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**ARCAN RESOURCES LTD. ANNOUNCES FIRST QUARTER 2010 RESULTS  
AND THE CLOSING OF ITS \$70 MILLION SYNDICATED BANKING FACILITY**

CALGARY, Alberta, Canada, May 22, 2010 – Arcan Resources Ltd. (TSXV – "ARN") ("**Arcan**" or the "**Corporation**") announces updated operations, the closing of its previously announced banking upgrade to a \$70 million syndicated facility and the filing of its first quarter 2010 financial statements and management's discussion and analysis. These documents can be retrieved electronically from the SEDAR system under Arcan's profile at [www.sedar.com](http://www.sedar.com).

**First Quarter 2010 Highlights**

- Completed and tied in Arcan's first horizontal multi-stage fractured light oil well (81% interest) (12-29) 9-29-68-8W5 ("**9-29**") in its Swan Hills light oil play. This well tested approximately 600 boe per day and is currently producing at a rate of approximately 350 boe per day.
- Drilled Arcan's second horizontal multi-stage fractured light oil well (100% interest) (5-34) 10-27-67-8W5 ("**10-27**") in Arcan's Swan Hills light oil play. The well tested at approximately 700 boe per day, had a pump jack installed and is currently producing at a rate of approximately 500 boe per day.
- Commenced drilling on three new horizontal multi-stage fractured wells (81% interest) during the quarter and four additional horizontal wells following the end of the first quarter. Drilling has been finished on six of the new wells incremental wells. Completion operations have commenced on the first two of these new wells.
- Raised \$65 million in equity and purchased a property adjoining the Deer Mountain Unit #2 (the "**Unit**") for \$52.8 million (the "**Acquisition**"), both of which closed on March 31, 2010. The Acquisition added approximately 500 boe per day to Arcan's production and raised Arcan's undeveloped land base to over 140 net sections on the Swan Hills play.
- Production increased to 1,468 boe per day for the three months ended March 31, 2010, up 9% from the 1,350 boe per day for the three months ended March 31, 2009 and the 1,352 boe per day in the fourth quarter of 2009. There were no volumes included in the operating results in the first quarter from the Acquisition.
- Funds from operations increased 44% to \$2.8 million (\$0.06 per diluted share) in the first quarter of 2010 from \$2.0 million (\$0.05 per diluted share) in the first quarter of 2009 and 324% from \$0.7 million (\$0.02 per diluted share) in the fourth quarter of 2009.
- Operating netbacks of \$32.18 per boe (revenue of \$68.07 per boe and operating cost of \$18.08 per boe) were up 26% from \$25.53 per boe in the first quarter of 2009 and 55% from \$20.73 per boe in the fourth quarter of 2009.

- Completed the free water knock-out, drilled one well, converted one well to a water injection well and tied-in a source well in Arcan's Hamburg area.
- Increased Arcan's bank lines of credit from \$50 million to \$70 million and syndicated Arcan's revolving credit facility.

