



PRESS RELEASE

(Stock Symbol "CLT" – TSX)

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Calgary, Alberta

CELTIC PROPOSES TO INCREASE ITS HOLDINGS AT KAYBOB SOUTH

Celtic Exploration Ltd. ("Celtic" or the "Company") has entered into a letter of intent with a major petroleum company to acquire certain assets in the Company's core operating area at Kaybob South, Alberta. The letter of intent provides that the parties will proceed in good faith to enter into a definitive purchase and sale agreement by June 1, 2007.

The Assets

The assets that Celtic intends to acquire consist of an operated 49.8% working interest in the Kaybob South Beaverhill Lake Gas Unit #2 as well as other assets in the Kaybob South area. Based on the Company's internal evaluation, the estimated current production included in the proposed acquisition is approximately 1,100 BOE per day (63% natural gas and 37% liquids). In addition, Celtic would acquire an operated interest in natural gas facilities and in a major pipeline through which the Company's existing production from its Kaybob South Montney pool is currently transported.

Kaybob South Pipeline

In the event that Celtic does not complete the proposed acquisition described above, the Company will endeavour to construct its own natural gas facilities and pipeline for natural gas transportation from its Kaybob South Montney field to the Kaybob South KA Gas Processing Plant. Celtic has already initiated surveying activity with respect to this project.

Kaybob South Operations Update

During the first quarter of 2007, Celtic's production from its Kaybob South Montney pool averaged 1,160 BOE per day. After a successful drilling program in the first quarter, additional wells were put on production during April 2007. Based on field estimates, average production from this pool for the week ended April 29, 2007 was approximately 3,340 BOE per day (an increase of 2,180 BOE per day or 188% from the first quarter average). These field estimates do not include compression which Celtic has recently installed and also do not include production from three wells that have been completed but are not expected to be on-stream until June 2007. At Kaybob South, the Company currently has two wells drilling, one of which is the first horizontal test in this Montney pool.

On May 2, 2007, the Company's production at Kaybob South was curtailed due to mechanical disruptions encountered by the operator of the facility and the pipeline through which Celtic's existing production from its Kaybob South Montney pool is transported. These facility issues have now been resolved and the Company's production at Kaybob South has been restored to pre-disruption levels. As a result of this down-time caused by third party facility issues, Celtic's average production in the second quarter of 2007 will be reduced by approximately 440 BOE per day.

The Company is excited about its recent drilling results at Kaybob South and will continue to develop the Montney natural gas pool. With control over the transportation infrastructure, Celtic will enhance its position operationally at Kaybob South.

Advisory Regarding Forward-Looking Statements

The information with respect to Celtic contained herein, contains forward-looking statements. These forward-looking statements are based on assumptions and are subject to numerous risks and uncertainties, certain 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. As a result, 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.

Measurements

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.

For further information, please contact:

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