ARSENAL ENERGY INC.
(TSX – AEI)

ARSENAL ENERGY RELEASES Q1 RESULTS

CALGARY, May 14, 2009- Arsenal Energy Inc. ("Arsenal") (TSX: AEI) is pleased to release a summary of its 2009 Q1 results. The first quarter of 2009 was challenging for the oil industry and for Arsenal. In the previous 6 months oil prices fell by $100/bbl and gas prices fell by $5/mcf. These price drops resulted in operating margins of only $10.99/boe in the first quarter. Arsenal was, however, able to maintain strong cash flows due to hedging gains. Full details are contained in the financial statements and MD&A filed on SEDAR and on the Company's website.

HIGHLIGHTS				
		2009	2008	% change
		Three months ended March 31		
Financial				
Net Income ($000)		-3,072	-488	
Per share fully diluted		-0.03	-0.01	
Funds from Operations ($000)		10,315	3,790	+172%
Per share fully diluted		0.10	0.04	+150%
Total net debt ($000)		40,124	18,710	+114%
Shares outstanding end of period		101,250	92,476	+9%
Operational				
Average Daily Production (boe)		2,330	1,725	+23%
Average Realized price ($Cdn/boe)		38.01	72.04	- 47%
Average Operating Costs ($Cdn/boe)		17.43	22.65	-23%
Average Royalties ($Cdn/boe)		8.58	13.23	-35%
Average Operating Netbacks per boe		10.99	36.16	-70%
Capital				
Net wells drill	Oil	0.33	4.55	
	Gas	-	-	
	Dry	-	1.00	
Capex cash		2,575	5,088	-49%

Financial

Arsenal had record Q1 funds from operations of $10.3 million due to realized hedges and increased production volumes. The gains were offset by operating margins that declined significantly due to lower oil and gas prices. Net loss for Q1 was $3.1 million.

Arsenal realized hedges of $9.1 million during the first quarter including onetime gains from the collapse of most of Arsenal's hedge book. Proceeds were used to primarily reduce debt. Arsenal has three hedges remaining, a 1,000 GJ/d X $6.78Cdn/GJ for calendar 2010, a 100bbl/d X $72.60Cdn/bbl from May 2009 to April 2010, and a 100 bbl/d X $79.50 Cdn/bbl from May 2010 to April 2011. At quarter end Arsenal converted $12 million Cdn into US denominated debt as a hedge against the Canadian dollar and to take advantage of slightly lower US interest rates.

Operations

Average production of 2330 boe/d during the first quarter was an increase of 605 boe/d from the first quarter of 2008. This production increase is attributable to the acquisition of GEOCAN Energy Inc. that closed on October 8, 2008, and the addition of Bakken volumes from North Dakota. These increases were partially offset by the shut in of approximately 100 bbls/d of marginal production and by natural declines. Arsenal's Q1 production mix was 75% oil and liquids and 25% natural gas.

Operating costs decreased to $17.43/boe in Q1 2008 vs. $22.65/boe for the same period in 2008. The decrease is due to the shut in of marginal high cost production, the addition of low operating cost Bakken production, and various operating cost initiatives.

In the first quarter Arsenal participated in two new Bakken drills in North Dakota. Both were rig released in April. The first well, Moen 23-14H, is a direct offset to the George Robert well drilled at Stanley in October, 2008. Arsenal has a 20.3% working interest in the Moen well. Because the operator has decided to place the well on production without stimulating the formation, it is anticipated this well will produce at rates lower than George Robert. The well can be stimulated at a later date. Production test results should be available shortly. The second well, Lyla 24X-10, is Arsenal's first Bakken well in the Lindahl field. Arsenal has a 12.9% working interest. Completion operations are ongoing with results expected over the next few weeks.

Outlook

Oil and gas prices have strengthened recently and the forward strip for WTI is above $60 US for the remainder of 2009. At these levels, Arsenal can maintain production levels with a modest capital program of Bakken drills while paying down debt.

Based on the current forward strip, Arsenal anticipates that it will achieve operating margins of approximately $21.05/boe in 2009 on average production of approximately 2200 boe/d. Capital expenditures are currently estimated at $11.6 million for 2009. Excluding hedges, this is expected to yield funds from operations before interest and overhead of approximately $16.9 million. Arsenal expects to exit 2009 at a debt/cash flow ratio of 1.9 times. Arsenal is planning to reduce this ratio over time through non-core property sales and reductions in unit operating expenses.

Arsenal's credit facility of $55 million will be re-negotiated later this spring. It is anticipated that the line will be reduced. Results of those negotiations will be released as soon as they are concluded.

Advisory

All barrels of oil equivalent (boe) conversions in this report are deprived by converting natural gas to oil at the ratio of six thousand cubic feet (Mcf) of natural gas to one barrel (bbl) of oil. Certain financial values are presented on a boe basis and such measurements may not be consistent with those used by other companies. Boe amounts may be misleading, particularly if used in isolation. A boe conversion ratio has been calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil (6 Mcf: 1 bbl) and is based on an energy equivalency conversion method applicable at the burner tip and does not represent a value equivalency at the wellhead.

Certain financial measures referred to in this release, such as funds from operations and funds from operations per share, are not prescribed by generally accepted accounting principles (GAAP). Funds from operations is a key measure that demonstrates the ability to generate cash to fund expenditures. Funds from operations is calculated by taking the cash provided by operations from the consolidated statement of cash flows and adding back changes in non-cash working capital. Funds from operations per share is calculated using the same methodology for determining net income per share. These non-GAAP financial measures may not be comparable to similar measures presented by other companies. These financial measures are not intended to represent operating profits for the period nor should they be viewed as an alternative to cash provided by operating activities, net income or other measures of financial performance calculated in accordance with GAAP.

Management uses certain industry benchmarks such as field netback to analyze financial and operating performance. Field netback has been calculated by taking oil and gas revenue less royalties, operating costs and transportation costs. This benchmark does not have a standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies. Management considers field netback as an important measure to demonstrate profitability relative to commodity prices.

Certain statements and information contained in this press release, including but not limited to management's assessment of Arsenal's future plans and operations, production, reserves, revenue, commodity prices, operating and administrative expenditures, funds from operations, capital expenditure programs and debt levels contain forward-looking statements. All statements other than statements of historical fact may be forward looking statements. These statements, by their nature, are subject to numerous risks and uncertainties, some of which are beyond Arsenal's control including the effect of general economic conditions, industry conditions, changes in regulatory and taxation regimes, volatility of commodity prices, escalation of operating and capital costs, currency fluctuations, the availability of services, imprecision of reserve estimates, geological, technical, drilling an processing problems, environmental risks, weather, the lack of availability of qualified personnel or management, stock market volatility, the ability to access sufficient capital from internal and external sources and competition from other industry participants for, among other things, capital, services, acquisitions of reserves, undeveloped lands and skilled personnel that may cause actual results or events to differ materially from those anticipated in the forward looking statements. Such forward-looking statements although considered reasonable by management at the time of preparation, may prove to be incorrect and actual results may differ materially from those anticipated in the statements made and should not unduly be relied on. These statements speak only as of the date of this press release. Arsenal does not intend and does not assume any obligation to update these forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law. 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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