



## ARCAN PROVIDES OPERATIONAL AND PRODUCTION UPDATE

Calgary, Alberta, Canada, January 26, 2012 – Arcan Resources Ltd. (TSXV – "ARN") ("Arcan" or the "Corporation") is pleased to announce that the Corporation exited 2011 with production of over 6,000 barrels of oil equivalent ("BOE") per day and its estimated current production capacity is approximately 6,400 BOE per day. Arcan continues to utilize three drilling rigs and expects to fracture and complete four additional new Beaverhill Lake horizontal wells per month during the first quarter of 2012.

### Operations Update

**Drilling and Completions** – Over the course of 2011, Arcan drilled 32 and completed 31 horizontal wells in the Swan Hills, with the majority of the activity concentrated in and around the Ethel development area. Arcan's ten most recent wells were completed with 20 to 30 fracture stimulation stages per horizontal well. As a result of such fracture stimulation stage increases, these wells have displayed 30-day initial average production rates that are approximately 15 percent higher than the previous wells completed with only 14 stages. Overall, Arcan's new well results are predictable and consistent with previously announced type curves, with an average 30-day initial production rate of approximately 400 BOE per day. Arcan continues to optimize its completion techniques with 20 to 24 fracture stimulation stages per horizontal well and acid volumes ranging from 1,200 to 1,400 m<sup>3</sup> per well using Arcan's proprietary "STIM 28" acid blend. Arcan is currently drilling its 53<sup>rd</sup>, 54<sup>th</sup> and 55<sup>th</sup> wells, one of which is Arcan's first well in the Virginia Hills area of Swan Hills. Currently, Arcan has seven horizontal wells drilled and waiting on completion.

**Facilities** – Arcan continuously manages its facilities to ensure minimal production capacity constraints and down-time. Arcan is currently constructing two oil gathering lines, and one high pressure water injection pipeline, which will allow production from the Ethel field to be gathered and processed at the Deer Mountain Unit #2 facility by the end of the first quarter of 2012, lowering Arcan's overall operating costs and well down-time. This pipeline construction is also part of the large scale implementation of the waterflood project planned for the Ethel area.

In addition, the previously announced third party oil sales pipeline disruption that occurred during the summer of 2011 which impacted the Deer Mountain Unit #2 facility, has been resolved with sales oil moving through the pipeline as of January 6, 2012. The Corporation anticipates that this resolution will significantly decrease clean oil trucking and lower area operating costs going forward.

**Waterflood** – Arcan continues to see positive results in its Deer Mountain Unit #2 due to ongoing optimization of the water injection enhanced oil recovery ("EOR") scheme. Arcan has observed production increases in both horizontal and vertical wells as a result of modifications made to its EOR scheme in the third quarter of 2011. Currently, Arcan is injecting at a voidage replacement ratio ("VRR") of approximately 0.8. A VRR of 1.0 is required to stabilize field operating pressures by injecting an equivalent amount of water to the production that is being removed. Water injection has also commenced in a horizontal injection well for the first time by Arcan, providing pressure support to a heavily depleted portion of the reservoir. Arcan estimates that the ongoing conversion of old vertical wells, for additional

saline Manville source water, will allow Arcan to reach a targeted VRR of 1.0 shortly. Seven additional injector conversions are currently underway for a scheduled injection increase in March, 2012, lifting estimated VRR to 1.2 by end of the first quarter of 2012. Water injection in the Ethel field commenced in December 2011 with the conversion of Arcan's well at 4-22-67-8W5. Included in Arcan's waterflood project work is the drilling of up to six water injection wells and the conversion of three existing wells in Ethel by the end of the third quarter of 2012.

Arcan estimates that early water injection into the Ethel area will assist in pressure maintenance and have positive impacts on well decline profiles. Production history in the area shows that under waterflood oil recoveries could ultimately exceed 40 percent of the original oil in place.

**Guidance** – Arcan's acquisition of StimSol Canada Inc. ("**StimSol**") in late 2011 continues to enable Arcan to plan and execute an aggressive completion schedule with acid supply certainty. Arcan's StimSol Swan Hills blending facility commenced operations in January 2012 and ensures that a quality acid blend is in close proximity to Arcan's operations, minimizing trucking and enabling efficient execution of completion services. Arcan plans to continually monitor economic conditions throughout 2012 and adjust capital spending accordingly in order to maintain a healthy balance sheet. Arcan's current budget provides for the drilling of up to 40 additional wells, for which all services and materials have been secured, over the course of 2012.

