

## ARCAN RESOURCES LTD. ANNOUNCES RECORD FIRST QUARTER 2008 RESULTS AS WELL AS ADDITIONAL LANDS ACQUIRED OFFSETTING DEER MOUNTAIN

CALGARY, Alberta, Canada, May 21, 2008 – Arcan Resources Ltd. (TSXV – "ARN") ("Arcan" or the "Company"), is pleased to announce a record first quarter as well as the acquisition of additional lands offsetting its Deer Mountain property.

### FIRST QUARTER 2008 HIGHLIGHTS

- ☆ Record production, record revenue, record funds from operations, record netbacks and net income;
- ☆ The Company increased production to 1,477 boe per day for the three months ended March 31, 2008 up 48% over the 995 boe per day in Q1, 2007 and 32% over Q4, 2007;
- ☆ March and April 2008 production averaged over 1,700 boe per day;
- ☆ Operating netbacks of \$53.47 per boe (revenue of \$82.37 per boe and operating cost of \$11.20 per boe) were up 71% from \$31.29 in Q1, 2007 and up 83% from \$29.23 in Q4, 2007;
- ☆ Funds from operations increased 253% to \$6.2 million (0.16 per diluted share) from \$1.8 million (0.06 per diluted share) in Q1, 2007 and up 186% from the \$2.2 million (0.06 per diluted share) in Q4, 2007;
- ☆ Completed wells in Deer Mountain and Hamburg and installed a new treater in Hamburg;
- ☆ Converted all of the Company's performance shares into common shares based on increased reserves in Hamburg; and
- ☆ Increased bank lines to \$40 million.

### Financial and Operating Summary

	Quarter Ended			December 31, 2007
	March 31, 2008	March 31, 2007	% Change year over year	
<b>Financials</b> (\$000s except per share amounts)				
Oil and NGL sales	9,199	3,789	143	5,985
Natural gas sales	<u>1,876</u>	<u>1,417</u>	32	<u>1,253</u>
Total petroleum and natural gas revenue	11,075	5,206	113	7,238
Funds from operations <sup>1</sup>	6,203	1,758	253	2,167
Per share basic <sup>1</sup>	0.17	0.06	183	0.06
Per share diluted <sup>1</sup>	0.16	0.06	167	0.06
Net Income (loss)	1,645	(576)	386	(131)
Per share basic and diluted	0.04	(0.02)	300	(0.00)
Capital expenditures – cash	9,556	14,248	(33)	17,697
Total Assets	133,213	97,745	36	123,285
Total Liabilities	51,126	44,125	16	43,815
Shareholders' equity	82,087	53,620	53	79,471
Bank Loan	22,574	10,365	118	13,906
Net debt and working capital	33,495	29,144	15	30,141

## Financial and Operating Summary

	Quarter Ended			December 31, 2007
	March 31, 2008	March 31, 2007	% Change year over year	
<b>Operating, General and Administrative (G&amp;A)</b>				
Production:				
Crude oil (bbls per day)	1,083	674	61	794
Natural gas (mcf per day)	<u>2,366</u>	<u>1,922</u>	23	<u>1,965</u>
Total (boe per day) (6:1)	1,477	995	48	1,122
Average realized price:				
Crude oil (\$ per bbl)	93.32	62.42	50	81.88
Natural gas (\$ per mcf)	<u>8.72</u>	<u>8.19</u>	6	<u>6.93</u>
Combined average (incl. processing revenue) (\$ per boe)	82.37	58.14	42	70.12
<b>Netback (\$ per boe)</b>				
Petroleum and natural gas sales	82.37	58.14	42	70.12
Royalties	(17.70)	(16.20)	9	(16.06)
Operating and transportation expenses	<u>(11.20)</u>	<u>(10.65)</u>	5	<u>(24.83)</u>
Operating netback	53.47	31.29	71	29.23
G&A expenses - cash	(5.07)	(9.84)	(48)	(6.41)
Interest expense - net	<u>(2.01)</u>	<u>(1.82)</u>	10	<u>(1.82)</u>
Corporate netback	46.39	19.63	136	21.00
<b>Common Shares (000s)</b>				
Shares outstanding, end of period	37,827	29,013	30	36,492
Weighted average shares - basic	36,716	28,899	27	36,440
Weighted average shares – diluted <sup>2</sup>	37,664	28,899	30	36,440

1 See "Special Note Regarding Non-GAAP Measures" below.

2 In computing the net loss per diluted share in the 2007 periods, nil shares were added to the weighted average number of shares outstanding because they were anti-dilutive.

