

DESCO ENERGY LTD. and ARCAN RESOURCES LTD. enter into Amalgamation Agreement

Calgary, Alberta - October 11, 2006: Desco Energy Ltd. (TSXV: "DSE") ("**Desco**") and Arcan Resources Ltd. ("**Arcan**") are pleased to announce that they have entered into an amalgamation agreement dated October 11, 2006 (the "**Amalgamation Agreement**") providing for a reverse take-over (the "**RTO**" or the "**Amalgamation**") of Desco by Arcan pursuant to TSX Venture Exchange ("**TSXV**") Policy 5.2. Upon completion of the Amalgamation the name of the amalgamated corporation ("**Amalco**") will be "Arcan Resources Ltd."

Highlights of the Amalgamation

Pursuant to the Amalgamation Agreement each common share of Desco will be converted into 0.36231884 of a common share of Amalco ("**Amalco Share**") together with one non-voting, convertible, redeemable performance share of Amalco ("**Amalco Performance Share**"). Under certain circumstances each Amalco Performance Share will be either, cancelled, converted into a further 0.13175241 of an Amalco Share or into a further 0.20380435 of an Amalco Share. Therefore, under certain circumstances, each common share of Desco may be converted, in aggregate, to a maximum of 0.56612319 of an Amalco Share. Pursuant to the Amalgamation Agreement each common share of Arcan will be converted into one Amalco Share. Certain founding shareholders of Desco have agreed to cancel 2,349,600 of their common shares of Desco for nil proceeds in connection with the Amalgamation.

Desco has been active in the oil and natural gas industry and holds various non-operated working interests in Arcan's oil and natural gas properties located in the Hamburg and McLeod areas of Alberta. Arcan is incorporated under the laws of Alberta and is engaged in the exploration for, and the development and production of, petroleum and natural gas in Western Canada. Ed Gilmet, Arcan's President and CEO, says "the Arcan/Desco Amalgamation is an excellent fit because all of Desco's properties are operated by Arcan. This amalgamation will increase Arcan's working interests in two core areas which fits Arcan's strategy to maintain high working interests and to operate."

Board of Directors and Management

The Board of Directors of Amalco is to be comprised of five nominees of Arcan and one representative from the present Desco board. Following the completion of the Amalgamation it is anticipated that the directors and officers of Amalco will be as follows:

Ed Gilmet, P.Geoph. – President, Chief Executive Officer and Director

Mr. Gilmet of Calgary, AB is a director and the President and Chief Executive Officer of Arcan. Ed has over 25 years of technical and managerial exploration experience throughout Saskatchewan, Alberta and British Columbia. He has worked at Hudson Bay Oil and Gas, Dome Petroleum Limited, Westcoast Energy Corp., Poco Petroleum Ltd. and, Burlington Resources Canada Ltd. Ed has extensive experience in the Hamburg / Chinchaga area.

Andy Fisher, B.Comm., PLM - Executive Vice President and Director

Mr. Fisher of Calgary, AB is a director and the Executive Vice President of Arcan. Andy has over 15 years of experience in oil and gas land management, operations and business development. Most recently he has worked with GEOCAN Energy Inc. and with Pacalta Resources Ltd. While at Pacalta, as VP Land and VP International Contracts and Negotiations, its production increased from 200 BOE (as defined below) /day to 45,000 BOE/day. Prior to Pacalta, Andy was employed with OMV Group of Austria, Amoco Canada Resources and Petro-Canada.

Douglas Penner, CA, CFA, CIA - Vice President, Finance and Chief Financial Officer

Mr. Penner of Calgary, AB is the Vice President, Finance and Chief Financial Officer of Arcan. Doug has over 15 years of experience in oil and gas financial management. From 2000 to 2005 Doug was VP Finance and CFO with Tempest Energy Corp. Tempest grew from a start up to over 4,000 BOE/day, mainly through drilling, and was sold to an energy trust in November 2005. Doug was also VP Finance and CFO with Open Range Energy Corp. which was created upon the sale of Tempest. Prior to Tempest, Doug was employed by Northrock Resources, Tier One Energy Corp., Petro-Canada, Amerada Hess Canada and Ernst & Young.

