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**ARCAN RESOURCES LTD. ANNOUNCES PRODUCTION EXCEEDS 3,000 BOE PER DAY, SECOND QUARTER 2010 RESULTS AND RESULTS FROM HORIZONTAL WELLS SEVEN AND EIGHT**

CALGARY, Alberta, Canada, August 23, 2010 – Arcan Resources Ltd. (TSXV – "ARN") ("**Arcan**" or the "**Corporation**") announces updated operations, the filing of its second quarter 2010 financial statements and management's discussion and analysis and initial test results from its seventh and eighth horizontal multi-stage fractured wells in its Swan Hills Beaverhill Lake development program. Arcan's second quarter 2010 financial statements and management's discussion and analysis can be retrieved electronically from the SEDAR system under Arcan's profile at [www.sedar.com](http://www.sedar.com).

**Second Quarter 2010 Highlights and Updated Operations**

- Record production of 1,943 boe per day for the three months ended June 30, 2010, up 28% from the 1,523 boe per day for the three months ended June 30, 2009 and up 32% from the 1,468 boe per day for the three months ended March 31, 2010. Production as at August 19, 2010 exceeds 3,000 boe per day with eight of 12 horizontal wells on production.
- Operating netbacks rose to \$36.31 per boe (revenue of \$62.52 per boe and operating cost of \$12.12 per boe) for the three months ended June 30, 2010 up 16% from \$31.31 per boe for the three months ended June 30, 2009 and 13% from \$32.18 per boe for the three months ended March 31, 2010.
- Funds from operations increased 68% to \$4.5 million (\$0.06 per diluted share) for the three months ended June 30, 2010 up from \$2.7 million (\$0.07 per diluted share) in the three months ended June 30, 2009 and 59% up from \$2.8 million for the three months ended March 31, 2010.
- The Corporation focused on the Swan Hills Beaverhill Lake, drilling seven (5.7 net) new horizontal wells in the three months ended June 30, 2010. As at August 19, 2010 Arcan has drilled a total of 12 (10.1 net) horizontal wells in the Swan Hills Beaverhill Lake reef.
- The Corporation completed and released details on its second, third and fourth horizontal multi-stage fractured light oil wells which each tested in excess of 500 boe per day.
- Subsequent to the end of the second quarter Arcan has tested two additional wells. These are Arcan's seventh well (15-29) 08-32-68-8W5 ("**8-32**") which tested at approximately 300 boe per day and eighth well (15-29) 09-30-68-8W5 ("**9-30**") which tested at approximately 600 boe per day.
- Arcan is currently testing the ninth well (2-17) 13-17-68-8W5 ("**13-17**") and tenth well (2-17) 6-09-68-8W5 ("**6-09**") and estimates it will be fracturing the eleventh and twelfth wells shortly.
- Arcan syndicated and increased its credit facility from \$50 million to \$70 million.
- As at August 19, 2010 Arcan has entered into financial oil contracts for a total production of 1,000 barrels per day for fiscal 2011 through collars with a \$70 floor and a \$100 ceiling.

