



Arsenal Energy Inc.

Arsenal Energy Inc. Releases Operational Update

CALGARY, Dec 15, 2011- Arsenal Energy Inc. (TSX: AEI) (PNK: AEYIF.PK)

At Columbia, in the Alberta deep basin, Arsenal has increased its land position to 17,000 net acres. The lands are situated between two recently released exploration wells. On Nov 30 2011, a competitor in the area reported that its Cardium horizontal located at 2-15-44-15W5 (6 miles southeast of Arsenal's lands) tested at 2.3 mmcf/d of gas and 126 bbls/d of liquids and that the well is expected to commence production in early December at an initial rate of 400 boe/d. The competitor has also drilled a vertical well at 16-36-45-18W5, approximately 6 miles west of Arsenal's lands reporting a flow rate from the 16-36 vertical well of 1.1 mmcf/d from the Cardium, Falher and Wilrich formations.

Arsenal's current production is 3900 boe/d. Arsenal has set its capital budget for 2012 at \$48 million and expects to cash flow \$42 million and exit 2012 at approximately 4500 boe/d.

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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 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).

In this press release where amounts are expressed on a barrel of oil equivalent ("boe") basis, natural gas volumes have been converted to oil equivalence at six thousand cubic feet per barrel. The term boe may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet per barrel is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Estimates of future net revenue do not represent fair market values.