Arcan also announces that on January 20, 2012, pursuant to the provisions of its stock option plan, it granted an aggregate of 90,000 options to acquire an equivalent number of common shares of Arcan to certain officers and employees of Arcan. The options have an exercise price of \$5.24 per share. The options expire on January 20, 2017. All stock option grants of Arcan are subject to receipt of the necessary regulatory approvals, including the approval of the TSX Venture Exchange.

### **About Arcan Resources Ltd.**

Arcan Resources Ltd. is an Alberta, Canada corporation that is principally engaged in the development and acquisition of petroleum and natural gas located in Canada's Western Sedimentary Basin with a production weighting of over 90 percent light sweet oil.

**NEITHER THE TSX VENTURE EXCHANGE NOR ITS REGULATION SERVICES PROVIDER (AS THAT TERM IS DEFINED IN THE POLICIES OF THE TSX VENTURE EXCHANGE) ACCEPTS RESPONSIBILITY FOR THE ADEQUACY OR ACCURACY OF THIS RELEASE.**

For further information, please contact either:

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

Douglas Penner  
Executive Vice President and Chief Financial Officer  
[dpenner@arcanres.com](mailto:dpenner@arcanres.com)

Arcan Resources Ltd.  
Suite 2500, 308 – 4th Avenue S.W.  
Calgary, AB T2P 0H7  
Telephone (403) 262-0321

## **Legal Advisories**

*BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of six Mcf of natural gas to one bbl of oil is based on an energy equivalency conversion primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.*

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

*This press release contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "guidance", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends", "possible" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this press release contains forward-looking information and statements pertaining to, among other things, the following: current and year-to-date anticipated production and production to be brought on stream; year end production exit rates; the timing, method and results of drilling, completion and waterflood operations; waterflood recoveries; the application and modification of horizontal, multi-stage fracture technologies including expectations respecting the application of additional fracture stimulation stages; Arcan's expectations respecting the benefits of the StimSol acquisition and its fracture acid needs; Arcan's expectations respecting the effect of shipping its oil volumes from the Ethel field by pipeline; Arcan's expectations respecting its growth and activities throughout the remainder of 2012; Arcan's ability to execute on the remainder of its 2012 business plans; future growth including development, exploration, acquisition, construction and operational activities and related expenditures.*

*The forward-looking information and statements contained in this press release reflect 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 accuracy of current horizontal production data, historical well production and waterflood results; the general continuance of current or, where applicable, assumed industry conditions; continuity of reservoir conditions across Arcan's Swan Hills land base and its Ethel oil pool; 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 and statements 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 and statements included in this press release are not guarantees of future performance and should not be unduly relied upon. Such information and statements involve 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 or statements including, without limitation: for reasons currently unanticipated, Arcan's production rates may not increase in the manner currently expected; the application and modification of horizontal, multi-stage fracture technologies including the application of additional fracture stimulation stages may not have the impact currently anticipated by Arcan; Arcan's capital spending and operational plans for 2012 may not be completed in the timelines anticipated, in the manner anticipated or at all and the execution of such plans may not have the results currently anticipated by Arcan; 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; for reasons currently unforeseen, the current drilling locations identified by Arcan may prove to be unsuitable or unavailable and drilling on the locations identified may not occur; water injection at additional sites in the Deer Mountain Unit #2 or in the Ethel field may not have the impact on*

*production currently anticipated by Arcan; currently unforeseen issues may arise in the integration of the business and operations of Arcan and StimSol and acquisition may not positively impact Arcan's business and operations in the manner currently anticipated or at all; increased costs and expenses; the impact of competitors; changes in commodity prices; 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, and in Arcan's amended annual information form for the year ended December 31, 2010, copies of which are available on Arcan's SEDAR profile at [www.sedar.com](http://www.sedar.com).*

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

**NOT FOR DISTRIBUTION TO U.S. NEWSWIRE SERVICES OR FOR DISSEMINATION IN THE UNITED STATES.**