

CASPIAN ENERGY INC.

**Evaluation of Crude Oil Reserves
East Zhagabulak Field, Kazakhstan
Based on Forecast Prices and Costs**

As of December 31, 2005

**McDANIEL & ASSOCIATES
Consultants Ltd.**

Oil and Gas Reservoir Engineering

CASPIAN ENERGY INC.

**Evaluation of Crude Oil Reserves
East Zhagabulak Field, Kazakhstan
Based on Forecast Prices and Costs**

As of December 31, 2005

Prepared For:

**Caspian Energy Inc.
510, 703 – 6th Avenue, S.W.
Calgary, Alberta
T2P 0T9**

Prepared By:

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March 2006

CASPIAN ENERGY INC.
EVALUATION OF THE EAST ZHAGABULAK FIELD

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March 20, 2006

Caspian Energy Inc.
510, 703 – 6th Avenue S.W.
Calgary, Alberta
T2P 0T9

Attention: Mr. William Ramsay, CEO

Reference: **Caspian Energy Inc.**
Evaluation of Crude Oil Reserves
East Zhagabulak Field - Kazakhstan
Based on Forecast Prices and Costs

Dear Sir:

Pursuant to your request we have prepared an updated evaluation of the crude oil reserves and the net present values of these reserves for the East Zhagabulak field in the Republic of Kazakhstan, as of December 31, 2005.

The future net revenues and net present values presented in this report were calculated using forecast prices and costs based on McDaniel & Associates opinion of future crude oil prices at December 1, 2005 and were presented in United States dollars. The reserves estimates and future net revenue forecasts have been prepared in accordance with standards set out in the Canadian National Instrument NI 51-101 and the Canadian Oil and Gas Evaluation Handbook (COGEH).

The remaining crude oil reserves as of December 31, 2005 and the respective net present values assigned to these reserves based on "Forecast Prices and Costs" were estimated to be as follows:

**ESTIMATED COMPANY SHARE OF REMAINING RESERVES
AS OF DECEMBER 31, 2005
MBBL (1) (2) (3)**

	Proved Producing	Proved Undeveloped	Total Proved	Probable Additional	Proved + Probable
Light/Medium Crude Oil					
Gross (1)	1,159	1,283	2,442	3,139	5,581
Net (2)	1,090	1,224	2,314	3,038	5,351

- (1) Gross reserves include the working interest reserves before deductions of royalties payable to others.
(2) Net reserves include gross reserves after royalties payable to others plus royalty interest reserves.

**ESTIMATED COMPANY SHARE OF NET PRESENT VALUES
AS OF DECEMBER 31, 2005
\$1000 (1) (2) (3)**

	Net Present Value Discounted At				
	0%	5%	10%	15%	20%
Before Income Taxes					
Proved Developed Producing Reserves	9,079	8,156	7,389	6,745	6,197
Proved Undeveloped Reserves	16,650	13,755	11,480	9,661	8,186
Total Proved Reserves	25,729	21,911	18,869	16,406	14,384
Probable Additional Reserves	48,041	37,506	30,077	24,680	20,655
Total Proved + Probable Reserves	73,770	59,417	48,947	41,086	35,039
After Income Taxes					
Proved Developed Producing Reserves	9,079	8,156	7,389	6,745	6,197
Proved Undeveloped Reserves	11,624	9,305	7,507	6,088	4,952
Total Proved Reserves	20,703	17,461	14,896	12,833	11,149
Probable Additional Reserves	24,560	17,811	13,245	10,065	7,795
Total Proved + Probable Reserves	45,263	35,272	28,140	22,898	18,945
After Income Taxes & Repayment of the Caspian Loans (4)					
Proved Developed Producing Reserves	13,619	12,234	11,084	10,117	9,296
Proved Undeveloped Reserves	16,025	12,581	9,915	7,817	6,140
Total Proved Reserves	29,644	24,815	20,999	17,934	15,436
Probable Additional Reserves	32,452	24,069	18,287	14,189	11,216
Total Proved + Probable Reserves	62,096	48,884	39,286	32,123	26,653

