

## **ARCAN RESOURCES LTD. PROVIDES CORPORATE UPDATE**

CALGARY, Alberta, Canada, July 16, 2007 – Arcan Resources Ltd. (TSXV – "ARN") ("Arcan" or the "Corporation"), provides operations, production and capital update. Arcan shifts capital to oil projects, resolves a few short term production challenges, maintains a strong balance sheet and continues to benefit from high netbacks on light oil weighting.

### **Operations Update**

#### **Hamburg**

At Hamburg, construction has commenced on the all weather road to the 13-20-96-9W6 padsite. After road construction is completed Arcan plans to complete its water source well (16-19-96-9W6), convert the 13-20-96-9W6 well into a water injector and install its water injection facilities. These operations are expected to be completed and water injection commenced by the end of September 2007. The 15-18-96-9W6 well is now being produced under good production practices ("GPP") at rates between 700 and 800 boe per day (350-400 net). GPP was granted on this well as a result of the approval of the Enhanced Oil Recovery ("EOR") scheme. Arcan is monitoring gas/oil ratios on this well and may adjust the rate up or down as production continues and as water injection commences. The other 50% working interest wells at 2-18-96-9W6M and 5-17-96-09W6M are producing intermittently each month subject to maximum rate limits restrictions ("MRLs") of approximately 85 barrels per day each (42 barrels per day net each well). Arcan is in the process of applying to include these two additional wells into the EOR scheme which would give all of the wells GPP status and allow Arcan to flow at rates above current MRLs. Arcan's 100% working interest well at 14-07-96-9W6M9W, immediately south of, and offsetting, the 50% interest wells, was granted GPP but has been shut-in the majority of the time since being tied-in as Arcan does not have an ownership interest in the third party battery. When producing, the well produces between 200 and 500 boe per day of oil and gas at a 30 to 40% water cut. Arcan estimates that it will have production of approximately 600 net boe per day for Q3, 2007 and 800 net boe per day in Q4, 2007 from the Hamburg area.

The Hamburg production is tied into a non-owned, non-operated facility. To address production issues and to ensure centralized water handling, Arcan plans to build a 3,000 barrel per day battery in Q1, 2008 for gross costs of \$4.5 million. Upon completion of the new battery, and thereby resolution of the partner and MRL issues, Arcan estimates production should be approximately 1,000 boe per day net from existing wells. The new facility will also be required to handle volumes related to the Q1, 2008 development drilling of 4-6 wells (3-4 net) including two water injectors.

Finally, Arcan has secured lands and seismic on three separate exploration targets scheduled for drilling early in 2008. Additional exploration targets are being pursued for drilling in 2008 or later.

#### **Deer Mountain**

At Deer Mountain, the 100/16-32-68-8W5 well (drilled in August of 2006) was shut-in to retire over-production. The lands on which the well is located were not part of the EOR scheme at the time the well commenced production. These lands have now been included in the EOR scheme and the well is scheduled to commence producing, after retiring over-production, in

August 2007. The 100/16-32-68-8W5 well was producing in excess of 250 boe per day when it was shut-in. An offset well drilled in March 2007 at 102/16-32-68-8W5 was producing at over 300 boe per day until June 2007 when pressure began to deplete and production reduced to approximately 100 boe per day. It is anticipated that when the 100/16-32-68-8W5M well begins producing again in August 2007 it will be on at a similar rate. Arcan expects that the rates will increase on these wells as the planned water injection commences. Conversion of the producing 15-29-67-8W5 oil well to a water injector was originally planned in November 2006. This injector and the related water pipeline are required to provide the necessary pressure support to this northern portion of the Deer Mountain Unit No. 2 (the "Unit"). The delay in these injection facilities was primarily caused by the new government rules regarding First Nations consultations. The consultations involved five First Nations bands and took several months to conclude. Arcan has now received approval for the required surface access and anticipates commencing construction of the water injection pipeline and moving a rig in late July 2007 to convert the 15-29-68-8W5M well to a water injector. Based on waterflood analogies made with respect to another unit that is adjacent to the Unit, there is a direct correlation to water injection rates and oil production rates in the Swan Hills formation. In the Unit there are wells similar to Arcan's that regained close to original production rates with proper pressure maintenance.

During Q2, 2007 Arcan purchased an additional 0.75% interest in the Unit bringing Arcan's total interest to 76.6%.

Production in Deer Mountain is currently averaging approximately 600 boe per day (450 net) of light oil and natural gas, down from over 800 boe per day (600 net). Based on the 30 year water flood history in the offsetting pool, Arcan anticipates results from its water injection efforts within one to two months of commencing injections at 15-29-68-8W5.

