

# **Arsenal Energy Inc. Releases Operational Update and 2011 Capital Budget**

**CALGARY, Nov 22, 2010** -Testing of the Three Forks formation in the Jerol well (12.5% WI) at Lindahl, North Dakota, has been completed. The well flowed at 1330 bbls/d of oil over a 24 hour test period and has been placed on production. At Stanley North Dakota, Arsenal as operator has spud the Brenlee (42% WI) one mile horizontal Bakken well. After the Brenlee well the drilling rig will move directly to the Amy Elizabeth (62% WI) two mile horizontal Bakken location. Also at Stanley, EOG has spud the Burke 31-20 (31% WI) well targeting the Bakken.

At Rennie Lake, in Burke County North Dakota, an area operator has released a test rate of 690 bbls/d of oil from a Bakken horizontal about 4 miles south of Arsenal's 2,500 net acres. A second well, one mile north of Arsenal's acreage has been on production for 4 months averaging 120 bbls/d. Arsenal intends to develop its Rennie Lake property after Stanley and Lindahl have been drilled out on 640 acres which will likely be sometime in 2012.

At Evi, in Northern Alberta, Arsenal has a 10 well drilling program underway. The first well, 02/4-7 (50% WI), has swab tested at 350 bbls/d from the Granite Wash. The second well, 02/9-6 (50% WI), has swab tested at 400 bbls/d from the Gilwood. The third well, 5-1 is drilling.

Arsenal's Board of Directors has approved the capital budget for 2011. Arsenal expects to spend \$50 million of capital. Drilling plans include 10 gross (4.1 net) Bakken wells in North Dakota, 9 gross (7 net) wells in Evi, and 6 gross (6 net) wells in Arsenal's medium gravity eastern Alberta properties. Arsenal forecasts a production exit rate of 3300 Boe/d at the end of 2011 while maintaining the company's targeted debt to cash flow ratio of 1:1.

## **Advisory**

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

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