### Overview

For the three months ended March 31, 2008, Arcan had record funds from operations of \$6.2 million, record production of 1,477 boe per day and record corporate netbacks of \$46.39 per boe. For the three months ended March 31, 2008 production was 1,477 boe per day which is 48% higher than the 995 boe per day average production for the three months ending March 31, 2007. Production from the first quarter of 2008 was weighted towards light oil as Deer Mountain production increased from pressure response and Hamburg increased from new wells and an additional treater. Since the financial year ended December 31, 2007, Arcan has tied in two (1.0 net) productive wells in the Hamburg GG pool, cased one of two exploration wells and installed a new treater. Production has risen to average over 1,700 boe per day in March and April of 2008 despite having a significant gas well shut-in at McLeod. Production in Deer Mountain continues to perform as we see pressure response from injection. Production will likely be hampered in McLeod as a planned Nova outage lasts for 3 to 5 weeks starting in mid June. In Hamburg, Arcan continues its efforts to have rate limitations lifted.

In the first quarter of 2008, Arcan expended \$9.6 million on tie-ins, completions, drilling one well in Hamburg, new pumpjacks and a new treater. The new well at 13-17 on the east side of the "GG" pool in Hamburg has been on production for four months and is performing better than any wells in the pool to date. Arcan installed a new treater in Hamburg at the start of March 2008, allowing expanded production through that facility. In Deer Mountain, production has risen as the wells respond to pressure maintenance. Since the end of the first quarter, Arcan has farmed-in on 19.5 sections and purchased varied interests (from 30% to 100%) on over 50 sections of land to the south and immediately adjacent to our Deer Mountain unit. Our investments currently have Arcan with a 73% weighting towards light oil as the Company continues to benefit from record oil prices.

Arcan entered 2008 with \$30.1 million in debt and working capital and for 2008 anticipates spending within funds from operations and its available \$40 million bank line.

Arcan operates its core properties and is able to re-allocate capital expenditures among exploration and development drilling for both oil and natural gas. Arcan has a large inventory of infill oil locations with low risk profiles, high reserve potential and high operating netbacks. Paramount to Arcan and to its management team is adding value for the Company's shareholders. Arcan is oil weighted and expects to continue to benefit from record oil prices as investment is directed into these areas. The Company continues to monitor and plan for the impact of the proposed changes to the Alberta royalty rates. The industry has been challenging for smaller producers as the impact of record crude oil prices is dampened by the increased royalties proposed by the Alberta government for January 2009. Significant commodity price increases continue to lift Arcan's funds from operations and continue to provide a basis for expanded exploration initiatives. Arcan will continue to adjust for these items and evaluate and modify capital expenditures accordingly.

At March 31, 2008 Arcan had 18 full time employees.

## **Overview of Arcan's Core Areas**

### ***Hamburg***

Arcan completed and tied-in two development wells into the GG pool in the first quarter of 2008. Arcan has drilled a total of seven wells in the area of the GG Pool located in Twp. 096 Range 09W6M. So far, only three (two producers and one injector) of the six wells recognized as being in the reef are within the boundaries of the approved ER Scheme and hence have GPP status. The next step in the development of the waterflood is to obtain approval from the Alberta Energy Resource Conservation Board ("ERCB") to include the remaining wells in the GG Pool into the ER Scheme and to have the recently drilled 13-17 well added to the GG Pool then to the ER Scheme. When the boundaries of the ER Scheme are amended these wells are expected to have GPP status resulting in increased production from relief of the current MRLs.

During the first quarter of 2008, one exploration well was abandoned and another was successfully logged and cased. Weather related issues restricted further operations on this exploration well and completion operations are being delayed until next winter. Although Arcan is encouraged by log response, final results will not be available until completion operations are concluded.

Production averaged 716 boe per day on \$61.02 per boe operating netbacks for the three months ended March 31, 2008 up from 195 boe per day and \$40.15 per boe operating netbacks in the three months ended March 31, 2007. Production from Hamburg averaged over 900 boe per day in March 2008. Arcan has produced the 13-17 well at higher rates during its new oil well production period and expects to decrease its production, under MRLs, after the first quarter of 2008.

Arcan has recently installed a new treater at the Hamburg battery which has increased both battery handling capacity and reliability. Two to four more locations have been identified within the area of the GG Pool but further drilling is not anticipated until the results of the last two wells are evaluated and further modeling of the waterflood has been completed. In addition to the future development of the GG pool, Arcan has numerous ready to drill exploration plays in the area, both in Alberta and in British Columbia and continues to add to its drill ready inventory for this winter's exploration.