- (1) Based on forecast prices and costs at December 31, 2005 (see Price Schedules Table 8).
(2) Interest expenses, corporate overhead and certain other non-production related expense obligations of the North Block exploration contract were not included.
(3) The net present values may not necessarily represent the fair market value of the reserves.
(4) Includes repayment of the Caspian Exploration Cost Loans (see below)

It should be noted that Caspian is obligated to fund 100 percent of all exploration costs and negative cash flows after all taxes up to a maximum of \$84 million upon which 50 percent of the after tax cash flow will go to Caspian to repay the loaned amounts then the remainder is split 50 percent Caspian and 50 percent Azden Management Limited (Caspian's joint venture partner). The full \$84 million obligation is not reached in this evaluation so the repayment is assumed to commence on the first year that positive cash flows occur.

The remaining reserves and net present values for the East Zhagabulak field are summarized in Table 1. A map showing the location of the North Block in Kazakhstan and a map showing the various fields within the block are presented in Figures 1 and 2 respectively. Tables summarizing the reserves, production and revenues for each of the various reserve classes are presented in Tables 2 to 4. A graphical presentation of the historical production and future production forecasts are presented in Figures 4 and 5. An overview of the property and a discussion of the methodology for estimating the reserves and revenue forecasts are presented in the Property Discussion of this report.

In preparing this report, we relied upon certain factual information including ownership and fiscal terms, well data, production data, historical revenues, historical operating costs, and other relevant data supplied by Caspian Energy. The supplied information was only relied upon where in our opinion it appeared reasonable and consistent with our knowledge of the properties however no independent verification of the information was made. We have also relied upon written representations made by Caspian Energy as to the completeness and accuracy of the data provided.

This report was prepared by McDaniel & Associates Consultants Ltd. for the exclusive use of Caspian Energy Inc. and is not to be reproduced, distributed or made available, in whole or in part, to any person, company or organization other than Caspian Energy Inc. without the knowledge and consent of McDaniel & Associates Consultants Ltd. We reserve the right to revise any estimates provided herein if any relevant data existing prior to preparation of this report was not made available, if any data between the effective date of the evaluation and the date of this report were to vary significantly from that forecast, or if any data provided was found to be erroneous.

Sincerely,

McDANIEL & ASSOCIATES CONSULTANTS LTD.

“signed by B. H. Emslie”

B. H. Emslie, P. Eng.

“signed by A. Tchernavskikh”

A. Tchernavskikh, P. Geol.

BHE/AT:po
[06-040]

**PERMIT TO PRACTICE
McDANIEL & ASSOCIATES CONSULTANTS LTD.**

Signature “signed by P. A. Welch”

Date Monday, March 20, 2006

PERMIT NUMBER: P 3145

The Association of Professional Engineers,
Geologists and Geophysicists of Alberta

CERTIFICATE OF QUALIFICATION

I, Bryan Howard Emslie, Petroleum Engineer of 2200, 255 - 5th Avenue S.W., Calgary, Alberta, Canada hereby certify:

1. That I am a Senior Vice President of McDaniel & Associates Consultants Ltd. which Company did prepare, at the request of Caspian Energy Inc., the report entitled "Caspian Energy Inc., Evaluation of Crude Oil Reserves, East Zhagabulak Field, Kazakhstan, Based on Forecast Prices and Costs, As of December 31, 2005", dated March 20, 2006; and that I was involved in the preparation of this report.
2. That I attended the University of Alberta in the years 1973 to 1980 and that I graduated with a Bachelor of Science Degree in Mechanical Engineering, that I am a registered Professional Engineer of the Association of Professional Engineers, Geologists & Geophysicists of Alberta and that I have in excess of twenty-five years experience in oil and gas reservoir studies and evaluations.
3. That McDaniel & Associates Consultants Ltd., its officers or employees, have no direct or indirect interest, nor do they expect to receive any direct or indirect interest in any properties or securities of Caspian Energy Inc., any associate or affiliate thereof.
4. That the aforementioned report was not based on a personal field examination of the properties in question, however, such an examination was not deemed necessary in view of the extent and accuracy of the information available on the properties in question.

