

PRESS RELEASE

ARSENAL ENERGY INC. (TSX – AEI)(FRANKFURT – A1E)

ARSENAL ANNOUNCES CLOSING OF SECOND TRANCHE OF PRIVATE PLACEMENT OF FLOW-THROUGH SHARES AND ACQUISITION OF CORE PROPERTIES

Calgary, Alberta, December 14, 2007 – Arsenal Energy Inc. (TSX:AEI) (FWB:A1E) (“**Arsenal**”) is pleased to announce that it has closed the remaining portion of its previously announced brokered private placement (see Arsenal’s press release of November 20, 2007 and November 30, 2007) and has issued 4,644,871 common shares on a “flow-through share” basis, (“**Flow-Through Shares**”) at a subscription price of \$0.43 per Flow-Through Share. As a result of the two closings, Arsenal has issued 7,890,150 Flow-Through Shares for aggregate gross proceeds of (Cdn) \$3,392,764.50 to subscribers in British Columbia, Alberta and Saskatchewan.

Emerging Equities Inc. acted as sole agent in respect of the placement of Flow-Through Shares in British Columbia and Alberta and was paid a cash commission in respect of the Flow-Through Shares issued in such jurisdictions.

All of the Flow-Through Shares issued on December 13, 2007 are subject to a hold period under applicable securities laws until April 14, 2008.

The proceeds from the Flow-Through Shares will, where appropriate, be used to incur certain types of Canadian Exploration Expense (“**CEE**”) and/or deemed CEE as defined in the *Income Tax Act* (Canada) and renounce, for the 2007 taxation year, such CEE in favour of original holders of the Flow-Through Shares in an amount equal to the subscription price for each Flow-Through Share.

Certain officers, directors and insiders of Arsenal subscribed for an aggregate of 800,128 Flow-Through Shares under the private placements.

Arsenal is also pleased to announce that it has entered into an agreement with an arm’s length party to acquire additional assets in its core Evi property. The acquisition includes approximately 30 bbl/d of net oil production, a 30% working interest in a battery, 1,853 net acres of land, and 48 km² of proprietary 3D seismic for \$575,000. Arsenal anticipates that the acquisition of the battery will eliminate third party processing charges and trucking charges on Arsenal’s existing production. The additional land and seismic will add to Arsenal’s drilling inventory. The acquisition has an effective date of November 1, 2007 and is scheduled to close on December 14, 2007. Arsenal is also pleased to announce that three new locations on Arsenal’s existing land base have been approved for drilling in Q1.

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”.

This press release may contain forward-looking statements. The words or phrases “would be”, “will”, “intend”, “will likely result”, “are expected to”, “will continue”, “anticipate”, “estimate” or similar expressions are intended to identify “forward-looking statements”. Those 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. Arsenal’s business is subject to various risks that are discussed in its filings on the System for Electronic Document Analysis and Retrieval (SEDAR).

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

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