## Financial and Operating Summary

	Quarter Ended				
	March 31, 2010	March 31, 2009	% Change period over period	December 31, 2009	% Change period over period
<b>Financial</b> (\$000s except per share amounts)					
Oil and NGL sales	7,953	4,929	61	6,797	17
Natural gas sales	<u>1,039</u>	<u>802</u>	30	<u>1,007</u>	3
Total petroleum and natural gas revenue	8,992	5,731	57	7,804	15
Cash provided by operating activities	2,548	1,361	87	(371)	(787)
Funds from operations <sup>(1)</sup>	2,826	1,966	44	667	323
Per share basic and diluted <sup>(1)</sup>	0.06	0.05	20	0.02	200
Net loss	(804)	(1,290)	(38)	(1,730)	(54)
Per share basic and diluted	(0.02)	(0.03)	33	(0.04)	50
Capital expenditures – cash	70,835	3,177	2,130	4,979	1,323
Total assets	227,067	150,398	51	151,251	50
Total liabilities	69,351	63,264	10	55,784	24
Shareholders' equity	157,715	87,133	81	95,468	65
Bank loan	26,760	41,194	(35)	28,586	(6)
Net debt and working capital	40,908	42,073	(3)	34,779	17
<b>Operating</b>					
Production:					
Crude oil (barrels per day)	1,142	1,110	3	1,001	14
Natural gas (mcf per day)	<u>1,951</u>	<u>1,444</u>	35	<u>2,105</u>	(7)
Total (boe per day) (6:1)	1,468	1,350	9	1,352	9
Average realized price:					
Crude oil (\$ per barrel)	77.35	49.36	57	73.80	5
Natural gas (\$ per mcf)	<u>5.91</u>	<u>6.17</u>	(4)	<u>5.20</u>	14
Combined average (incl. processing revenue) (\$ per boe)	68.07	47.16	44	62.74	8
<b>Netback (\$ per boe)</b>					
Petroleum and natural gas revenues	68.07	47.16	44	62.74	8
Royalties	(17.81)	(10.51)	69	(20.53)	(13)
Operating and transportation expenses	<u>(18.08)</u>	<u>(11.12)</u>	62	<u>(21.48)</u>	(16)
Operating netback	32.18	25.53	26	20.73	55
G&A expenses – cash	(7.83)	(7.11)	10	(6.34)	24
Realized economic hedging loss	–	–	–	(5.92)	–
Interest expense – net	<u>(2.87)</u>	<u>(2.23)</u>	29	<u>(3.05)</u>	(6)
Corporate netback	21.48	16.19	33	5.42	296
<b>Common Shares</b> (000s)					
Shares outstanding, end of period	74,928	37,869	98	47,940	56
Weighted average shares – basic and diluted <sup>(2)</sup>	48,320	37,829	28	39,502	22

Notes:

1. The reader is referred to the section – "Special Note Regarding Non-GAAP Measures" in this press release.
2. In computing the net loss per diluted share in the respective periods, nil shares were added to the weighted average number of shares outstanding because they were anti-dilutive.

## Overview

During the first quarter of 2010, Arcan closed a \$65 million equity offering and the Acquisition and tested its first horizontal multi-stage fracture well. The Acquisition added approximately 500 boe per day of productive capacity and raised Arcan's undeveloped land base to over 140 net sections on the Swan Hills play. Arcan's activities in the Swan Hills area commenced in September 2005 and developed until December 9, 2009 when Arcan spudded its first multi-stage fracture horizontal well in the Swan Hills oil reef play at 9-29. The well was fractured using 10 separately staged acid fracture treatments and tested at over 600 boe per day of 40° API sweet oil. Arcan tied the well into its operated production facility on February 23, 2010. This well is currently producing at a rate of approximately 350 boe per day.

In February 2010, the 10-27 well was drilled vertically and logged with core indicating over 14 net meters of oil bearing reef. After acquiring the lands, Arcan whipstocked the 10-27 well and drilled an approximately 1,200 meter horizontal leg. This well tested at approximately 700 boe per day. Subsequent to testing, Arcan installed a pump jack and is producing at a rate of approximately 500 boe per day from the 10-27 well. Arcan has built a road to this new well and intends to truck oil from this well until it can be connected to Arcan's existing infrastructure. In addition to these two wells, Arcan has spudded seven more horizontal wells, six of which have finished drilling and completion operations have commenced on the first two wells at (10-17) 1-17-68-8W5 and (10-29) 8-30-68-8W5.