“signed by B. H. Emslie”

B. H. Emslie, P. Eng.

Calgary, Alberta

Dated: March 20, 2006

CERTIFICATE OF QUALIFICATION

I, Anatoli V. Tchernavskikh, Petroleum Geologist, of 2200, 255 - 5th Avenue, S.W., Calgary, Alberta, Canada hereby certify:

1. That I am the Manager of International Geology of McDaniel & Associates Consultants Ltd. which Company did prepare, at the request of Caspian Energy Inc., the report entitled "Caspian Energy Inc., Evaluation of Crude Oil Reserves, East Zhagabulak Field, Kazakhstan, Based on Forecast Prices and Costs, As of December 31, 2005", dated March 20, 2006; that I was involved in the preparation of this report.
2. That I attended Moscow State University (Russia) in the years 1984 to 1991, graduating with a Honorary Master of Science degree in Geology; that I am a registered Professional Geologist of The Association of Professional Engineers, Geologists & Geophysicists of Alberta and that I have in excess of twelve years experience in oil and gas reservoir studies and evaluations.
3. That McDaniel & Associates Consultants Ltd., its officers or employees, have no direct or indirect interest, nor do they expect to receive any direct or indirect interest in any properties or securities of Caspian Energy Inc., any associate or affiliate thereof.
4. That the aforementioned report was not based on a personal field examination of the properties in question, however, such an examination was not deemed necessary in view of the extent and accuracy of the information available on the properties in question.

“signed by A. V. Tchernavskikh”

A. V. Tchernavskikh, P. Geol.

Calgary, Alberta

Dated: March 20, 2006

CASPIAN ENERGY INC.

Evaluation of Crude Oil Reserves East Zhagabulak Field - Kazakhstan As of December 31, 2005

Property Discussion

INTRODUCTION

Crude oil reserves estimates and the associated net present values were evaluated in this report for the interests of Caspian Energy in the East Zhagabulak field of Western Kazakhstan. The reserves were estimated at December 31, 2005 and the revenue forecasts and net present value estimates were calculated using forecast prices and costs using our opinion of future crude oil prices at December 1, 2005 and were presented in United States dollars. The reserves estimates presented herein were estimated as of the effective date and based on information available to that time. The reserves estimates and future net revenue forecasts have been prepared in accordance with standards set out in the Canadian National Instrument NI 51-101 and the Canadian Oil and Gas Evaluation Handbook (COGEH).

An overview of the property and a discussion of the methodology employed in arriving at the reserves and net present value estimates is presented below.

PROPERTY OVERVIEW

Caspian Energy Inc. ("Caspian") holds an indirect 50 percent interest in Aral Petroleum Capital Limited Liability Partnership ("Aral"), which holds all rights, title and interest in the North Block Exploration Contract of Western Kazakhstan. Caspian acquired its interest from its joint venture partner, Azden Management Limited ("Azden"), in June 2004.

Aral signed the exploration contract for the North Block on December 28, 2002. The contract has a three year term with provisions for up to two, two year extensions so is currently in the second extension period. As part of the shareholders agreement between Caspian and Aral, Caspian will fund up to US\$84 million for the first stage of exploration on the North Block. Once this funding amount is reached, the loaned amounts are repaid to Caspian out of 50 percent of the total Aral after tax cash flow and the remaining 50 percent of the after tax cash flow is split 50/50 between Caspian and Azden. Since the full \$84 million is not reached in any of the reserves cases in this report, repayment was assumed to occur the first year that positive cash flows occur. Since these funds are provided in the form of a loan, Caspian's share of the

production, revenue and costs for each reserves case are presented in Tables 2 to 4 based on a 50 percent interest. Separate cash flow forecasts including the effects of Caspian's funding obligations and repayment are also presented in Tables 2 to 4.