**Financial and Operating Summary**

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30, 2010</b>	<b>June 30, 2009</b>	<b>June 30, 2010</b>	<b>June 30, 2009</b>
<b>Financials</b> (\$000s except per share amounts)				
Oil and NGL sales	<b>10,380</b>	6,178	<b>18,333</b>	11,107
Natural gas sales	<b>676</b>	1,031	<b>1,714</b>	1,833
Total petroleum and natural gas revenue	<b>11,056</b>	7,209	<b>20,048</b>	12,940
Cash flow from operating activities	<b>3,669</b>	2,102	<b>6,217</b>	3,463
Funds from operations <sup>1</sup>	<b>4,501</b>	2,680	<b>7,328</b>	4,646
Per share basic <sup>1</sup>	<b>0.06</b>	0.07	<b>0.12</b>	0.12
Per share diluted <sup>1</sup>	<b>0.06</b>	0.07	<b>0.12</b>	0.12
Net loss	<b>(992)</b>	(1,314)	<b>(1,796)</b>	(2,605)
Per share basic	<b>(0.01)</b>	(0.03)	<b>(0.03)</b>	(0.07)
Per share diluted	<b>(0.01)</b>	(0.03)	<b>(0.03)</b>	(0.07)
Capital expenditures – cash	<b>21,240</b>	229	<b>92,075</b>	3,406
Total assets	<b>244,234</b>	145,729	<b>244,234</b>	145,729
Total liabilities	<b>85,989</b>	59,716	<b>85,989</b>	59,716
Shareholders' equity	<b>158,245</b>	86,012	<b>158,245</b>	86,012
Bank loan	<b>33,903</b>	39,627	<b>33,903</b>	39,627
Net debt and working capital	<b>57,263</b>	40,414	<b>57,263</b>	40,414
<b>Operating</b>				
Production:				
Crude oil (bbls per day)	<b>1,674</b>	1,061	<b>1,410</b>	1,085
Natural gas (Mcf per day)	<b>1,613</b>	2,772	<b>1,782</b>	2,112
Total (boe per day) (6:1)	<b>1,943</b>	1,523	<b>1,707</b>	1,437
Average realized price:				
Crude oil (\$ per bbl)	<b>68.13</b>	63.98	<b>71.84</b>	56.55
Natural gas (\$ per Mcf)	<b>4.60</b>	4.09	<b>5.32</b>	4.80
Combined average (incl. processing revenue) (\$ per boe)	<b>62.52</b>	52.01	<b>64.89</b>	49.75
<b>Netback (\$ per boe)</b>				
Petroleum and natural gas sales	<b>62.52</b>	52.01	<b>64.89</b>	49.75
Royalties	<b>14.09</b>	9.20	<b>15.68</b>	9.81
Operating and transportation expenses	<b>12.12</b>	11.50	<b>14.67</b>	11.32
Operating netback	<b>36.31</b>	31.31	<b>34.54</b>	28.62
Realized economic hedging losses – cash	-	1.60	-	0.85
G&A expenses – cash	<b>8.72</b>	6.92	<b>8.34</b>	7.01
Interest expense – net	<b>2.09</b>	2.86	<b>2.43</b>	2.57
Corporate netback	<b>25.50</b>	19.93	<b>23.77</b>	18.19
<b>Common Shares</b> (000s)				
Shares outstanding, end of period	<b>75,173</b>	37,869	<b>75,173</b>	37,869
Weighted average shares <sup>2</sup> - basic	<b>75,029</b>	37,829	<b>61,748</b>	37,829
- diluted	<b>75,029</b>	37,829	<b>61,748</b>	37,829

**Notes:**

- (1) The reader is referred to the section "Non-GAAP Measurements" in Arcan's management's discussion and analysis for the three and six months ended June 30, 2010.
- (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**

Arcan's production increased throughout the second quarter 2010 as new wells were tested and brought on-stream. As at August 19, 2010, production exceeds 3,000 boe per day with eight of the 12 new horizontal wells on production. As at August 19, 2010, Arcan continues to anticipate average production over 2,500 boe per day for the year ended December 31, 2010 with an estimated exit production for this period of 3,500 to 4,000 boe per day. During the second quarter 2010 and into the third quarter Arcan experienced rain delays, however, additional new horizontal wells have now been tied in and Arcan expects to receive the impact of production gains in the balance of the third quarter 2010 and through the fourth quarter 2010. Arcan anticipates it will have all 12 of the currently drilled horizontal wells on production and tied in by the end of the third quarter 2010, maximizing production into the year ended December 31, 2010. In spite of weather delays, for the three months ended June 30, 2010 Arcan did experience a 32% production increase to 1,943 boe per day, a 13% increase in operating netbacks to \$36.31 per boe and a 59% increase in funds from operations from \$2.8 million to \$4.5 million over the three months ended March

31, 2010, relating mainly to operations in the Swan Hills area. Arcan anticipates further growth through the third quarter and into the fourth quarter 2010.

Arcan's activities in the Swan Hills Beaverhill Lake formation commenced in September 2005 and developed with vertical well technology until December 9, 2009 when Arcan spudded its first multi-stage fracture horizontal well in the Swan Hills Beaverhill Lake formation at 9-29. This well was tied into Arcan's operated production facility on February 23, 2010 and has produced an average of 406 boe per day over the last six months and as at August 19, 2010 continues to produce at approximately 300 boe per day. This well is performing better than expected and is in the centre of Arcan's implemented waterflood area. The 9-29 is Arcan's longest producing horizontal well and it has already produced over 50,000 boe to date and Arcan's second longest producer (10-27-34-67W5) has produced over 25,000 boe to date.

