

CONFIDENTIALITY AGREEMENT

Date: _____, 2010

**Re: Confidentiality Agreement with Respect to
Celtic Exploration Ltd. – Fall 2010 Asset Sale**

In connection with your consideration and analysis of a possible negotiated transaction (a "Transaction") involving Celtic Exploration Ltd. ("Celtic"), Celtic has, at your request, agreed to provide the undersigned (the "Recipient") with certain information that is proprietary, non-public or confidential (the "Confidential Information") concerning the unit assets detailed in the RBC/Rundle Non-Core Asset Offering("Properties").

For the purposes of this Confidentiality Agreement, "Confidential Information" means any and all information (in whatever form, whether written, oral, electronic or otherwise) acquired by the Recipient or its Representatives (as defined below) that describes or is related to the assets, business or affairs of Celtic and includes, but is not limited to, operational information, information relating to exploration, development and production activities and plans, potential land acquisitions, land schedules, financial results, marketing materials, budget information, geological, geophysical, engineering and environmental information, corporate strategies, and other information, whether factual or interpretive, and howsoever obtained by the Recipient (whether in data books, data rooms, presentations or otherwise) and includes any and all notes, memoranda, summaries, analyses, reports, documents and other information developed by or for the Recipient.

1. The Recipient understands that all Confidential Information provided to it is proprietary to Celtic and the joint venture participants (if any) of Celtic in the Properties and is confidential and will be so treated by the Recipient. The undertakings and indemnities provided by the Recipient in this Confidentiality Agreement are given to Celtic for its benefit and for the benefit of any joint venture participants of Celtic. In consideration of and as a condition to Celtic providing the Confidential Information to the Recipient, the Recipient agrees as follows:
 - (a) The Confidential Information and the terms and conditions of this Confidentiality Agreement shall be kept in strict confidence by the Recipient and shall not be used for any purpose whatsoever other than the evaluation of a Transaction between the Recipient and Celtic. The Confidential Information shall not be disclosed by the Recipient to any person or other party other than such of the Recipient's directors, officers, employees, agents, consultants and advisors who have a need to know such Confidential Information (collectively, the "Representatives") for the sole purpose of the evaluation of a Transaction between Celtic and the Recipient. Disclosure of and access to the Confidential Information shall, at all times, be at the complete discretion of Celtic.
 - (b) Prior to disclosing any Confidential Information to any of its Representatives, the Recipient shall take all such steps as are necessary or desirable to ensure that such Representative is aware of the terms and conditions of this Confidentiality Agreement, and that such terms and conditions are binding upon such Representative. The Recipient shall be liable to Celtic for any and all damages caused to Celtic as a result of any disclosure or use of Confidential Information. The Recipient shall, if so requested by Celtic, provide Celtic with a list of Representatives who have received the Confidential Information and copies of any written instruments signed by Representatives to acknowledge their agreement to be bound by the provisions of this Confidentiality Agreement.
 - (c) The Recipient agrees that it will not, and, will direct its Representatives not to, without the prior written consent of Celtic, disclose to any person or other party other than Representatives: (i) the fact that any investigations, discussions or negotiations are taking place concerning a Transaction; (ii) that the Recipient has requested or received Confidential Information; (iii) any opinion or comment with respect to the Confidential Information; or (iv) any of the terms, conditions or any facts with respect to a Transaction, including the status thereof.
 - (d) Notwithstanding the foregoing provisions of this Paragraph 1, the Recipient shall be permitted to disclose such Confidential Information as is required to be disclosed pursuant to any law, rule or regulation or order of a court of competent jurisdiction. If the Recipient is so required to disclose Confidential Information, the Recipient shall promptly notify Celtic of such request, and consult with Celtic on the advisability of taking steps to resist or narrow such request. If disclosure is required, the Recipient shall cooperate with Celtic in any attempt that Celtic may make to obtain an order or other reliable assurance that confidential treatment will be accorded to such Confidential Information and will disclose only that portion of the Confidential Information that, in the opinion of the Recipient's counsel, is legally required to be disclosed.

2. The Confidential Information shall not be disclosed by the Recipient (other than to Representatives or as required by any law, rule, regulation or court order, in each case after complying with the applicable provisions of Paragraph 1(d) hereof) to any third party without the prior written consent of Celtic.
3. The requirements set forth in Paragraph 1 shall not apply to any part of the Confidential Information that:
 - (a) is now in the public domain or hereafter (and then only after such date) becomes a part of the public domain, other than as a result of any act, failure or omission on the part of the Recipient or a Representative in breach of Paragraphs 1 or 2, provided that specific items of Confidential Information shall not be considered to be in the public domain merely because more general information is in the public domain; or,
 - (b) is already known to the Recipient (as evidenced by the Recipient's written records) prior to its disclosure by Celtic and is not subject to any obligation of confidence; or
 - (c) was lawfully acquired by the Recipient from a third party (as evidenced by the Recipient's written records) who, in so disclosing Confidential Information did not breach any obligation of confidence.
4. Without limitation and in addition to any other rights that Celtic may have against the Recipient by reason of any breach hereof (whether by the Recipient or a Representative), the Recipient agrees to and shall:
 - (a) be liable to Celtic and its representatives for all losses, costs, damages, expenses and liabilities whatsoever, including legal, accounting and other professional costs, expenses, fees and disbursements (with legal fees on a solicitor and client basis) that Celtic may suffer, sustain, pay or incur; and
 - (b) indemnify and hold harmless Celtic and its respective representatives against all claims, losses, costs, damages, expenses and liabilities whatsoever, including solicitor and client legal costs and disbursements, that may be brought against or suffered or incurred by Celtic or its directors, officers, servants, agents or employees;