The North Block covers an area of approximately 3,458 square kilometers and is located approximately 200 kilometers south of the city of Aktobe in the Aktyubinsk Oblast as shown in Figure 1. Exploration within the area covered by the block was conducted during the 1982 to 1994 period and was successful in discovering several large oil and gas fields including Alibekmola, Zhanazhol and Kenkiyak. Aral currently owns one producing oil field, the East Zhagabulak field, and has several oil prospects that are currently in the exploration stage. There are several producing and non-producing oil fields within the boundary of the block (see Figure 2) which are excluded from Aral's Exploration Contract.

Aral re-entered one of the older exploration wells in the East Zhagabulak field, EZ-213, in February 2004 and re-perforated and tested the well in the Carboniferous KT-2 zone. The well was put on production and was producing at a rate of approximately 300 barrels of light crude oil per day in late 2005. A rate versus time and rate versus cumulative production history and forecast plot is presented in Figures 6 and 7. An acid frac and workover is planned in 2006 which is expected to result in a much higher rate.

A new well was drilled in the East Zhagabulak field in late 2005, the EZ-301 well, which encountered the same Carboniferous KT-2 zone as seen in EZ-213. This well was completed in early 2006 and will be put on production after upgrading the production facilities in early 2006. A third East Zhagabulak well was drilling in early 2006 and it is likely that further wells will be drilled as the field is further defined.

The East Zhagabulak field is currently operating under a pilot production project. It was assumed in this report that a full field development project would be approved by January 1, 2008.

Caspian intends to conduct exploration activities on other structures throughout the block. At this time, crude oil reserves have only be assigned to the East Zhagabulak field since the data available for the other structures within the contract is either not available or does not support a reserves assignment.

SOURCE AND QUALITY OF DATA

Essentially all of the basic information employed in the preparation of this report was obtained from Aral's files. McDaniel & Associates have traveled to Aral's offices in Almaty, Kazakhstan on several occasions to collect data and discuss geological interpretations with Aral staff.

The data available for the evaluation consisted of digital logs for the well EZ-301, digital and hardcopy well logs for the EZ-213 well and hardcopy well logs for two other nearby wells. A well file for EZ-213 was provided which included core analyses, paleontology data and DST test results. A core description and analysis, mud log, sample description and comprehensive test data were provided for the EZ-301 well. 2D seismic sections were provided for most of the lines covering the East Zhagabulak field. The new 3D seismic data and interpretation for the East Zhagabulak area were provided for review.

Production data on a daily basis was provided to December 31, 2005 and financial operating statements were provided from the start of production to December 31, 2005.

It should be noted that McDaniel & Associates has prepared reserves evaluations of other analogous oil fields in the area and is therefore familiar with the geological and reservoir engineering characteristics of the area and the local oil and gas operating practices.

The data for old wells provided for the evaluation of the East Zhagabulak was considered to be of average Soviet quality for this type of property. The new seismic data and data for the well EZ-301 are excellent quality and prepared under western standards. In our opinion, the data is sufficient to provide confident estimates of the reserves and revenue forecasts.

GEOLOGY

Regional Geology

The East Zhagabulak field is located in the Pre-Caspian sedimentary basin, which is a world-class hydrocarbon province, located on the southeastern margin of the Russian Platform. This basin covers an area of some 200,000 square miles and extends south into the northernmost part of the Caspian Sea.

The Pre-Caspian Basin is a pericratonic depression that formed during Late Proterozoic-Early Paleozoic time. It is bounded on the east by the Mugodzhary Mountains and to the southeast and south by other orogenic belts. In the north, the basin is separated by the Voronezh Massif in the west and by the Volga-Urals Platform high in the north.

The Basin is characterized by a series of down-to-the-basin sub parallel faults along the margin of the basin. This resulted in the formation of a series of grabens, half grabens and prominent ridges.

Deposition within the basin is divided into three mega sequences: sub-salt, salt-bearing and supra-salt. The sub-salt deposition is characterized by thick marine carbonates and clastic rocks

of Middle and Upper Devonian, Carboniferous and Lower Permian age. These carbonates were deposited as thick porous build-ups on the margin of the basin and central ridges, forming excellent hydrocarbon reservoirs. During this time, thick organic rich clastics and carbonates were deposited within majority of basin areas, forming excellent hydrocarbon source rocks.