Arcan also completed an acquisition (the "**Acquisition**") on March 31, 2010 at a cost of \$52.8 million for 81 net sections of offsetting and contiguous lands. The Acquisition provides Arcan with over 140 net sections of land on this play. As at August 19, 2010 Arcan has drilled twelve (10.1 net) horizontal wells. Details regarding the first six wells have been previously released, wells seven and eight have recently been tested, as at August 19, 2010 wells nine and ten have commenced testing and wells eleven and twelve are expected to be fractured with testing operations completed in the third quarter 2010.

Arcan is not currently drilling any wells. After the execution of its planned drilling program Arcan has temporarily suspended drilling operations to allow completions, cash flow and well results to catch up to the drilling activity. Arcan is planning its next drilling phase and anticipates that it may drill up to 30 horizontal wells in 2011. Specifically, at this point Arcan has 20 wells ready to spud, has surveyed 30 more and is in the process of surveying a further 40 additional well locations. These efforts are expected to set up a significant drilling inventory for the remainder of the year and well into 2011. Arcan's development of 12 horizontal wells in two quarters was a significant operational success and speaks to the repeatability of the play. Each of these wells has a single 800 to 1,500 metre horizontal leg and was or will be completed using 7 to 14 multi-stage acid fractures.

To organize and implement the next step in Arcan's growth strategy, Arcan is working with its independent reserves evaluators to update the original oil in place and reserves in the Deer Mountain Unit #2 (the "**Unit**"). 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 include 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 140 net sections of land which Arcan controls.

Going forward, field-wide development is envisioned at three to four horizontal wells plus one or two vertical water injection well per section. Water injection is critical and is the key to significantly enhancing oil recovery. Offsetting production in the 24 surrounding townships over the past 50+ years of the Swan Hills Beaverhill Lake formation development has already established a recovery of approximately 40% of the original oil in place through water injection. Arcan hopes to successfully boost recovery factors further by combining waterflood applications with the new horizontal multi-stage technology. Based on various recovery factors, economic models indicate that up to six horizontal wells per section could be supported, providing Arcan with potential production growth avenues further down the road.

Arcan recently completed and tested its well number seven 8-32 at over 300 (250 net) boe per day and well number eight 9-30 at approximately 600 (480 net) boe per day. The 8-32 well was drilled with only 840 metres of horizontal leg and completed using only a seven stage fracture. This well was drilled to accomplish drainage on untapped acreage as well as allowing Arcan to replace three vertical producers (which required replacement of bottomhole submersible pumps) with one more prolific horizontal producer, achieving a rate anticipated by Arcan's current reservoir modeling. This well was drilled near Arcan's most prolific vertical wells in the north half of Section 32 which to date has the highest recovery factor and vertical well density in the Unit.

As at August 19, 2010, nine wells have been drilled with approximately 1,000 metre legs and three wells (well number eight 9-30, well number nine 13-17 and well number ten 6-09) have been drilled with approximately 1,500 metre legs. Arcan will continue to evaluate and adjust drilling, length, and completion technologies. Adjustments include recognizing that a 1,000 metre leg attracts a 5% royalty for the first 80,000 barrels and a 1,500 metre leg has a 5% royalty for the first 90,000 barrels, translating into approximately \$500,000 in incremental royalty savings for an additional few days of drilling and a few additional fractures.

Arcan has fractured and commenced testing well number nine 13-17 and well number ten 6-09 (100% working interest) and expects to release those details once they become available. Arcan anticipates it will fracture well number eleven 11-17 and well number twelve 2-30 shortly. Arcan has drilled a total of 10 horizontal wells within the Unit lands and anticipates it could drill a total of 20 wells on those lands. Arcan has now drilled and completed two horizontal wells on its 140 net sections of undeveloped lands which extend over 25 kilometres to the south of the Unit.

