



Arsenal Energy Inc.

News Release

ARSENAL ANNOUNCES THIRD QUARTER 2007 OPERATING AND FINANCIAL RESULTS

FOR IMMEDIATE RELEASE

CALGARY, Nov 14, 2007 – Arsenal Energy Inc. (“Arsenal or the Company”) (TSX:“AEI”) (FRANKFURT: A1E) is pleased to announce the results of operations for the nine-month period ended September 30, 2007.

Arsenal is pleased to report its Q3 results. In July, the company made a strategic decision to adjust to a more traditional grassroots exploration and development model. The Company has made good progress on all key initiatives announced as part of that strategy. Production volumes and revenues are up, operating costs are down, and overhead costs are dropping. The Company has also been successful in the field. All three new drills at Evi in northern Alberta have been successful and re-completions and workovers in the Provost and Maidstone areas have positively impacted volumes. Drilling by industry continues to provide encouragement about the company's Bakken acreage in North Dakota and Centurion has announced a commercial discovery in Egypt directly offsetting Arsenal lands.

The company is pleased to announce that Tony van Winkoop, previously interim President and CEO, has been appointed President and CEO.

HIGHLIGHTS

- Production increased to 1715boe/d vs. 1,559boe/d in Q2
- Operating costs decreased to \$21.82/boe from \$28.38/boe in Q2
- Cash flow decreased to \$1.0 million (.02/share) vs. \$1.1 million (.02/share) in Q2
- Current production is estimated at 1900boe/d

OPERATIONS IN REVIEW

EGYPT

Centurion has the first oil discovery in Southern Egypt with its El Baraka-1 exploration well drilled in the Komombo Concession in Upper Egypt. This well was drilled, to a Total Depth of 8712 feet and the well penetrated several oil bearing zones. Testing of the Early Cretaceous Abu Ballas Formation produced approximately 150 barrels of oil per day from a 39 foot perforated interval. The recovered oil has a specific gravity of 37° API with a wax content similar to the crude oil currently being produced and exported in large quantities in Sudan. Three additional intervals were also encountered in the deeper Early Cretaceous section and recovered various oil volumes on test. This well is less than 10 miles from Arsenal's eastern desert concession. Arsenal has identified a seismically defined Abu Ballas structural closure on trend with the El Baraka well. The two test wells drilled to date satisfy the current drilling requirements for the concession until July 2009 and the concession can be extended until July 2012 with an exploration commitment of two additional wells.

NORTH DAKOTA

The Bakken play continues to expand toward Arsenal's Stanley property. Industry is drilling wells one mile north and 3 miles southeast of company lands. Seven wells that Arsenal believes to be on

trend with its acreage have public production history. After 6 months these wells averaged 275bbl/d of oil with an average water cut of 5%. Management is currently drawing up its 2008 budget and tentatively plans one gross (1/2 net) well in the Bakken. Arsenal has 1896 net acres of Bakken rights in the Stanley area.

EVI

All three wells drilled at Evi in Q3 were successful and are starting production at a total of 210bbls/d net to Arsenal. Two of the wells qualify for a royalty free period. Drilling costs have come in 20% under budget. Evi wells traditionally produce strong flush production rates that can decline by 50% over the first few months. Arsenal has increased its net acreage position in the Evi area to 1488 acres from 696 acres at year-end 2006. The company has also acquired additional 3d seismic and has identified additional structures. Arsenal and its partners are currently examining various facility options to lower trucking and processing costs. Current plans call for tie in during Q1 08 and the drilling of up to 4 new wells.

TOWER CREEK

The Company closed its previously announced sale of the Tower Creek property. The 2-21 well sale was effective June 1, 2007 and the 11-26 well sale was effective Sept 13, 2007. Total proceeds were \$15.5 million. Arsenal spent \$2 million in capital on the 11-26 well before it was junked and abandoned. The 11-26 results, the recent deterioration in gas prices, and the Alberta government royalty changes, have made the company's decision to sell Tower Creek more compelling.

PROVOST

The Company re-completed the 11-18 well (100% WI) in the Rex formation and placed it on production. It has stabilized at 25bbls/d. Arsenal has shot and interpreted a 3D seismic program over its land and has identified two high impact Lloydminster formation exploration targets. The prospects are shallow, inexpensive, and potentially prolific. Arsenal plans to drill the locations in Q2 of 08. In addition, Arsenal plans to drill one exploration well targeting a geologically inferred Ellerslie channel, in Q4.

BLUERIDGE

Arsenal has developed two exploration plays on its Blueridge property in west central Alberta. The first play is targeting a high risk high reward Pekisko outlier identified by 3D seismic. The 14-33-58-10W5 well (100%WI) has an 1,800 meter target depth and will be drilled in the fourth quarter.

HEAVY OIL

The restructuring of the Company's heavy oil production operations continues to pay dividends. Since the beginning of the year 10 wells have been re-equipped and placed back on production. These operations have added 135 bbls per day of net production. Higher volumes combined with the current robust prices have added materially to the company's heavy oil cash flow. During the quarter the company shot four 2D seismic lines and a one square mile 3D seismic program. Two drilling locations are planned for the Maidstone property in the fourth quarter.

OPERATING EXPENSES

Operating expenses for the quarter averaged \$21.82/boe. These costs are a significant improvement over the \$28.38/boe reported in Q2. Q3 expenses include a substantial investment in restarting a number of suspended heavy oil wells in the Lloydminster area. These high OPEX operations are very economic but have averaged up the Company's expenses and masked the underlying improvement that has occurred in Arsenal's production costs. Over the medium term the company expects to continue to lower costs by averaging in new lower cost assets developed with the drill bit and by disposing of small higher cost non-core assets.