Deer Mountain will receive the majority of the remaining 2007 capital expenditures as we now focus on drilling patterns of oil wells and water injection wells in the more prolific parts of the reservoir. There is also potential for exploration drilling which will further increase reserve potential in the area. Arcan will continue to provide First Nations consultations as required but feels that the majority of that process has been completed, which means fewer delays as we move forward.

## **McLeod**

Arcan has had 100% success in drilling in McLeod with above average results and positive economic returns. A third party transportation line had a major pipeline break which caused most of the production from this area to be shut-in for approximately three weeks in Q2, 2007, reducing Q2 average production by approximately 125 boe per day. After this shut-in, a prolific well at 12-09-56-13W5M began to deplete rapidly but has now stabilized at approximately 1 MMcf per day from an original 5 MMcf per day. The 12-09-56-13W5M well was drilled on oil spacing and produced as a gas cap to our oil well at 4-09-56-13W5M. Arcan had budgeted for well decline but had not anticipated the rapid depletion of the gas cap. Current production is now approximately 500 boe per day net from the area. Arcan is still anticipating technical reserve additions in the McLeod area for 2007 from 2006.

With lower natural gas prices and strong oil prices Arcan will focus its efforts on developing and expanding its oil assets and reduce its planned gas drilling, with the possibility of one well being drilled late in Q4, 2007 in McLeod. Arcan will remain connected to growth

potential in the area but will be opportunistic as it anticipates further pressures on natural gas pricing and related asset and corporate sales.

### **Production Update**

Arcan estimates that Q2, 2007 production averaged approximately 1,250 boe per day, less than the targeted 1,450 boe per day mainly as a result of the pipeline break in the McLeod area.

Current estimated production is approximately 1,400 boe per day (65% oil). Arcan estimates 1,400 boe per day average production for Q3, 2007 to properly allow for pressure support lags in Deer Mountain and stabilization of production rates at McLeod. Arcan estimates Q4 production to average 1,900 boe per day. As production has been affected by timing issues, Arcan's previously stated target exit rate of 2,300 boe per day (70% oil) remains unchanged but Arcan now estimates that average production for 2007 will be approximately 1,400 boe per day, rather than its previously stated estimate of 1,750 boe per day.

### **Capital Update**

Arcan estimates that capital expenditures totalled approximately \$4.5 million in Q2, 2007, bringing exploration and development capital expenditures for the first half of 2007 to \$19.5 million. The main expenditures during the second quarter of 2007 related to the purchase of an additional 0.75% interest in the Unit, Crown land sales and pre-building the injection facilities for Hamburg. Based on the relative weakness in the price of natural gas versus the strength in oil pricing and the significance of Arcan's oil projects, Arcan expects that the balance of its 2007 capital program of approximately \$10 million will focus on oil projects through water source and injection facilities as well as development drilling in Deer Mountain and water source and injection facilities in Hamburg. Arcan's total \$30 million capital budget for 2007 is funded within existing bank lines.

Arcan Resources Ltd. is an Alberta, Canada corporation that is principally engaged in the exploration, development and acquisition of petroleum and natural gas located in Canada's Western Sedimentary Basin.

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

Certain information with respect to the Corporation contained herein, including its assessment of future plans and operations contain forward-looking statements. In some cases, forward-looking statements and information can be identified by terminology such as "may", "will", "should", "expects", "projects", "plans", "proposed", "anticipates", "targets", "believes", "estimates", "continue", "designed", "objective", "potential" and similar expressions. In particular, this document contains forward-looking statements and information with respect to: estimated volumes and timing of future production; business plans for drilling, exploration and development; estimated dates for seismic and other programs; and other expectations, beliefs, plans, goals, objectives, assumptions, information and statements about possible future events, conditions, results of operations and performance. These forward-looking statements are based on Arcan's internal expectations, estimates, projections, beliefs and assumptions as of the date hereof. These forward-looking statements are not guarantees of future performance and are subject to numerous known and unknown risks, uncertainties, and other factors, certain of which

are beyond the Corporation's control, including: the impact of general economic conditions, industry conditions, volatility of commodity prices, currency exchange rate fluctuations, imprecision of reserve estimates, uncertainty regarding drilling results, environmental risks, regulatory requirements, issues related to the Corporation's industry partners, competition from other explorers, stock market volatility and ability to access sufficient capital. As a result, the Corporation'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.

### **BOE Equivalency**

Where amounts are expressed on a barrel of oil equivalent basis ("**boe**"), 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.

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