Bayne Assmus, P.Eng. - Vice President, Engineering

Mr. Assmus of Calgary, AB is the Vice President, Engineering of Arcan. Bayne has over 10 years of technical and managerial experience throughout Saskatchewan, Alberta and the United States in the oil and gas industry. Prior to Arcan, Bayne was employed with Harvest Operations Corp., Encana Oil & Gas and Petrovera Resources.

Graeme Ryder, CA - Controller

Mr. Ryder of Calgary, AB is the Controller of Arcan. Graeme is a chartered accountant with over six years of oil and gas experience. After obtaining a chartered accountant designation with KPMG, he worked at Tempest Energy Corp. as the Controller until its sale to an energy trust in November 2005. Mr. Ryder then continued with Open Range Energy Corp. as Controller before starting with Arcan.

Hank Swartout, P.Eng. - Director

Mr. Swartout of Calgary, AB is the Chairman and CEO of Precision Drilling Corporation. He is currently a director of Harvest Operations Corp., the manager for Harvest Energy Trust, and of Highpine Oil & Gas Limited.

J. Terry McCoy, P.Geol. - Director

Mr. McCoy of Calgary, AB is a senior oil and gas executive with over 34 years of experience in Canada with major, senior intermediate and junior companies. Presently Mr. McCoy holds the positions of President and director of Trafina Energy Ltd.

Michael J. Laffin, MPA, LL.B - Director and Corporate Secretary

Mr. Laffin of Calgary, AB is a partner with the law firm Blake, Cassels & Graydon LLP. Mike has extensive experience in mergers and acquisitions, corporate governance and organizing and

restructuring start-up and junior oil companies and currently acts as a director or corporate secretary for a number of corporations.

Robert J. Dales, MBA - Director

Mr. Dales of Calgary, AB has been a director and President and Chief Executive Officer of Desco since June 23, 2005 and is President of Valhalla Ventures Inc., a private investment corporation. Mr. Dales has over thirty years experience in the oil and gas industry and has held various administrative and management positions and is currently a director of Celtic Exploration Ltd.

The Amalgamation

Desco was incorporated under the laws of the Province of Alberta on June 23, 2005 as a capital pool company under TSXV Policy 2.4 and completed a “Qualifying Transaction” under the policies of the TSXV on December 22, 2005.

Certain founding shareholders of Desco have entered into an agreement (the “**Seed Share Agreement**”) with Desco pursuant to which they have agreed to, immediately prior to the completion of the Amalgamation, transfer to Desco an aggregate 2,349,600 common shares of Desco, for a price of \$nil per share, and Desco has agreed to accept and cancel such common shares. This will reduce the issued and outstanding common shares of Desco prior to the Amalgamation and will result in a share exchange ratio of 0.36231884 of an Amalco Share for each common share of Desco.

In addition to being insiders of Arcan, each of Ed Gilmet and Andy Fisher is, by virtue of their shareholdings in Desco (prior to the surrender by each of them of 642,300 common shares of Desco pursuant to the Seed Share Agreement), also an insider of Desco. Accordingly, each of Mr. Gilmet and Mr. Fisher is, under the policies of the TSXV, a “Non Arm’s Length Party” to the Amalgamation.

Pursuant to the Amalgamation Agreement, each common share of Desco will be converted into 0.36231884 of an Amalco Share, together with one Amalco Performance Share. Each Amalco Performance Share will, on or before November 1, 2008, be either redeemed and cancelled or converted into a fraction of an Amalco Share. In the event that the total proved and probable reserves attributed to certain properties held by Amalco and located in the Hamburg area of Alberta effective June 30, 2008 are determined by an independent firm of qualified oil and natural gas reserves evaluators to be less than 2,216,466 barrels of oil equivalent (“**BOE**”) the Amalco Performance Shares will not be converted into Amalco Shares and will be redeemed and cancelled by Amalco. If the reserves attributable to the Hamburg properties are determined to be equal to or greater than 2,216,466 BOE but less than 3,324,700 BOE, each Amalco Performance Share shall convert into 0.13175241 of an Amalco Share and, if determined to be equal to or greater than 3,324,700 BOE each Amalco Performance Share shall convert into 0.20380435 of an Amalco Share.

In addition, pursuant to the Amalgamation Agreement, each common share of Arcan will be converted into one Amalco Share and each outstanding stock option, warrant and performance warrant of Arcan will be converted into one corresponding convertible security in Amalco.