After completing its first horizontal multi-stage fractured well in February 2010 Arcan continued drilling with three drill rigs through the break-up period. This logistical success will allow Arcan to have drilled and completed nine horizontal multi-stage fractured wells early into the third quarter of 2010 and set up a significant drilling inventory for the remainder of the year and well into 2011. Arcan estimates that, after completing nine wells, it will be able to drill approximately one or two additional horizontal wells per month inside of its existing cash flow base and will evaluate expanding its drilling activities based on expanding the banking facilities and reserves going into the fourth quarter. Arcan's published December 31, 2009 net asset value, banking facilities and reserves do not include the results of the Corporation's horizontal multi-stage fractured wells and only includes 22 cents of value attributed to land and seismic values. Reserves are booked to only eight net sections of land on the Swan Hills reef out of the over 140 net sections of land which Arcan controls.

Going forward, field-wide development is envisioned at three horizontal wells plus one vertical water injection well per land section. Overall recovery at the Unit through vertical development, 57 years after the pool's discovery, is low and Arcan hopes to achieve an increase in the overall recovery factor through horizontal drilling and is targeting greater than 40 percent recovery within the Unit and recently acquired lands.

As of May 20, 2010, Arcan estimates that it has \$56 million in debt and working capital and is drawn \$38 million on its \$70 million New Credit Facility (as defined below). Arcan is evaluating the growth of its production base in 2010 through a prudent level of investment based on anticipated cash flow.

## Swan Hills - The Drilling

To date, Arcan has drilled and completed two horizontal multi-stage fracture wells. Arcan has finished drilling an additional six horizontal wells, is currently drilling the ninth well and expects to start drilling the tenth well shortly. Arcan has commenced completion operations on both the 1-17-68-8W5 and the 8-30-68-8W5 wells and depending on weather conditions, Arcan anticipates that it will be completing the remaining drilled wells in succession approximately every week or two finalizing early into the start of the third quarter of 2010. Arcan has a further 15 (12 net) horizontal wells at the drill-ready stage to continue the drilling program and in the near term will focus on continuing to develop wells within the unit. These wells all have approximately 1,000 meter horizontal legs planned and will be completed using a ten stage acid fracture.

<b>Well</b>	<b>Surface Location</b>	<b>Spud Date</b>	<b>Comments</b>
9-29-68-8W5	12-29-68-8W5	December 9, 2009	On Stream on February 23, 2010
10-27-67-8W5	05-34-67-8W5	February 9, 2010	On Stream on May 9, 2010
1-17-68-8W5	10-17-68-8W5	March 15, 2010	Starting completion
6-20-68-8W5	10-17-68-8W5	April 11, 2010	Drilled and awaiting completion
10-32-68-8W5	15-29-68-8W5	April 5, 2010	Drilled and awaiting completion
8-30-68-8W5	10-29-68-8W5	March 10, 2010	Starting completion
5-28-68-8W5	10-29-68-8W5	April 18, 2010	Drilled and awaiting completion
9-30-68-8W5	15-29-68-8W5	April 26, 2010	Drilled and awaiting completion
13-17-68-8W5	02-17-68-8W5	May 17, 2010	Drilling
14-17-68-8W5	12-20-68-8W5	Late May 2010	To spud late May 2010

Nine of the ten wells are in the Unit where Arcan already has existing operated pipelines, roads, water injection and facilities in place to accommodate 4,000 barrels per day with room for expansion to 8,000 barrels per day. The horizontal drilling and multi-stage fracture completion capital along with associated equipment and tie-in costs are expected to be approximately \$4.7 million per well, before royalty incentives. Arcan anticipates that it will develop the land base utilizing three horizontal producing wells per section. Arcan is also reviewing results from other industry participants with lands on the Swan Hills play and Arcan is monitoring their drilling results as a number of horizontal multi-stage wells have recently been drilled by a competitors in adjoining sections. Arcan has received approval to inject over fracture pressure in several wells within the Unit allowing voidage replacement to be maintained.

