



**Arsenal Energy Inc.**

# News Release

## **Arsenal secures drilling rig for Egyptian program**

*Drilling operations expected to commence in mid-February*

**CALGARY, February 5, 2007** – Arsenal Energy Inc. (“Arsenal”) (TSX:AEI) (FWB:A1E) is pleased to announce that it, along with partners, has finalized a contract for a drilling rig (ECDC #2) that is scheduled to commence drilling operations on Arsenal’s 5.625 million acre Nuqra concession in Egypt in mid-February 2007.

Nuqra is a land-based concession located in the Upper Nile region in Egypt with rift basins that are analogous to highly prolific structures located to the East in Yemen, to the South in Sudan and to the North West in Libya which have yielded significant reserve and production volumes.

Arsenal anticipates drilling a minimum of two test wells to evaluate two independent prospects in the Nuqra Basin. The first well, SET-1, is planned to spud in February and drill to a target depth of 3800 feet and is targeting a structure with Jurassic sands. The second well, NARMER-1, which is planned to be drilled to a target depth of 7800 feet, is located approximately 17 miles from the SET-1 and is targeting a structure with Berriasian and Kimmeridgian sands.

Extensive 2-D seismic programs have defined the SET-1 and NARMER-1 prospects and both drilling locations have road access on dry land. Drilling of the two wells is expected to take approximately 90 days. Arsenal will pay 40 percent of the drilling costs and will retain a 30 percent working interest, plus a partial cost recovery, after a commercial discovery. The operator estimates that the two initial target structures could contain up to 40 million barrels of oil equivalent in recoverable reserves.

Arsenal and its’ partners have a third contingent location that would test another independent structure approximately 4 miles from the NARMER-1 location, which is in the process of being approved by the Egyptian government. If Arsenal and its partners elect to drill this location, it is expected the ECDC #2 rig will move to this location in the late second or early third quarter of 2007.

Errol Stewart, President and CEO of Arsenal stated, “Our Egyptian assets distinguish Arsenal from other junior oil and gas companies and represent an important component in our growth strategy. This program has the opportunity to add significant upside to the stable production growth that we are able to deliver from our North American operations.”

Arsenal is an aggressive junior oil and gas company engaged in the exploration for, and development and production of natural gas and oil reserves primarily in the provinces of Alberta and Saskatchewan, North Dakota, U.S.A. and Egypt. Arsenal’s common shares trade on the Toronto Stock Exchange under the symbol “AEI” and on the Frankfurt Stock Exchange under the symbol “A1E”.

Certain statements in this material may be "forward-looking statements" including outlook on oil and gas prices, estimates of future production, estimated completion dates of acquisitions and construction and development projects, business plans for drilling and exploration, estimated amount and timing of capital expenditures and anticipated future debt levels and royalty rates. Information concerning reserves contained in this material may also be deemed forward-looking statements as such estimates involve the implied assessment that the resources described can be profitably produced in the future. These statements are based on current expectations, estimates and projections that involve a number of risks and uncertainties, which could cause actual results to differ from those anticipated by Arsenal.

The term barrels of oil equivalent (“boe”) may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet per barrel (6mcf/bbl) of natural gas to barrels of oil equivalence is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. All boe conversions in the report are derived from converting gas to oil in the ratio mix of six thousand cubic feet of gas to one barrel of oil. Not for distribution to the United States newswire services or for dissemination in the United States.

For further information on Arsenal, please visit our website at [www.arsenalenergy.com](http://www.arsenalenergy.com), e-mail [info@arsenalenergy.com](mailto:info@arsenalenergy.com) or contact:

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