

ARSENAL ENERGY INC.

ARSENAL ANNOUNCES ACHIEVEMENT OF 2006 EXIT PRODUCTION TARGET

FOR IMMEDIATE RELEASE

CALGARY, January 10, 2007 – Arsenal Energy Inc. (“Arsenal”) (TSX: AEI) (FWB: A1E) is pleased to announce that it has achieved its 2006 targeted exit production rate of 2000 boe/d.

The December 2006 exit production rate was approximately 2040 boe/d and the average production rate through the final quarter of 2006 was approximately 1930 boe/d. This compares favourably with the average production rate of 1775 boe/d for the third quarter of 2006.

In addition to consistent output improvement, Arsenal has been targeting a higher light oil mix. The fourth quarter production for 2006 was made up of approximately 36% light/medium oil, 44% heavy oil and 20% natural gas. This compares to third quarter production for 2006 of approximately 30% light/medium oil, 54% heavy oil and 16% natural gas.

“I am pleased with the progress made by the team in the latter part of 2006 to establish consistent production growth in line with our volume and mix objective and address operating cost reduction, aimed at improving operating cash flow per barrel,” said Errol Stewart President and CEO. “Going forward, we will continue to expand and exploit our assets in North America, bring on the Tower Creek production, capitalize on the exciting Egypt exploration opportunity and strengthen our balance sheet.”

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 TSX Exchange under the symbol “AEI” and on the Frankfurt Stock Exchange under the symbol “A1E”.

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 this release are derived from converting gas to oil in the ratio mix of six thousand cubic feet of gas to one barrel of oil.

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