Celtic's Offer; and (c) In the event that Dorchester is unable to complete a transaction with Celtic, then, subject to certain conditions, Dorchester will pay Celtic a compensation fee of \$650,000. A take-over bid circular is expected to be mailed to the shareholders of Dorchester on or before October 31, 2002 and will remain open for 35 days following the date of mailing. At least 66 2/3% of the Dorchester shareholders must accept the Offer. Shareholders of Dorchester, including directors and officers, holding in the aggregate at least 40% of the issued shares have entered into agreements with Celtic to tender their shares to the Offer.

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Celtic has also offered to acquire all of the issued and outstanding shares of Denim for approximately \$3.5 million. Shareholders of Denim can elect to receive all cash for their shares; or Celtic common shares at an assigned value of \$3.00 per Celtic share; or a combination thereof. This offer is subject to a maximum of 591,667 Celtic shares being issued as part of the total consideration. The closing of this acquisition is conditional on the closing of the Dorchester Offer.

Celtic has further offered to acquire the Richdale assets for approximately \$1.1 million. The owners of the Richdale assets can elect to receive all cash; or Celtic common shares at an assigned value of \$3.00 per Celtic share; or a combination thereof. This offer is subject to a maximum of 178,572 Celtic shares being issued as part of the total consideration. The closing of this acquisition is also conditional on the closing of the Dorchester Offer.

In a transaction unrelated to the foregoing, Celtic has acquired the Alderson assets for \$850,000 cash, before adjustments, effective August 1, 2002. The vendor is Jarrod Oils Ltd., a private company controlled by Eldon McIntyre, a director of Celtic. Alderson is located in southern Alberta and is in close proximity to existing Celtic production. The transaction closed on October 20, 2002.

Reserves relating to the Dorchester, Denim and Richdale assets have been reviewed by Sproule Associates Limited ("Sproule") effective April 1, 2002 and reserves relating to the Alderson assets were reviewed by Sproule effective August 1, 2002. A summary of aggregate reserves to be acquired by Celtic and associated discounted values (using escalated pricing) is as follows:

Reserve Category	Oil & NGLs (mbbls)	Natural Gas (mmcf)	Combined (mBOE)	NPV (at) 10% BT (000's) (x)	NPV 10% per BOE
Proven Developed Producing	640	5,549	1,565	\$18,243	\$11.66
Total Proven	801	7,356	2,027	\$23,160	\$11.43
Proven plus 50% Probable	974	8,659	2,417	\$26,139	\$10.81
Proven plus Probable	1,148	10,062	2,825	\$29,038	\$10.28

(x) Values relating to undeveloped lands and proprietary seismic acquired in the aforementioned transactions are not included in the above table.

## EQUITY FINANCING

Celtic has applied to regulatory authorities to issue, by way of a non-brokered private placement, up to a maximum of 4.0 million common shares of the Company at a price of \$3.00 per share, for gross proceeds of up to \$12.0 million. This issue is subject to regulatory approval and closing is expected to take place on or about November 29, 2002. Proceeds from this offering will be used to finance Celtic's acquisition program and on-going development and exploration activity.

... 3



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#### OPERATIONS UPDATE

Celtic is currently participating at a 24% working interest in the drilling of a re-entry well in Kakwa. The Company plans to drill a three well program at it's 100% owned property in Princess commencing at the end of October.

#### NEW APPOINTMENT

Celtic announces that Mr. Sadiq H. Lalani has joined the Company as Vice President, Finance and Chief Financial Officer effective October 15, 2002. Mr. Lalani graduated from the University of Calgary with a Bachelor of Commerce degree in 1985 and has gained extensive financial experience in the oil and gas industry over the past 17 years. Mr. Lalani, most recently was Vice President, Finance and Chief Financial Officer for True Energy Inc. and prior to that was Senior Vice President and Chief Financial Officer for Triumph Energy Corporation from 1996 to 2001.

Celtic Exploration Ltd. is a growing junior oil and gas exploration and production company based in Calgary, Alberta. Common shares of the Company trade on the TSX Venture Exchange under the symbol CLT.

For further information please contact:

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