



Arsenal Energy Inc.

News Release

Arsenal sells interest in Tower Creek for \$14 Million *Accelerates North Dakota Bakken Horizontal Light Oil Program*

CALGARY, June 25, 2007 – Arsenal Energy Inc. (“Arsenal”) (TSX:AEI) (FWB:A1E) announced today that it has entered into an agreement to sell its entire 14 percent non-operated interest in the Tower Creek property, subject to closing adjustments, for \$14 million to an arm’s length party. The transaction is subject to customary closing conditions and drilling expenditure adjustments. The majority of the sale is expected to close by the end of June, 2007 with an effective date of June 1, 2007 with the balance to close in the third quarter of 2007.

Arsenal intends to use the proceeds from the sale to strengthen its balance sheet and accelerate its Bakken light oil program on its operated Stanley Field located in North Dakota, USA.

Recent industry activity in close proximity to Arsenal’s Stanley Field has been rapidly expanding the area of Bakken development. There have been seven Bakken horizontal wells recently drilled with operators reporting initial flush production from some wells exceeding 1,800 barrels of light sweet oil per day before stabilizing at rates of approximately 250 barrels per day.

Arsenal currently has over 16,000 acres of operated properties in North Dakota and expects to spud its first well in late 2007 depending on rig availability. Operated, high working interest, high impact projects are a priority for Arsenal management.

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.

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For further information on Arsenal, please visit our website at www.arsenalenergy.com, e-mail info@arsenalenergy.com or contact:

Errol Stewart
President and Chief Executive Officer
(403) 262-4854
Email: estewart@arsenalenergy.com

Jesse Meidl, CA
Chief Financial Officer
(403) 262-4854
Email: jmeidl@arsenalenergy.com

Arsenal Energy Inc.
1800, 505 - 3rd Street S.W.
Calgary, Alberta T2P 3E6
Toll Free: 1-866-405-4854
Fax: (403) 265-6877
Email: info@arsenalenergy.com