in respect of all matters and things that may result from or arise, directly or indirectly, out of any breach of this Confidentiality Agreement by the Recipient or any of its Representatives. The Recipient acknowledges that Celtic is constituted as trustee of your covenants under this Paragraph 4 for the benefit of Celtic's representative and their respective officers, directors, employees and agents and that Celtic or its representatives shall be entitled to enforce such covenants on behalf of such persons.
5. The Recipient acknowledges the sensitive nature and competitive value of the Confidential Information and that Celtic will be irreparably damaged if any of the restrictions on disclosure or use of the Confidential Information in this Confidentiality Agreement is not observed or performed by the Recipient and all of its Representatives. The Recipient further acknowledges that monetary damages alone would not be a sufficient remedy for a breach of the restrictions on disclosure or use of the Confidential Information in this Confidentiality Agreement and agrees that Celtic shall, in the event of any such breach or anticipated breach, be entitled to equitable relief, including injunctive relief and specific performance, in addition to any other remedy available to Celtic, at law or in equity. The Recipient further agrees to waive any requirement for the deposit of security of any bond in connection with any equitable remedy.
6.
 - (a) This Confidential Agreement shall not be construed as granting to the Recipient, either expressly or by implication, any rights or interests in any of the Confidential Information.
 - (b) If the Recipient determines not to proceed with a Transaction, the Recipient shall forthwith notify Celtic of such determination and shall immediately return to Celtic the Confidential Information in its possession and shall not retain any copies or other reproductions or extracts thereof.
7. At any time, at the request of Celtic, the Recipient shall immediately return or cause to be returned to Celtic all of the Confidential Information that may have been provided to the Recipient or its Representatives and shall not retain any copies or other reproductions or extracts thereof. The Recipient shall at any time, at the request of Celtic destroy or have destroyed all memoranda, notes, reports and documents prepared by or in the possession of the Recipient or its Representatives that are based upon, contain or reflect any Confidential Information. Furthermore, the Recipient shall, if so requested by Celtic, provide an Officer's Certificate to Celtic certifying that the terms and conditions of this Paragraph 7 have been complied with.

8. This Confidentiality Agreement shall remain in force for a period of 12 months from the date hereof, or until such time as all of the Confidential Information becomes part of the public domain through no breach of this Confidentiality Agreement, whichever occurs first (other than the provisions of Paragraphs 4, 5, 6(a) and 10(b) and this Paragraph 8, which will survive the expiration of such period).
9. It is understood by the Recipient that, in providing access to the Confidential Information, Celtic makes no representation or warranty, expressed or implied, as to the accuracy or completeness of the Confidential Information. The Recipient agrees that neither Celtic nor any of their respective officers, directors, employees, consultants, agents or advisors of Celtic, shall have any liability whatsoever for any errors in or omissions from or for any damages resulting from the use of the Confidential Information. The Recipient shall rely solely on its own due diligence, analysis, appraisals and estimates in evaluation and satisfying itself to all matters relating to Celtic and their respective business, affairs and assets, including, but not limited to the value and condition of the Properties and shall rely solely on its own geological, geophysical, engineering, environmental, accounting and financial interpretations and analysis related thereto. Only such representations and warranties as are contained in a definitive agreement with respect to a Transaction, will, if executed and delivered by Celtic (and subject to such conditions or limitation or restrictions as may therein be specified) have any legal effect.
10.
 - (a) For a period of 12 months from the date hereof, the Recipient will not and will ensure that its Representatives do not, directly or indirectly, initiate or maintain contact (except for those contacts made in the ordinary course of business) with any officer, director, employee, consultant, agent or advisor of Celtic including any customers or suppliers of Celtic regarding their respective businesses, operations, prospects or finances, except with the prior written permission of Celtic. It is understood that Celtic will arrange for any contacts for due diligence purposes with respect to the Recipient's evaluation of a Transaction and that all communications regarding a Transaction, all requests for additional Confidential Information, all requests for facility tours or meetings with management and all discussions or questions regarding the Confidential Information will be submitted or directed by the Recipient and its Representatives to Celtic except with prior written permission of Celtic. The Recipient shall not visit any of the business sites of Celtic without the prior consent of Celtic.
 - (b) If the Recipient wishes to have physical access to any of the Properties, the Recipient agrees to indemnify, defend and hold harmless Celtic and its affiliates and subsidiaries from and against any and all liabilities, claims and causes of action for personal injury, death or property damage occurring on such Property as a result of the Recipient's entry onto the premises.
 - (c) The Recipient agrees to comply fully with all rules, regulations and instructions issued by Celtic regarding the Recipient's actions while upon, entering or leaving any of the Properties.
11. The Recipient understands and agrees that no contract or agreement providing for a Transaction between Celtic and the Recipient or any affiliate of the Recipient shall exist or be deemed to exist unless and until a definitive agreement has been executed and delivered by the Recipient and Celtic (a "Definitive Agreement"), and the Recipient and Celtic hereby waive, in advance, any claims (including, without limitation, breach of contract) in connection with such Transaction unless and until a Definitive Agreement has been executed and delivered by the Recipient and Celtic. It is also understood and agreed that unless and until a Definitive Agreement has been executed and delivered by Celtic and the Recipient with respect to a Transaction, none of Celtic shareholders, officers, directors, employees, consultants, agents or advisors has any legal obligation of any kind whatsoever with respect to any such Transaction nor is there any restriction on the right of Celtic to solicit or provide information to any other person in respect of any form of transaction. Unless and until a Definitive Agreement has been executed and delivered, the Recipient understands that: (i) Celtic shall be free to conduct its business as it may, in its sole discretion, determine (including, without limitation, negotiating with any prospective buyer and entering into definitive agreements without prior notice to the Recipient or any other person); (ii) any procedures relating to Celtic's sale may be changed at any time without notice to the Recipient or any other person; and (iii) Celtic shall have the right to reject or accept any potential buyer, proposal or offer, for any reason whatsoever, in its sole discretion. For purposes of this Paragraph 11, the term "Definitive Agreement" does not include an executed letter of intent or any other preliminary written agreement, nor does it include any written or oral offer or bid or any written or oral acceptance thereof. Neither this Paragraph 11 nor any other provision in this Confidentiality Agreement can be waived or amended except by written consent of Celtic which consent shall specifically refer to this Paragraph (or such other provision) and explicitly make such waiver or amendment.