In Middle Permian time the basin conditions became more restrictive resulting in the deposition of a thick layer of Permian Kungurian salt-bearing sediments over the entire basin. The salt formed a basin wide hydrocarbon seal for the Paleozoic reservoir. In addition, the low heat conductivity of the salt resulted in a faster oil generation process in the pre-salt sediments. Hydrocarbons generated in the Paleozoic source rocks migrated into the sub-salt carbonate reservoirs and above salt Mesozoic rocks along the basin margin.

The Pre-Caspian Basin is one of the richest hydrocarbon basins in the world. The Basin contains several super-giant sub-salt fields, Tengiz (6 to 9 billion barrels of recoverable oil reserves), Karachaganak (47 trillion cubic feet of natural gas, 4.7 billion barrels of gas condensate and 1.4 billion barrels of oil) and Astrakhan (located in the Russian area of the Basin). In addition there are a number of smaller sub-salt fields in the basin. The depth to reservoir in these fields varies from 6,000 to 17,000 feet.

The supra-salt deposition was composed primarily of terrigenous clastic sediments of Upper Permian, Triassic, Jurassic and Cretaceous age. The deposition and hydrocarbon trapping of the post-salt sequence was dominated by complex salt tectonics. There are a number of different types of structural and stratigraphic trap plays including, sediment drape along the flanks of salt domes, crestal highs over underlying salt domes and structural and stratigraphic traps under overhanging salt pillows.

Geology of the East Zhagabulak Field

The East Zhagabulak field is located in the north-eastern area of the Pre-Caspian Basin within the Zhanazhol tectonic step. The depositional sequence underlying the East Zhagabulak field consists of sub salt Paleozoic carbonates and clastic rocks, Permian salty clastic rocks overlain by Triassic, Jurassic and Cretaceous clastic sediments, and capped by thin Paleocene and younger deposits. No basement rocks have been penetrated in the field.

The oldest sedimentary rocks penetrated in the field are of the Viesean age (Serpukhovian stage (C2s)) of the Lower Carboniferous. The Middle Carboniferous contains the proven productive zones referred to as the KT-2-1 and KT-2-2 zones which belong to Moscovian and Bashkirian stages of the Middle Carboniferous (Pennsylvanian) and consist of organic limestone, dolomite and shale.

The East Zhagabulak field is interpreted to be a low amplitude north-south trending anticline structure located on the monocline north slope of the Zhanazhol high approximately 3 to 5 kilometers east of the Alibekmola field. There is a system of faults and a synclinal structure separating the Alibekmola high to the east and the East Zhagabulak structural area. A structure map for the seismic horizon C2b (located in the upper part of the KT-2-2) was used to identify potential pool outlines (see Figure 3).

The East Zhagabulak structure appears to be a small anticline limited by faults on the east and southwest sides. The displacements of the faults are in the range from 25 to 100 meters. There is some uncertainty related to the sealing ability of the faults, especially the fault on the southwest side of the pool. If this fault is not sealing the pool could be significantly larger than mapped. Caspian Energy is currently drilling the well EZ-302, located 3.6 kilometers southwest of the EZ-301 well to find a possible pool extension.

There are number of low displacement faults in a northwest southeast direction that were interpreted in the area. One of these faults must be sealing to prevent hydrocarbon migration to Zhanazhol high. Previous studies did not interpret East Zhagabulak as an anticlinal structure but rather interpreted the trap to be lithological formed by facies changes. A lithological trap, or a structural barrier, must therefore exist in the south part of the field to form a trap for hydrocarbons.

The East Zhagabulak field area was by covered by several vintages of 2D seismic run from the 1970's to the 1990's. The quality of the data is generally poor to fair due to the older technology which has difficulty in accurately imaging reservoirs below the overlying Permian salt which has significant variations in thickness over the area.

New 3D seismic was run in the East Zhagabulak area in 2004 and 2005. The quality of this seismic is good. The new structural interpretation presented in Figure 4 is based on the 3D seismic and tops for the existing exploratory wells.