Eleven of the 12 wells currently drilled are in the area where Arcan already has existing operated pipelines, roads, water injection and facilities in place to accommodate 4,000 barrels per day with expected 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 is expected to be approximately \$4.7 million per well, before royalty incentives of approximately \$0.7 million per well. Arcan has received approval to inject over fracture pressure in several wells within the Unit allowing voidage replacement to be maintained.

Arcan's internal economic analysis shows a 10 to 12 month payout and an estimated one year cumulative production number of 70,000 to 100,000 boe and ultimate recovery of 400,000 to 600,000 boe per well resulting in a rate of return of 125% to 200% per well. Results and economic analysis indicate an estimated average production rate over that first year to be approximately 200 to 300 boe per day. This estimated production rate at the end of the first year is anticipated to have an arrested decline in subsequent years due to the reservoir pressure maintenance from the existing or anticipated waterflood activities. These estimates are based upon the current horizontal production data, over 30 years of vertical well production and waterflood history from the Unit and as well as adjacent Swan Hills Beaverhill Lake production which historically has shown very low production declines over a 30 to 40 year reserve life index.

Well ID #	Well	Surface Location (R8-W5)	Spud Date	Well Test Date	Days on Production	Initial Test Rate (boepd)	Average From Inception (boepd) <sup>(1)</sup>	Current Production (boepd) <sup>(1)</sup>
1	09-29	12-29-68	Dec 2009	Feb. 23, 2010	133	600	406	300
2	10-27	05-34-67	Feb 2010	May 9, 2010	86	700	300	185
3	01-17	10-17-68	Mar 2010	June 14, 2010	43	500	254	380
4	08-30	10-29-68	Mar 2010	June 22, 2010	28	550	301	370
5	05-28	10-29-68	Apr 2010	July 8, 2010	35	500	350	300
6	06-20	10-17-68	Apr 2010	July 8, 2010	24	600	387	440
7	08-32	15-29-68	Mar 2010	Aug. 8, 2010	6	300	291	280
8	09-30	15-29-68	Apr 2010	Aug. 8, 2010	20	600	293	330
9	13-17	02-17-68	May 2010	Testing	-	-	-	-
10	06-09	02-17-68	June 2010	Testing	-	-	-	-
11	11-17	12-20-68	June 2010	Drilled	-	-	-	-
12	02-30	12-20-68	July 2010	Drilled	-	-	-	-

**Note:**

(1) Production calculations are computed as production divided by hours producing, days are computed as hours on production divided by 24. The volumes are presented on a gross interest basis. Arcan owns an 100% interest in wells number two and ten and an 81% interest in the remaining wells.

## Outlook

The repeatable application of the horizontal multi-stage acid fracture wells to the Swan Hills Beaverhill Lake formation is changing Arcan's asset base. The Acquisition and drilling, combined with water injection are expected to generate significantly increased production, recoveries, reserves and net asset value. With investments in infrastructure already in place, Arcan now looks to continue to use its deep development inventory to increase net asset value per share through horizontal multi-stage acid fracture wells in the Swan Hills Beaverhill Lake formation. Arcan's first round of drilling focused on its Unit lands. Arcan's plans for 2010 and 2011 include:

- increasing productive capacity at the battery and expanding its existing water injection scheme, expansion of drilling horizontal multi-stage fracture wells in the Swan Hills Beaverhill Lake formation on its 140 net sections of land outside of the Unit lands, building a road and pipeline system to connect production from the southern lands to existing infrastructure and tying in flared gas;
- continuing development and water injection in the Hamburg GG pool; and
- ongoing review of opportunities in the McLeod area.

Arcan plans 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 12 horizontal wells drilled to date in the Swan Hills Beaverhill Lake area, as well as drill additional horizontal wells using its existing debt and cash flow capabilities by the end of the year ended December 31, 2010. Management believes that the Corporation's strengths include over \$200 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 and six month periods ended June 30, 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 75,270,904 common shares, 205,500 warrants, and 7,303,167 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.

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#### **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; the rate at which Arcan's existing wells will be tied in; Arcan's drilling inventory; 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; expectations respecting commodity prices; royalty rates and their impact on Arcan's operations and results; 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 and six month periods ended June 30, 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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