ARSENAL ENERGY INC.

(TSX – AEI)

ARSENAL ENERGY RELEASES Q3 RESULTS

CALGARY, **November 9, 2010**- Arsenal Energy Inc. ("Arsenal") (TSX: AEI) is pleased to release its 2010 Q3 results. During the quarter Arsenal closed two noncore property sales totaling $5.7 million and subsequent to quarter end closed a $7 million equity financing. Arsenal's balance sheet is now positioned for an intensive winter drilling program that includes completing 2 Bakken wells in North Dakota, drilling 3 high working interest Bakken wells in North Dakota, drilling 10 wells in the Evi area, and 4 wells in the Princess area.

Full financial details are contained in the financial statements and MD&A filed on SEDAR and on the Company's website.

FINANCIAL HIGHLIGHTS						
	Three Months Ended September 30			**Nine Months Ended September 30**		
	2010	2009	% Change	**2010**	2009	% Change
Oil and gas revenue	**9,701,018**	8,975,159	**8**	**32,415,577**	26,182,346	**24**
Funds from operations[1]	**3,776,322**	2,887,826	**31**	**13,176,374**	15,234,818	**(14)**
Per share - basic and diluted	**0.03**	0.03	**-**	**0.10**	0.15	**(33)**
Net loss	**(3,838,270)**	(1,897,761)	**102**	**(7,441,398)**	(8,205,132)	**(9)**
Per share - basic and diluted	**(0.03)**	(0.02)	**50**	**(0.06)**	(0.08)	**(30)**
Total debt (excluding derivatives)	**15,061,052**	33,285,548	**(55)**	**15,061,052**	33,285,548	**(55)**
Capital expenditures	**4,089,218**	3,264,967	**25**	**15,128,574**	6,979,873	**117**
Property dispositions	**(5,704,246)**	(265,860)	**2,046**	**(5,919,077)**	(3,431,984)	**72**
Wells drilled (net)						
Oil	**0.12**	0.66	**(82)**	**2.28**	1.01	**126**
Gas	**-**	-		**-**	-	
Dry	**-**	-		**-**	-	
Shares outstanding - end of period	**133,734,472**	109,961,890	**22**	**133,734,472**	109,961,890	**22**
OPERATIONAL HIGHLIGHTS						
Daily production						
Heavy oil (bbl/d)	**565**	668	**(16)**	**619**	766	**(19)**
Light oil and NGLs (bbl/d)	**913**	802	**14**	**961**	772	**25**
Natural gas (mcf/d)	**3,292**	3,327	**(1)**	**2,999**	3,718	**(19)**
Oil equivalent (boe @ 6:1)[2]	**2,026**	2,025	**-**	**2,079**	2,157	**(4)**
Realized commodity prices ($Cdn.)						
Heavy oil (bbl)	**61.09**	59.93	**2**	**63.78**	51.88	**23**
Light oil and NGLs (bbl)	**65.88**	59.69	**10**	**69.56**	54.17	**28**
Natural gas (mcf)	**3.29**	2.90	**14**	**4.15**	3.87	**7**

Oil equivalent (boe @ 6:1)	**52.05**	48.17	**8**	**57.10**	44.46	**28**
Reference pricing						
WTI Cushing, Oklahoma ($U.S./bbl)	**76.06**	68.19	**12**	**77.54**	56.86	**36**
Light Oil Edmonton Par 40 API ($Cdn./bbl)	**74.44**	71.72	**4**	**76.73**	62.69	**22**
Hardisty Bow River 24.9 API ($Cdn./bbl	**64.09**	67.91	**(6)**	**67.98**	56.73	**20**
AECO (daily spot) ($Cdn./mcf)	**3.55**	2.98	**19**	**4.13**	3.79	**9**
Henry Hub NYMEX Close ($U.S./mmbtu)	**4.38**	3.71	**18**	**4.59**	3.96	**16**
Foreign exchange ($Cdn./$U.S.)	**0.96**	0.91	**5**	**0.97**	0.85	**14**
Operating netback ($ per boe)						
Revenue	**52.05**	48.17	**8**	**57.10**	44.46	**28**
Royalty	**(11.00)**	(7.68)	**43**	**(10.35)**	(7.85)	**32**
Operating cost	**(16.69)**	(17.24)	**(3)**	**(18.87)**	(17.41)	**8**
Transportation cost	**(1.03)**	(1.07)	**(4)**	**(1.05)**	(1.08)	**(3)**
Operating netback per boe	**23.33**	22.17	**5**	**26.84**	18.13	**48**

(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.

