

**CALGARY, CANADA (TSX-V:CEX)  
NEWS RELEASE**

***Contact Provides Update on Stoney Creek Drilling and  
Shale Gas Technical Work***

December 21, 2010, (Calgary, Alberta) Contact Exploration Inc. (“Contact” or the “Company”) (TSX-V: CEX) is pleased to announce that the drilling and completion of two 100% Contact working interest horizontal oil wells in the Stoney Creek oil field in New Brunswick has been successfully accomplished. The first well (K78) was drilled with a lateral distance of approximately 600 meters and the second well (N88) with a lateral distance of approximately 800 meters, as planned pre-drill. In all aspects, the well results to date have met or exceeded Contact’s expectations.

An exceptionally high porosity, high permeability reservoir was encountered throughout both well bores. Petroleum indications were detected within all drilled portions of the reservoir, as indicated by strong hydrocarbon staining, fluorescence, and oil cut within drill cuttings. Elevated mud gas readings were also detected during the drilling of reservoir sections, suggesting a continuously hydrocarbon-charged interval.

The shorter K78 well was completed in 6 intervals and the N88 well was completed in 8 intervals. Contact believes that these open-hole multistage completions have successfully accessed the reservoir along the entire length of the wellbores and that future operations should be able to replicate the penetration of reservoir-dominated sections.

Both the K78 well and the N88 well exhibited reservoir pressures at or higher than anticipated. Both wells recovered fluid volumes at surface prior to pumping, significant in the case of K78, with pressures continuing to build confirming strong bottom-hole pressure and excellent hydrocarbon inflow from the reservoir.

The N88 well is currently pump restricted and producing 135bbl/d oil against a steady backpressure of approximately 500psi. Since being placed on production on December 15, 2010, N88 has produced total fluid at rates between 100 bbls/day and 200 bbls/day, with oil cuts steadily improving to approximately 70%. Initial production tests indicate that the N88 well could be capable of 500-700 bbls/d production, if all equipment restrictions were removed. The K78 well will be placed on production within the next 24 to 48 hours and is also equipment restricted to 200bbls of total fluid per day.

Contact is extremely pleased with the challenges of the higher than expected production rates observed from the two new horizontal wells and resultant completion technologies. The production equipment and facilities on-site were designed by Contact on a pre-drill basis to handle approximately double the initial monthly production from Contact’s most recent National Instrument 51-101 reserves evaluation and as such are not able to handle the full production capability of these

wells. The Company is now undertaking short-term equipment modifications to determine the feasibility of increasing initial production rates from current levels and is exploring alternatives to expand its oil production facilities. Contact is also reviewing future exploitation strategies and marketing arrangements to manage greater oil volumes than those seen in the recent past from the Stoney Creek field, and production rates higher than seen historically onshore Atlantic Canada.

Within the Stoney Creek oil field there are at least 12 additional locations for similar wells on Contact's lands as well as numerous locations for the completion of other oil zones identified by Contact.

Further, several prospective shallow oil targets, each similar in areal extent to the Stoney Creek Field, exist on adjacent Contact-held mineral licenses and leases. One such prospect at Hopewell is drill-ready and has demonstrated oil productivity through extensive testing of a nearby Contact oil well. Contact was successful at securing the final acreage block encompassing the Hopewell prospect at the November 23, 2010 New Brunswick land sale. Contact believes that the application of the same modern drilling and completion techniques used in its Stoney Creek program could ultimately lead to the recovery of economic volumes of oil from these reservoirs.

Contact is also pleased to provide an update on the technical assessment of the Company's unconventional shale gas resources by GLJ Petroleum Consultants Ltd. ("GLJ"). A draft Petroleum Initially-In-Place Study and Resource Assessment (the "Assessment") has been prepared by GLJ that confirms Contact's expectations for Total Petroleum Initially-In-Place volumes associated with the Frederick Brook Shale. Delivery of a final, National Instrument 51-101 compliant Assessment is expected on or about the end of January 2011.

Contact will continue to employ both the best technical and business strategies to develop its assets to maximize shareholder value.

Contact's management, employees and directors extend the warmest of holiday greetings to shareholders, friends and family as we look forward to an exciting New Year.

#### **About Contact Exploration Inc.**

Contact Exploration Inc. is a public company with a focus on Canadian East Coast onshore oil and gas production and exploration. Our philosophy is to operate production and exploration in our core area of Atlantic Canada and to participate through overrides and carried interests in certain regional unconventional plays, such as coalbed methane in the Cumberland Basin, shale gas in the Windsor area, and exploration on the west coast of Newfoundland. Contact has onshore interests in Nova Scotia, Newfoundland and New Brunswick which includes the Stoney Creek Field. In addition to the Atlantic Canadian properties, Contact has producing oil assets in south eastern Saskatchewan.

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