### ***McLeod***

Production averaged 298 boe per day with \$30.13 per boe operating netbacks for the three months ended March 31, 2008, down from 335 boe per day with \$27.95 per boe netbacks in the three months ended March 31, 2007. Early in 2007, Arcan reduced drilling in McLeod to focus on higher netback oil. Although Arcan considers this to have been prudent given relative natural gas prices, this has resulted in significantly lower than anticipated production volumes coming out of the McLeod area. Since March 2008, our new well was shut-in by a third party facility operator reducing production by 200 boe per day for the last ten weeks. Arcan is working to get that production back on and is evaluating other tie-in options in the area.

In late June 2008, Nova is planning a 3 to 5 week shut down in the McLeod area which will shut in the majority of Arcan's production from McLeod for that period. Four additional locations with proposed drilling depths of around 2,500 meters have been surveyed in McLeod and other deeper opportunities in the area are being accumulated. In light of rising natural gas prices, Arcan is expanding its exploration efforts in this area. Arcan has budgeted the drilling of two prospects in this area in 2008 including one 50% non-operated well. Drilling is scheduled to commence as soon as weather permits.

### ***Deer Mountain***

In the first quarter of 2008 Arcan completed, equipped and tied-in two wells drilled in Deer Mountain prior to year end. Arcan has been injecting over 1,000 boe of water per day for the majority of the quarter and has seen production levels recover. In Deer Mountain pressure maintenance remains the key to maximizing asset potential. Arcan continues to monitor pool performance and there are short-term steps Arcan could take to increase injections if pressure response requires it. An additional three to eight well program is scheduled for the second half of 2008 with drilling scheduled to commence as soon as weather permits. Arcan's Deer Mountain property contains a large inventory of low risk development infill oil wells with high reserve impact and high netbacks. A total of 29 locations have been or are in the process of being surveyed, with room for further development.

Arcan continues to expand its interests in the area with its recent acquisition of varied interests (30% to 100%) in over 50 sections and a 19.5 section farm-in on lands immediately to the south of our unit. The acquisition secures these lands and provides Arcan with significant future expansion opportunities based on success and heightened oil prices.

Production averaged 460 boe per day with \$56.69 per boe operating netbacks for the three months ended March 31, 2008 up from 392 boe per day with \$35.76 per boe operating netbacks in the three months ended March 31, 2007.

## Outlook

The capital plan for the balance of 2008 is to develop and expand the assets we already own and have invested in. That leads us to drill reserve development wells and pool extension wells in Deer Mountain, one development (0.5 net) gas well in McLeod, exploration opportunities in McLeod and look to add and possibly consolidate interests in our core areas. These activities are expected to add production and value on a very capital effective basis. On the operations side we expect to remain focused on water injection in Hamburg and in Deer Mountain which remain the key driver to harvesting value. Arcan is maximizing our daily production and taking advantage of the high netback environment. For the balance of 2008 we intend to stay within our bank lines, build up our exploration opportunities and our platform for continued growth. We are oil weighted and will continue to benefit from record oil prices as we direct our investments into these areas.

Additional information regarding Arcan's results including the Management Discussion and Analysis and the unaudited interim financial statements for the three months ended March 31, 2008 and 2007, together with the notes related thereto, the information circular dated April 22, 2008, the Annual Information Form dated April 3, 2008, as well as historical press releases and filings including historical Management Discussion and Analysis, financial statements and related notes, will or have been filed and will be available under Arcan's SEDAR profile at [www.sedar.com](http://www.sedar.com).

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. Arcan has 37,836,560 common shares, 598,631 Warrants, 1,500,000 performance warrants, and 3,430,000 stock options outstanding.

*The TSX Venture Exchange does not accept responsibility for the adequacy or accuracy of this release.*

BOE Presentation – Production and reserve information is commonly reported in units of barrel 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. BOEs 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. Readers should be aware that historical results are not necessarily indicative of future performance.

Netbacks – Operating netbacks are defined as sales revenue, less royalties and operating expenses. Corporate netbacks are defined as operating netback, less G&A and interest.

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 (used in) operations". This measure is commonly utilized in the oil and gas industry and is considered informative for management and shareholders. Specifically, "funds from (used in) 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 Company's performance. Management considers this term to be important as it helps evaluate performance and demonstrates the Company's ability to generate sufficient cash to fund future growth opportunities. See the Company's

Management's Discussion and Analysis for the three month period ending March 31, 2008 for a reconciliation of funds from operations to cash flow from operating activities.

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

Certain information with respect to the Company 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 assumptions and are subject to numerous risks and uncertainties, certain of which are beyond the Company'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, competition from other explorers, stock market volatility and ability to access sufficient capital. As a result, the Company'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.

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