### **New Credit Facility**

Effective May 13, 2010, Arcan entered into an agreement for a \$70 million credit facility (the "**New Credit Facility**"). The New Credit Facility consists of a \$60 million syndicated revolving credit facility and a \$10 million revolving operating facility. The New Credit Facility replaced Arcan's \$50 million credit facilities with ATB, of which approximately \$38 million is currently drawn. The New Credit Facility has a revolving period of 364 days from the closing date, extendible annually. If not extended, the New Credit Facility will automatically convert to a one year non-revolving term loan. This New Credit Facility has been reflected in the balance sheet in the unaudited interim financial statements for the first quarter of 2010, now classifying the bank loan as long term, out of current liabilities. The New Credit Facility is secured by a charge on all of Arcan's assets. The New Credit Facility includes customary positive and negative covenants by Arcan in favour of the lenders.

### **Outlook**

The application of the horizontal multi-stage acid fracture wells to the Swan Hills reef property is changing Arcan's asset base. The Acquisition and drilling, combined with water injection are expected to generate increased production and recoveries creating enhanced reserves and NAV. Arcan is currently looking to take advantage of its deep development inventory to continue to increase NAV per share through horizontal multi-stage acid fracture wells in the Swan Hills reef play. Arcan's drilling for the first quarter of 2010 was focused on its Unit lands. Arcan's future plans for 2010 include:

- expansion of drilling horizontal multi-stage fracture wells in the Swan Hills reef light oil play on its 140 net sections of land; increase capacity at the Swan Hills battery and increase and expand its existing water injection scheme;
- continued development and water injection in the Hamburg GG pool; and
- ongoing review of opportunities in the McLeod area.

Arcan's 2010 capital program is expected to remain within cash flow and expanded debt capacities and will continue to focus mainly on growth in the Swan Hills area. Arcan hopes to continue developing strategies to best exploit its land base over the long term. In the short term, Arcan intends to complete and commence production on

the additional seven drilled or drilling horizontal wells in the Swan Hills area, as well as drill up to six additional horizontal wells inside of its existing debt and cash flow capabilities by the end of 2010. Arcan plans to review its reserves and banking facilities in the second half of 2010 and implement drilling expansions based on these results. The Corporation's strengths include over \$170 million of tax pools, a strong slate of directors, experienced staff, excess productive capacity for tie-in, recently initiated and growing waterfloods, new drilling plans and significant growth potential.

For a full understanding of the financial position and results of operations of the Corporation this press release should be read in conjunction with the interim unaudited financial statements for the three months ended March 31, 2010 and the corresponding management's discussion and analysis, the audited financial statements of the Corporation for the year ended December 31, 2009 and 2008, together with the notes related thereto and other documents filed on SEDAR, including the related MD&A, historical financial statements, the information circular dated April 22, 2010 and the Corporation's Annual Information Form dated April 22, 2010 for the year ended December 31, 2009. These documents are available at [www.sedar.com](http://www.sedar.com) under the Corporation's SEDAR profile.

Arcan Resources Ltd. is an Alberta, Canada company that is principally engaged in the exploration, development and acquisition of petroleum and natural gas located in Canada's Western Sedimentary Basin. Arcan has 75,082,071 common shares, 293,500 warrants, and 7,359,000 stock options outstanding.

BOE Presentation – Production and reserve information is commonly reported in units of barrels of oil equivalent ("**boe**"). For purposes of computing such units, natural gas is converted to equivalent barrels of oil using a conversion factor of six thousand cubic feet to one barrel of oil. Boe's may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet of natural gas to one barrel of oil (i.e., 6 Mcf: 1 bbl) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Special Note Regarding Non-GAAP Measures – This press release contains financial terms that are not considered measures under Canadian generally accepted accounting principles ("**GAAP**"), such as "funds from operations" and "operating netbacks". The measure, funds from operations, is commonly utilized in the oil and gas industry and is considered informative for management and shareholders. Specifically, "funds from operations" represents net loss for the period adjusted for non-cash items in the statement of operations. This term should not be considered an alternative to, or more meaningful than cash flow from operating activities as determined under GAAP as an indicator of the Corporation's performance. Management considers this term to be important as it helps evaluate performance and demonstrates the Corporation's ability to generate sufficient cash to fund future growth opportunities. Operating netbacks represent the Corporation's revenue, less royalties and operating expenses. Funds from operations and operating netbacks do not have any standardized meaning prescribed by GAAP and therefore are unlikely to be comparable to similar measures presented by other companies. Management believes that these terms are useful supplemental measures as they provide an indication of the ability of the Corporation to fund future growth through capital investment and/or repay debt.

