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**ARSENAL ENERGY INC.**

**ARSENAL ANNOUNCES CLOSING OF PRIVATE PLACEMENT OF COMMON SHARES AND FLOW-THROUGH SHARES**

Calgary, Alberta, December 17, 2009 – Arsenal Energy Inc. (TSX:AEI) (FWB:A1E) (“Arsenal”) is pleased to announce that it has closed its previously announced brokered private placement (see Arsenal’s press release of November 30, 2009) and has issued 8,000,000 common shares (“Common Shares”) at a subscription price of \$0.50 per share and 2,500,000 common shares on a “flow-through share” basis at a subscription price of \$0.60 per flow-through share (“Flow-Through Share”) for aggregate gross proceeds of (Cdn) \$5,500,000.

Wellington West Capital Markets Inc. acted as sole agent in respect of the placement of Common Shares and Flow-Through Shares and was paid a cash commission in respect of the shares issued.

All of the Common Shares and Flow-Through Shares are subject to a hold period under applicable securities laws until April 18, 2010.

The proceeds from the Flow-Through Shares will, where appropriate, be used to incur certain types of Canadian Exploration Expense (“CEE”) as defined in the *Income Tax Act* (Canada) and renounce, for the 2009 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. The proceeds from the sale of Common Shares will be used to reduce debt and for general corporate purposes.

Under the private placement closing, officers of Arsenal subscribed for an aggregate of 1,680,700 Common Shares.

In December, Arsenal closed the acquisition of approximately 5 net sections of land and approximately 10 barrels of oil per day in its Evi, Alberta core area for \$460,000 (subject to adjustment). As a result of the acquisition, Arsenal has increased its expected drilling program in the area from 5 to 8 gross (3.5 net) wells. The drilling program began in late October and initial results are expected in early 2010.

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 and Saskatchewan and North Dakota, U.S.A. Arsenal’s common shares trade on the Toronto Stock Exchange under the symbol “AEI”.

Certain statements and information contained in this press release, including but not limited to statements regarding the use of proceeds 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 and 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 filing on the System for Electronic Document Analysis and Retrieval (SEDAR).

For further information on Arsenal, please visit our website at [www.arsenalenergy.com](http://www.arsenalenergy.com), or contact:

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