



**PRESS RELEASE**

(Stock Symbol "CLT" – TSX Venture)

May 27, 2003

Calgary, Alberta

**CELTIC EARNS \$1.2 MILLION IN THE FIRST QUARTER OF 2003**

Celtic Exploration Ltd. ("Celtic" or the "Company") has released its financial and operating results for the three months ended March 31, 2003.

**FINANCIAL HIGHLIGHTS**

	Three months ended March 31, 2003
<b>Revenue</b>	<b>\$ 4,544,170</b>
<b>Cash flow from operations</b>	<b>\$ 3,433,103</b>
<b>Cash flow per share</b>	
<b>Basic</b>	<b>\$ 0.19</b>
<b>Diluted</b>	<b>\$ 0.18</b>
<b>Net Earnings</b>	<b>\$ 1,163,496</b>
<b>Net Earnings per share</b>	
<b>Basic</b>	<b>\$ 0.06</b>
<b>Diluted</b>	<b>\$ 0.06</b>
<b>Total assets</b>	<b>\$ 52,696,809</b>
<b>Bank debt, net of working capital</b>	<b>\$ 5,747,489</b>
<b>Shareholders' equity</b>	<b>\$ 27,306,130</b>
<b>Production</b>	
<b>Oil (bbls/d)</b>	<b>605</b>
<b>Natural gas (mcf/d)</b>	<b>4,423</b>
<b>Combined (BOE/d)</b>	<b>1,342</b>
<b>Selling prices</b>	
<b>Oil (\$/bbl)</b>	<b>\$ 42.50</b>
<b>Natural gas (\$/mcf)</b>	<b>\$ 8.45</b>
<b>Combined (\$/BOE)</b>	<b>\$ 47.00</b>

During the three month period ended March 31, 2003, oil and gas revenue was \$4.5 million, after royalties of \$1.1 million. Production expenses were \$937,543 (\$7.76 per BOE), general and administrative expenses were \$123,638 (\$1.02 per BOE), interest expense was \$27,761 and capital tax was \$28,125. Depletion and depreciation expenses were \$1.7 million (\$13.98 per BOE). A provision for future income taxes was recorded in the amount of \$582,438. As a result, the Company recorded net earnings of \$1.2 million or \$0.06 per share (basic and diluted).

Cash flow from operations for the three months ended March 31, 2003 was \$3.4 million (\$28.43 per BOE) or \$0.19 per share (\$0.18 per share diluted). Weighted average common shares outstanding were 18.4 million basic and 18.8 million diluted.

During the first quarter of 2003, Celtic incurred \$5.8 million in capital expenditures. Approximately \$3.4 million was spent on drilling and completing wells, \$1.3 million was spent on equipment and facilities and the balance was spent on land and seismic.

## **OPERATIONS**

Celtic was active during the first quarter on the operational front, drilling 8 gross (3.2 net) wells. At Otter, in northern Alberta, five wells were drilled targeting 42° API oil from the Granite Wash and Slave Point formations. Four of these wells are currently on production, adding approximately 120 barrels of oil per day, net to Celtic. A well at Kaybob, in west central Alberta was cased during the first quarter. Completion of this well is expected to occur in June. An exploratory well at Kakwa/Chime, also in west central Alberta, was cased pending completion. Two additional wells are currently drilling at Kakwa/Chime. A well drilled at Stoughton, in south east Saskatchewan was dry and abandoned.

Production for the first quarter of 2003 was 1,342 BOE per day (55% natural gas and 45% oil). Realized selling prices were at historically high levels. The Company received an average price of \$8.45 per mcf for its natural gas and \$42.50 per barrel for its oil.

## **EQUITY FINANCING**

On May 8, 2003, Celtic closed a private placement whereby the Company issued 4.5 million common shares at a price of \$3.95 per share for gross proceeds of \$17.8 million. Proceeds from this equity issue will be used to finance Celtic's on-going development and exploration activities and acquisitions of oil and gas assets.

## **PROPERTY ACQUISITION**

Celtic has entered into a purchase and sale agreement to acquire oil and gas assets (previously announced on April 30, 2003) from a senior oil and gas producer. The purchase price is \$19.75 million, subject to certain further adjustments to reflect the effective date of March 1, 2003.

Oil and gas reserves, independently evaluated, included in the acquisition are 1.7 million BOE proven and 2.2 BOE proven plus probable. Undeveloped land of 16,400 net acres is also included in the acquisition. Estimated production from these assets is approximately 740 BOE per day, of which 70% is light oil and the balance is natural gas.

The assets are located in close proximity to Celtic's core producing areas. At Utikuma, in northern Alberta, the Company will acquire sweet light oil production that is located directly south of Celtic's producing properties at Otter. In east central Alberta, the Company will consolidate its natural gas development program at Ashmont to 100% working interest. The remaining properties are located at Alderson, Bow Island, Drumheller and Sedalia in southern Alberta where Celtic is already active. This acquisition will provide the Company with both exploitation and exploration drilling opportunities.

## **OUTLOOK**

Celtic is well positioned financially and operationally to implement its dual prong strategy to acquire assets with exploitation potential and at the same time, implement its full cycle exploration program. This strategy will provide continued growth to shareholders.

Common shares of the Company trade on the TSX Venture Exchange under the symbol "CLT". Celtic's annual and special meeting of shareholders has been scheduled for 3:00 p.m. (MST) on June 3, 2003 at the Metropolitan Centre, 333 Fourth Avenue SW, Calgary, Alberta, Canada.

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