For further information, please contact either:

Ed Gilmet  
Chief Executive Officer and President  
[egilmet@arcanres.com](mailto:egilmet@arcanres.com)

Douglas Penner  
Chief Financial Officer & Vice President, Finance  
[dpenner@arcanres.com](mailto:dpenner@arcanres.com)

Arcan Resources Ltd.  
Suite 3200, 450 – 1<sup>st</sup> Street S.W.  
Calgary, AB T2P 5H1  
Telephone (403) 262-0321  
Fax (403) 262-4636

### **Advisory Regarding Forward-Looking Information and Statements**

*Readers should be aware that historical results are not necessarily indicative of future performance.*

*This press release contains certain forward-looking information and statements within the meaning of applicable securities laws (collectively, "**forward-looking information**"). The use of any of the words "expect", "anticipate", "continue", "estimate", "guidance", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information. In particular, but without limiting the foregoing, this press release contains forward-looking information pertaining to the following: Arcan's income taxes, tax liabilities and tax pools; production volumes and product mix of Arcan's oil and gas production; oil and natural gas prices and Arcan's risk management programs; resource recovery; the timing and results of drilling operations; the impact of the Acquisition; the amount of asset retirement obligations; future liquidity and financial capacity and resources; cost and expense estimates; results from operations and financial ratios; cash flows; operating costs; financing of expenditures; royalty rates and their impact on Arcan's operations and results; expectations regarding costs of drilling new wells and expanding facilities, potential effects of changes in drilling methods on future drilling results, potential effects of new drilling methods on future shareholder value, anticipated capital expenditures; and future growth, including development, exploration, and acquisition and development activities and related expenditures.*

*The forward-looking information contained in this press release reflects several material factors and expectations and assumptions of Arcan including, without limitation: that Arcan will continue to conduct its operations in a manner consistent with past operations; the general continuance of current or, where applicable, assumed industry conditions; availability of debt and/or equity sources to fund Arcan's capital and operating requirements as needed; the continuance of existing and, in certain circumstances, proposed tax and royalty regimes; the accuracy of the estimates of Arcan's reserve volumes; and certain commodity price and other cost assumptions. Arcan believes the material factors, expectations and assumptions reflected in the forward-looking information are reasonable at this time but no assurance can be given that these factors, expectations and assumptions will prove to be correct. The forward-looking information included in this press release is not a guarantee of future performance and should not be unduly relied upon. Such forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information including, without limitation: changes in commodity prices; unanticipated operating results or production declines; changes in tax or environmental laws or royalty rates; increased debt levels or debt service requirements; inaccurate estimation of Arcan's oil and gas reserves volumes; limited, unfavourable or no access to debt or equity capital markets; increased costs and expenses; the impact of competitors; reliance on industry partners; and certain other risks detailed from time to time in Arcan's public disclosure documents including, without limitation, those risks identified in this press release, in Arcan's management's discussion and analysis for the three months ended March 31, 2010 and in Arcan's annual information form for the year ended December 31, 2009, copies of which are available on Arcan's SEDAR profile at [www.sedar.com](http://www.sedar.com).*

*The forward-looking information contained in this press release speaks only as of the date of this press release, and Arcan does not assume any obligation to publicly update or revise such forward-looking information to reflect new events or circumstances, except as may be required pursuant to applicable laws.*

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