

ARSENAL ENERGY INC.

(TSX – AEI)

ARSENAL ENERGY RELEASES Q3 RESULTS

CALGARY, November 10, 2009- Arsenal Energy Inc. (“Arsenal”) (TSX: AEI) is pleased to release its 2009 Q3 results. Oil price increases through the summer resulted in improving cash flows allowing Arsenal to continue its North Dakota Bakken development program with the drilling of two new wells. In addition, an exploration well to test the underlying Three Forks formation was drilled and successfully completed. With oil prices near \$80, Arsenal’s portfolio of exploration and development projects are very economic and the company has the cash flow to fund them.

Financial

Arsenal had 2009 Q3 funds from operations of \$2.9 million. Results were 64% lower than that of Q3 of 2008 due to significantly lower oil and gas prices. Net loss for Q3 was \$1.9 million.

Net debt at quarter end was \$33.3 million. Since closing the GEOCAN Energy acquisition in October 2008, Arsenal has retired approximately \$21 million in debt through property sales and hedge realizations. Based on current forward strip pricing, with anticipated production increases from Arsenal’s capital program combined with minor noncore property sales, Arsenal anticipates achieving its target debt/cash flow ratio of 1X in mid 2010.

Operations

Average production of 2081 boe/d during the third quarter was an increase of 314 boe/d from the third quarter of 2008. This production increase is attributable to the acquisition of GEOCAN Energy Inc. and the addition of Bakken volumes from North Dakota. Approximately 100 boe/d of natural gas was voluntarily shut in during the quarter due to low prices. On Nov 1st these volumes were placed back on production. Arsenal’s Q3 production mix was 73% oil and liquids and 27% natural gas.

Operating costs decreased to \$16.78/boe in Q3 2009 compared to \$18.39/boe for the same period in 2008. The decrease is due to the sale of high cost production, the addition of lower cost GEOCAN assets, the addition of lower cost Bakken production, and various operating cost initiatives.

In the third quarter Arsenal participated in the drilling of 2 (.35 net) Bakken wells in North Dakota. They were completed with multi stage fracture stimulations and tested at rates in excess of 1,000 bbls/d/well and are currently producing at a combined rate of 540 bbls/d.

In the emerging Three Forks play in North Dakota, operators in North Dakota have begun to apply the horizontal/multi stage fracture technology of the Bakken formation to the Three Forks formation immediately beneath the Bakken zone. During Q3, Arsenal participated for a 31% WI in its first Three Forks well at Stanley. The well has tested at 430 bbls/d of oil and has been placed on production.

Arsenal anticipates that its entire 2020 net acres at Stanley are prospective for Three Forks development.

Subsequent to quarter end, Arsenal commenced a four well drilling program at Evi in northern Alberta. The first well, 8-35 has been cased as a Gilwood oil well and should be completed and on production in a couple of weeks. The second well is drilling.

Outlook

Current production is estimated at 2100 boe/d. With the completion of the 8-35 well at Evi and the tie in of two wells at Galahad, Alberta, Arsenal is expecting to exit 2009 with a production rate of approximately 2400 boe/d.

Based on the current forward strip, Arsenal anticipates that it will achieve operating margins of approximately \$28/boe for the remainder of 2009. Based on the current forward strip and with net debt at year end forecast at \$29.5 million, the 2009 exit debt/cash flow ratio would be 1.2 times. Arsenal plans to continue to reduce this ratio through non-core property sales and reductions in unit operating expenses.

Arsenal has finalized its 2010 budget. The budget contemplates Arsenal increasing production through development of Evi and the Bakken/Three Forks in North Dakota. Capital expenditures are forecast at \$30.6 million with approximately one half targeting the Bakken/Three Forks. Based on the budget, production in 2010 is expected to average approximately 2750 boe/d. Arsenal expects to exit 2010 over 3000 boe/d. Operating costs are forecast to drop to \$14.45/boe. Based on forward strip pricing, all in cash flow is estimated at \$27.7 million for 2010.

SUMMARY OF OPERATING & FINANCIAL RESULTS				
	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
FINANCIAL				
Oil and gas revenue	9,252,597	15,766,815	26,860,608	43,754,610
Funds from operations ¹	2,887,826	8,093,157	15,234,818	19,974,306
Per share - basic and diluted	0.03	0.09	0.15	0.23
Net income (loss)	(1,897,761)	10,028,193	(8,205,132)	7,614,314
Per share - basic and diluted	(0.02)	0.11	(0.08)	0.09
Total debt (excluding derivatives)	33,285,548	13,384,766	33,285,548	13,384,766
Capital expenditures	3,264,967	7,432,941	6,979,873	17,110,739
Property acquisitions	-	-	-	974,733
Property dispositions	(265,860)	-	(3,431,984)	(1,235,792)
Corporate acquisitions				
Wells drilled (net)				
Oil	0.66	2.35	1.01	13.70
Gas	-	-	-	-
Dry	-	3.00	-	5.00
Shares outstanding - end of period	109,961,890	90,786,148	109,961,890	90,786,148
OPERATIONAL				
Daily production				
Heavy oil (bbl/d)	668	578	766	640
Light oil and NGLs (bbl/d)	858	920	830	821
Natural gas (mcf/d)	3,327	1,619	3,718	2,029
Oil equivalent (boe @ 6:1) ²	2,081	1,767	2,215	1,800
Realized commodity prices (\$Cdn.)				
Heavy oil (bbl)	59.93	98.36	51.88	85.65
Light oil and NGLs (bbl)	59.31	110.34	53.39	106.05
Natural gas (mcf)	2.90	8.07	3.87	8.76
Oil equivalent (boe @ 6:1)	48.33	97.00	44.42	88.72
Reference pricing				
WTI (U.S.\$/bbl)	68.18	118.36	56.86	113.43
Heavy Oil Lloyd blend (\$Cdn./bbl)	71.70	122.77	62.68	115.85
AECO (daily spot) (\$Cdn./mcf)	2.99	8.02	3.88	8.72
Foreign exchange (\$U.S./\$Cdn.)	0.91	0.96	0.85	0.98
Operating netback (\$ per boe)				
Revenue	48.33	97.00	44.42	88.72
Royalty	(8.93)	(21.57)	(8.76)	(17.66)
Operating cost	(16.78)	(18.39)	(16.95)	(20.90)
Transportation cost	(1.04)	-	(1.05)	-
Operating netback per boe	21.58	57.04	17.66	50.15

(1) "Funds from operations", "funds from operations per share", "netbacks" and "netbacks per boe" are not defined by Generally Accepted Accounting Principles ("GAAP") in Canada and are regarded as non-GAAP measures. Funds from operations and funds from operations per share are calculated as cash provided by operating activities before changes in non-cash working capital and asset retirement expenditures. Funds from operations is used to analyze the Company's operating performance, the ability of the business to generate the cash flow necessary to fund future growth through capital investment and to repay debt. Funds from operations does not have a standardized measure prescribed by GAAP and therefore may not be comparable with the calculations of similar measures for other companies. The Company also presents funds from operation per share whereby per share amounts are calculated using the weighted average number of common shares outstanding consistent with the calculation of net income or loss 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 (6 mcf/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.

Advisory

All barrels of oil equivalent (boe) conversions in this report are derived 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 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 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:

Tony van Winkoop, President and Chief Executive Officer of Arsenal at:

1900 639-5th Avenue SW
Calgary, Alberta
T2P 0M9
Telephone: (403) 262-4854