

# News Release

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

### Arsenal Energy Inc. Files Updated Statement of Reserves Information

Calgary, Alberta, May 20, 2008 – Arsenal Energy Inc. (TSX:AEI) (FWB:A1E) (“Arsenal”) has on today’s date filed a Material Change Report/updated Statement of Reserves, which updates Arsenal’s Annual Information Form for the year ended December 31, 2007, which contains the disclosure and reports relating to reserves data and other oil and gas information, effective as of March 31, 2008, required to pursuant to National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* of the Canadian Securities Administrators. A copy of this document may be found for viewing on the System for Electronic Document Analysis and Retrieval website at [www.sedar.com](http://www.sedar.com).

Reserves have increased as a result of drilling two wells (0.75 net) in Evi, two wells (2.0 net) at Galahad, and one well (0.4 net) at Alderson. The Evi wells added 60.3 proven Mbbls and 16.0 probable Mbbls of light sweet reserves. The Galahad wells added 125.3 proven Mbbls and 64.6 probable Mbbls of light sour crude and 54.8 MMcf of proven and 16.9 MMcf of probable gas reserves. The Alderson well added 37.5 Mbbls proven and 101.3 Mbbls probable of heavy oil. These adds were offset by production of 157 Mboe in the first quarter and minor revisions of 25.0 Mboe.

The value of the reserves increased by \$21.6 million on a proved basis and \$30.1 million on a proved plus probable basis. Values increased as a result of the added reserves from the Q1 drilling program and as a result of an increase in the forecasted prices. In the yearend 2007 report Arsenal was forecast to receive an average sales price of 59.08 \$/Boe for its blend of production in 2008. The new report forecasts an average price of 86.38 \$/Boe for Arsenal’s blend for the remainder of the year. Gains in NAV for reserve adds and price forecast changes were offset by sales of 157,000 Boe in Q1.

<b>ARSENAL END Q1 RESERVE RECONCILIATION</b>					
	31-Dec-07	Acquired / Sold	Production	Adds / Revisions	31-Mar-08
TP (MBoe)	3,308	0	-157	262	3,413
TP value (MM\$)	61.2	0	-5.6	21.6	78.5
P+P (MBoe)	5,477	0	-157	305	5,625
P+P value (MM\$)	87.6	0	-5.6	30.1	113.9

<b>ARSENAL NAV RECONCILIATION</b>	<b>31-Dec-07</b>	<b>31-Mar-08</b>
P+P PV10 (MM\$)	87.6	113.9
Land (56K net acres)(MM\$)	1.5	1.5
Seismic (MM\$)	0.8	0.8
Total Debt (MM\$)	-20.7	18.7
NAV (MM \$)	69.2	97.5
Shares Outstanding basic (MM\$)	83.7	89.2
NAV/share(\$/share)	0.83	1.09

Arsenal is a junior oil and gas company engaged in the exploration for, and development and production of natural gas and oil reserves primarily in Alberta, Saskatchewan, and North Dakota. 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)

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

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