COMMODITY PRICING

Arsenal's commodity mix is approximately 50% heavy oil, 30% light oil and natural gas liquids, and 20% natural gas. In order of importance, posted prices for Canadian light, heavy oil differentials, and AECO posted natural gas prices are the relevant commodity prices which affect Arsenal's revenues.

Canadian light averaged approximately \$80 Cdn/bbl in the third quarter vs. \$75 Cdn/bbl in the second quarter. Forward strip pricing is in mild backwardation with hedgeable prices in the high \$70/bbl range through 2008. Heavy oil differentials were \$26 Cdn/bbl in Q2 and \$28 Cdn/bbl in Q3. Differentials look stable at these levels going forward. AECO gas averaged \$4.90 Cdn/mcf in Q3 vs. \$6.00 in Q2.

CHANGES TO ALBERTA'S ROYALTY STRUCTURE

In late September the Alberta Royalty Review Panel tabled its recommendation to increase royalties on production in the province. More than half of Arsenal's production comes from outside Alberta and so is not affected. Most of the rest of the company's production is from low rate wells that may actually see a slight reduction. Overall the Company anticipates that its royalty rate will move from an average of 23% to an average of 24%. Going forward the changes will cause significant damage to the economics of exploration in Alberta.

OUTLOOK

The company has changed its focus to a lower risk and lower cost exploration and development strategy. Arsenal's asset base is predominantly made up of low rate and heavy oil wells that have high production costs relative to industry. These assets are highly leveraged to today's environment of escalating prices. Q3's restart and recompletion programs are examples of substantial reserves and production that can be added at very low cost. These activities require a lot of technical support but the risk reward ratio is evident in the company's production numbers.

The company has an inventory of a dozen exploration and development wells to drill over the next year. Cumulatively management anticipates this program will materially increase Arsenal's reserves and production. These projects are higher quality than Arsenal's existing production base. In addition, over the next year the company plans to drill 2 material new pool wildcats in Alberta and a Bakken test in North Dakota.

The company is changing its strategy for Egypt. In 2007 the company participated in two wells. While dry; the wells did indicate the presence of hydrocarbons and good quality reservoir rocks. During the summer Centurion Petroleum announced a closely offsetting commercial discovery. Going forward, the company intends to realize the inherent value of the concession. An independent committee of the board has been struck to explore strategic alternatives.

The federal government's changes to royalty trust taxation, increases in Alberta royalties, low natural gas prices, and higher exchange rates have combined over the last 18 months to severely impact the valuations of Western Canadian based E&P companies. The resultant drops in cash flows and external financing has in turn caused a declining rig count and declining prices for assets. Companies will have to be disciplined in order to prosper in this environment going forward.

We believe that Arsenal's disciplined approach to development of existing and prospective properties will result in increased value to shareholders.

Complete financial statements and MDA are available at SEDAR.

SELECTED FINANCIAL AND OPERATIONAL INFORMATION

FINANCIAL	Three Months Ended September 30		Nine Months Ended September 30	
	2007	2006	2007	2006
Financial				
Funds from operations ¹	1,000,012	2,006,566	3,920,603	5,131,212
Per unit - basic	0.01	0.03	0.05	0.09
Per unit - diluted	0.00	0.00	0.00	0.00
Bank debt	10,572,064	21,822,985	10,572,064	21,822,985
Operating costs per boe	21.82	21.26	21.25	16.81
Operating netbacks per boe	18.43	18.85	17.32	19.26
Market				
Shares outstanding				
End of period	73,917,173	65,677,403	73,917,173	65,677,403
Weighted average - basic	73,917,173	65,656,022	73,786,750	59,312,943
Weighted average - diluted	74,091,713	70,154,281	73,961,290	62,033,289
Shares trading				
High	0.57	1.36	1.06	1.88
Low	0.33	0.90	0.33	0.89
Close	0.47	1.00	0.47	1.00
Average daily volume	66,000	122,700	145,000	145,000
OPERATIONS				
Daily production (average)				
Crude oil (bbl)	1,344	1,356	1,334	1,305
NGLs (bbl)	46	61	46	53
Natural gas (mcf)	1,951	2,149	2,086	1,650
Total (boe) ²	1,715	1,775	1,728	1,632
Realized commodity prices (\$Cdn.)				
Total crude oil (bbl)	52.10	57.06	50.90	47.28
NGLs (bbl)	52.96	57.05	53.97	48.57
Natural gas (mcf)	5.03	5.91	6.73	6.19
Average (boe) ²	47.97	52.70	48.86	45.61
Reference pricing				
WTI (U.S.\$/bbl)	75.38	70.48	66.19	68.24
AECO gas (\$Cdn./mcf)	5.60	5.71	6.81	6.85
Foreign Exchange (\$U.S./\$Cdn.)	1.04	1.12	1.10	1.12

1 Funds from operations before change in non-cash working capital is not a recognized measure under Canadian generally accepted accounting principles. Management uses funds from operations before change in non-cash working capital to analyze performance and considers it a key measure as it demonstrates the Company's ability to generate the cash necessary to fund future capital investments and to repay debt. Funds from operations before change in non-cash working capital has been defined by the Company as net earnings (loss) plus the addback of non-cash items (depletion, depreciation and accretion, stock-based compensation, future income taxes and unrealized foreign exchange) and excludes the change in noncash working capital related to operating activities. Arsenal's determination of funds from operations before change in noncash working capital may not be comparable to that reported by other companies. Arsenal also presents funds from operations before change in non-cash working capital per share whereby amounts per share are calculated using weighted average shares outstanding consistent with the calculation of earnings per share.

2 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.

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