Financial

Funds from operations netback for Q3 2010 totaled $3.8 million or $20.26 per Boe versus $4.1 million or $21.99 per Boe for Q2 2010 and $15.50 per Boe for Q3 2009. The decrease from the comparative Q2 2010 quarter is related to prices that declined 12% in Q3 2010 from Q2 2010 mitigated by operating expenses that declined 20%. During the third quarter, oil prices and heavy oil differentials were temporarily adversely affected by Enbridge's pipeline failure in the United States. Net loss for Q3 was $3.8 million.

The Company's total debt was reduced to $15.1 million at September 30, 2010 down from $33.3 million at September 30, 2009 and $28.7 million at December 31, 2009. A $7 million financing completed in October 2010 has further reduced the Company's total debt. Arsenal's balance sheet is positioned for a very active Q4 2010 and Q1 2011 drilling program.

Operations

Average production of 2026 boe/d during the third quarter was flat vs. the third quarter of 2009. Noncore property sales and drilling delays due to equipment availability in North Dakota offset production adds from the Company's capital program. Arsenal's Q3 production mix was 73% oil and

27% natural gas. Operating costs decreased to $16.69/boe in Q3 2010 vs. $17.24/boe for the same period in 2009. The decrease is due to the sale of higher cost properties and the addition of low operating cost Bakken production in North Dakota.

During Q3 2010, the James Philip Bakken well drilled at Stanley in Q2 2010 (Arsenal 35% working interest) was stimulated. The well flowed at a rate of 924 Boe/d over the 24 hour test period and has been placed on production at approximately 195 Boe/d net to Arsenal. In addition, during Q3, the Company participated in the drilling of one gross (0.125 net) Three Forks well at Lindahl, North Dakota. The well was multi stage fracture stimulated in November 2010 and is currently testing.

During the third quarter Arsenal closed the sale of a noncore gas property in NE BC and a heavy oil property at Wildmere. Total production from the properties was 170 boe/d and the sale of the properties netted the Company $5.7 million. The sales are consistent with Arsenal's strategy of focusing company resources on high netback properties where Arsenal has strategic or technical advantages.

Outlook

With the recent strengthening of oil prices, the narrowing of basis differentials and heavy oil differentials associated with the Enbridge line break, Arsenal's field revenue in the fourth quarter should be very strong. Operating costs in the fourth quarter should be lower than Q3 due to property sales and increased Bakken production. Operating margins for the fourth quarter are forecast to be above $30/boe.

Arsenal has planned a very active winter development program. In North Dakota, the James Philip Bakken well (35% WI) has been stimulated and placed on production at 195 boe/d net to Arsenal. The Strid well (12% WI) is testing and should go on production immediately. The Burke 31-20H well (31% WI) is scheduled to spud in mid November, the Brenlee well (45% WI) is scheduled to spud in early December, and the Amy Elizabeth well (62% WI) is scheduled to spud in early January. Results of all wells will be released as they become available.

Subsequent to quarter end, Arsenal drilled and cased 3 wells at Princess in southern Alberta. Arsenal has also commenced a 10 well drilling program at Evi in northern Alberta. The first two wells have been cased and are awaiting completion.

At Rennie Lake, North Dakota, Arsenal has approximately 2500 net acres prospective for the Bakken. Industry has drilled a number of wells surrounding Arsenal's block. Average production over the first 4 months from these wells is over 100 bbl/d/well. Arsenal has initiated the land title work necessary before drilling. It is anticipated that Arsenal will be in a position to evaluate Rennie Lake late in 2011 or early in 2012.

The company will release its 2011 forecasts at the time that it announces its 2011 capital budget.

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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