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## ARCAN RESOURCES LTD. UPDATES TIMELINE ON RESUMPTION OF SERVICE INTO PENGROWTH SWAN HILLS GAS GATHERING SYSTEM

CALGARY, Alberta, Canada, February 2, 2011 – As previously announced on January 24, 2011, Arcan Resources Ltd. ("Arcan") is presently experiencing temporary production curtailments due to the explosion and subsequent shut down of the Pengrowth Energy Corporation ("Pengrowth") Swan Hills gas gathering system on January 1, 2011.

Early estimates suggested that resumption of service of the gas gathering system would occur by mid-February 2011; however, the latest information available indicates that resumption of service is contingent on further corrosion testing of the pipeline before any determination can be made on timing or suitability of the pipeline for resumption of service. The corrosion testing results are expected to be completed within a 20 to 30 day time frame. Therefore at this time there is no set schedule for resumption of service. Arcan estimates that its current production capacity is currently restricted by approximately 500 – 700 barrels of oil equivalent ("BOE") per day as a result of the service disruption. This represents approximately 18% of Arcan's current production capacity of approximately 4,000 BOE/d. The production curtailments are restricted to certain areas of Arcan's Deer Mountain Unit 2 and Morse River Unit 1 production and the disruption of service has had no impact on the production of existing and recently completed horizontal wells drilled within these Units. Furthermore, these production curtailments are not expected to impact the production rates or timing of new horizontal wells to be drilled as part of Arcan's 2011 program. Arcan does not anticipate the magnitude of the production curtailments to increase from the present level.

The current focus of Arcan's drilling operations, which are concentrated on its 100% interest land block including recent drilling in the Ethel pool, is unaffected by this service disruption. Arcan expects that the timing and production rates of additional horizontal wells planned to be drilled in 2011 in the Ethel pool will likewise be unaffected by this service disruption. Further, Arcan is not the operator of this third party pipeline and has no cost commitments in respect of the repairs to the pipeline.

Arcan was proactively exploring alternatives to third party gas handling prior to this service disruption and has now fast-tracked previously identified options, which Arcan considers to be viable, including gas re-injection into the existing Energy Resources Conservation Board ("ERCB") approved Enhanced Oil Recovery schemes, as well as the possible construction by Arcan of gas handling facilities and sales meter receipt point tie-in into a nearby trunk sales line. The gas re-injection process will require ERCB approvals which are estimated to entail a one to three month approval process to effect. The option of constructing gas handling facilities and tie-in could take eight to ten months. These alternatives may provide Arcan with greater assurance of timely production resumption and remove Arcan's reliance on third party gas handling.

### **About Arcan**

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 88,090,446 common shares and 8,470,500 stock options outstanding.

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BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 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.

### **Advisory Regarding 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", "may", "will", "project", "should", "believe", "plans", "intends" 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: the shut down and resumption of service at the Pengrowth Swan Hills gas gathering system; the impact of the service disruption on Arcan; restricted production levels; and the development of alternatives to third party gas handling.

The forward-looking information and statements contained in this press release reflect several material factors and expectations and assumptions of Arcan including: the accuracy of the information with respect to the shut down provided to Arcan; the general continuance of production levels on the wells currently restricted; the general continuance of current or, where applicable, assumed industry conditions; and the accuracy of information received from third party sources and past industry experience in the analysis of Arcan's alternatives to third party gas handling. 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: Pengrowth may be unable to resume service at its gas gathering system in a manner acceptable to Arcan; the resumption of service at the gas gathering system may not occur on the timelines outlined above or at all; inaccuracies in the estimation of the production currently restricted; inaccuracies in the estimation of Arcan's current production capacity; for reasons currently unforeseen, the level of production currently restricted as a result of the shut down could increase; the alternatives to third party gas handling currently identified by Arcan may be unsuccessful or may not occur on the timelines outlined herein or at all; 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 Annual Information Form for the year ended December 31, 2009, a copy of which is 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.

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