- 12. The Recipient and its representatives acknowledges and confirms that they are aware of the general nature of applicable securities laws, including, without limitation, all applicable securities laws that may prohibit any person who has material, non-public information concerning the matters that are the subject of this Confidentiality Agreement, from trading in securities of a corporation that may be a party to a transaction of, or may propose to become a party to, the type contemplated herein or from communication such information to other persons.
- 13. No failure or delay by Celtic to exercise any of its rights under this Confidentiality Agreement shall operate as a waiver thereof nor will any single or partial exercise thereof preclude any other or further exercise thereof.
- 14. This Confidentiality Agreement shall be governed by the laws of the Province of Alberta and the parties hereby attorn to the jurisdiction of the Courts of Alberta in respect of all matters or disputes arising under or in respect of this Confidentiality Agreement.
- 15. In the event that any provision or portion of this Confidentiality Agreement is determined to be invalid or unenforceable for any reason, in whole or in part, the remaining provisions of this Confidentiality Agreement shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by applicable law.
- 16. This Confidentiality Agreement shall be binding upon and enure to the benefit of the parties hereto and their respective successors and permitted assigns.
- 17. This Confidentiality Agreement shall not be assigned by either party without first obtaining the written consent of the other party.
- 18. This Confidentiality Agreement may be amended in writing only and must be signed on behalf of Celtic. Waivers of any of the terms and provisions of this agreement shall be made in writing by Celtic.
- 19. Time is of the essence in this Confidentiality Agreement.
- 20. This Confidentiality Agreement expresses the entire agreement between the parties with respect to the matters set forth herein.

ACCEPTED AND AGREED TO THIS _____ DAY OF _____, 2010.

Yours truly,

(if applicable)
Acting as duly appointed agent for:

Full Company Name

Officer's Signature

Officer's Printed Name

Officer's Title

ACCEPTED AND AGREED TO THIS _____ DAY OF _____, 2010.

CELTIC EXPLORATION LTD.

Per: _____
Title: Vice President, Land

**ATTACHMENT TO THE CONFIDENTIALITY AGREEMENT RESPECTING
CELTIC EXPLORATION LTD.'S 2010 NON-CORE ASSET OFFERING**

REQUESTED PROPERTY PACKAGES
(Please Check)

- | | |
|--------------------------------------|-------------------------------|
| 1.) _____ Northern Alberta | 6.) _____ Southern Alberta #1 |
| 2.) _____ North Eastern Alberta | 7.) _____ Southern Alberta #2 |
| 3.) _____ Central Alberta (Non-Unit) | 8.) _____ Royalty Group |
| 4.) _____ Central Alberta (Unit) | 9.) _____ All Properties |
| 5.) _____ South Central Alberta | |

Forward the VDR access information for the Confidential Information to:
(Please fill in the following and attach a business card of at least 1 contact listed below)

CONTACT #1

Name: _____
Title: _____
Company: _____
Telephone: _____ Fax: _____
Email Address: _____

CONTACT #2

Name: _____
Title: _____
Company: _____
Telephone: _____ Fax: _____
Email Address: _____

CONTACT #3

Name: _____
Title: _____
Company: _____
Telephone: _____ Fax: _____
Email Address: _____