The Amalgamation has the unanimous support of the boards of directors of each of Desco and Arcan. CB Securities Inc. acted as exclusive financial advisor to Desco and has advised the Desco board of directors that the consideration to be received by the Desco shareholders pursuant to the Amalgamation is, subject to review of final documentation, fair from a financial point of view, to Desco shareholders. FirstEnergy Capital Corp. acted as exclusive financial advisor to Arcan and has advised the Arcan board of directors that the consideration to be received by the Arcan shareholders pursuant to the Amalgamation is, subject to review of final documentation, fair from a financial point of view, to Arcan shareholders. Each of CB Securities Inc. and FirstEnergy Capital Corp. is expected to provide a written fairness opinion which will be included in the Joint Circular (as defined below).

It is expected that meetings of the shareholders of both corporations will be held on or about December 29, 2006, to consider and approve the proposed Amalgamation. Management of Desco and Arcan will be preparing a joint management information circular (the “**Joint Circular**”) outlining the proposed RTO to be mailed to shareholders of both corporations in conjunction with the meetings. The Amalgamation must be approved by at least $\frac{2}{3}$ of the shareholders of Desco and Arcan who vote at the meetings and by the majority of the minority of the shareholders of Desco and Arcan in accordance with TSXV Policy 5.2. There can be no guarantee that the shareholders of both corporations will approve the Amalgamation. The RTO is expected to be completed on or before December 31, 2006, subject to receipt of applicable shareholder and regulatory approval and satisfaction of the other conditions to the Amalgamation as set forth in the Amalgamation Agreement.

Upon completion of the Amalgamation, Amalco is expected to have issued and outstanding approximately 28,884,408 common shares, 2,496,688 stock options, 1,287,810 warrants, and 1,500,000 performance warrants. In addition, Amalco will also have issued and outstanding Amalco Performance Shares convertible to a maximum of 1,335,000 Amalco Shares.

Based upon Arcan’s unaudited financial statements for the nine months ended March 31, 2006, Arcan had cash of approximately \$3.3 million, tax pools of approximately \$20.4 million and a working capital deficiency of approximately \$10.1 million. Subsequent to March 31, 2006, Arcan completed equity financings for aggregate gross proceeds of \$29.1 million. Information with respect to the oil and natural gas properties held by each of Desco and Arcan will be summarized in a subsequent press release and detailed information will be included in the Joint Circular.

The common shares of Desco will remain halted until certain requirements of the TSXV in connection with the RTO have been satisfied. Desco and Arcan will also be applying to the TSXV for a waiver of any sponsorship requirements in connection with the RTO.

Completion of the transaction is subject to a number of conditions, including TSXV acceptance and disinterested Desco and Arcan shareholder approval. The RTO cannot close until the required shareholder approval is obtained. There can be no assurance that the transaction will be completed as proposed or at all.

Investors are cautioned that, except as disclosed in the joint management information circular to be prepared in connection with the transaction, any information released or received with respect to the RTO may not be accurate or complete and should not be relied upon. Trading in the securities of Desco should be considered highly speculative.

The TSXV has in no way passed upon the merits of the proposed transaction and has neither approved nor disapproved the contents of this press release.

Where amounts are expressed on a barrel of oil equivalent 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.

Advisory Regarding Forward-Looking Statements

Certain information with respect to Desco and Arcan contained herein, including their respective assessments of future plans and operations, contain forward-looking statements. These forward-looking statements are based on assumptions and are subject to numerous risks and uncertainties, certain of which are beyond Desco's and Arcan's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency exchange rate fluctuations, imprecision of reserve estimates, environmental risks, competition from other explorers, stock market volatility and ability to access sufficient capital. As a result, Desco's and Arcan's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any events anticipated by the forward-looking statements will transpire or occur. In addition, the reader is cautioned that historical results are not necessarily indicative of future performance.

For further information, please contact either:

Robert J. Dales
President and CEO
Desco Energy Ltd.
c/o 1000 Canterra Tower
400 - Third Avenue S.W.
Calgary, Alberta T2P 4H2
Telephone (403) 690-3884
Email bobdales@telus.net

Douglas Penner
Vice President, Finance and CFO
Arcan Resources Ltd.
Suite 3200, 450 - 1st Street S.W.
Calgary, Alberta T2P 5H1
Telephone (403) 262-0321
Fax (403) 262-4636
Email dpenner@arcanres.com