Stratigraphy and Petrophysical Parameters

There are two oil-bearing zones in the East Zhagabulak field identified as the Carboniferous KT-2-1 and KT-2-2. Each of the productive zones is described in more detail below.

Carboniferous KT-2-2 Zone

The KT-2-2 zone is part of the Cheremshanski formation (Bashkirian stage) of Carboniferous age. The EZ-213 and EZ-301 wells were interpreted to have oil pay in this zone. The correlation between wells is very clear. The new well EZ-301

encountered the top of the KT-2 at a depth of –4,267 meters subsea, which is 23 meters structurally higher than the old well EZ-213. The EZ-211 well penetrated only top of the zone and was abandoned due to instable well bore conditions during drilling. Well 214 in the Alibek South field to the southeast penetrated only tight rocks in the KT-2-2 interval.

The KT-2-2 formation consists of algal, foraminiferal and biomorphous limestone deposited as a massive carbonate bank in a shallow marine or restricted lagoon environment. The oil-bearing interval contains clean limestone interbedded with shale and rarely dolomite intervals. The net to gross ratio above the oil-water contact is approximately 38 percent. The zone consists of a large number of permeable intervals, 3 to 35 feet thick, which are separated by tight carbonate stringers.

The trapping mechanism is interpreted to be a combination of a structural dome closure, plus facies changes (tight zones). The oil water contact was estimated to be at a depth of –14,659 ft SS (-4,468 m) based on test data and log interpretation of the well EZ-213. The lowest tested oil in the well EZ-301 is at a depth of –4,452 meters subsea.

The net oil pay thickness was estimated to range from 199 to 273 feet. The average porosity of the KT-2-2 zone was estimated to be 7.8 percent and the average water saturation 32 percent. The net pay and average porosity were based on a 5.5 percent effective porosity cutoff.

Carboniferous KT-2-1 Zone

The KT-2-1 zone (KT-1 in Caspian Energy’s classification) comprises the Kashirski and Vereyski formations of Carboniferous age. The KT-2-1 is separated from the underlying KT-2-2 zone by a tight and shaley carbonate interval approximately 100 feet thick.

The KT-2-1 zone consists of a clean limestone with minor dolomite and shale layers and the reservoir rocks consist of algal, foraminiferal and biomorphous limestone with primary and secondary porosity. The EZ-211 well encountered 191 feet of net pay but tested only 25 m³/day during production testing. This well was reported to be abandoned and not suitable for re-entry due to the poor condition of the casing. The well EZ-213 is interpreted to have 17.9 meters (58.7 feet) of net oil pay in Kashirski formation and the well EZ-301 – 5.4 meters (17.7 feet) of net oil pay. The test over this interval in the well EZ-301 demonstrated very low productivity of this zone. The KT-2-1 zone in the EZ-214 well was interpreted to be tight. No oil reserves for the KT-2-1 zone were assigned in this report.

CRUDE OIL RESERVES ESTIMATES

Crude oil reserves estimates for the Carboniferous KT-2 zone in the East Zhagabulak field were based on a study of the volumetric data and performance characteristics of the two existing wells and are summarized in Table 5. A summary of the reservoir and fluid characteristics for the pool is presented in Table 6.

Volumetric estimates of the oil in place were difficult to assess due to the limited well data so the original oil in place estimates was based on the net pay for the well and the areas as shown in the reserves classification map in Figure 4. The proved producing area was estimated to be 300 acres, the total proved area, 600 acres and the proved plus probable area, 800 acres. The resulting recovery factors range from 15 to 25 percent for the three reserves categories.

There are several other nearby fields with producing Carboniferous KT-2 zone oil pools including the Alibekmola, South Alibek and Zhanazhol fields. The KT-2 pools in these fields contain an undersaturated crude oil with no active aquifer. Most of these fields are therefore developed with water injection projects and are projected to achieve recoveries in the range of 20 to 40 percent of the original oil in place.

The proved producing reserves for the EZ-213 well were based on a production rate decline analysis. Production rate versus time and rate versus cumulative production history plots are presented for the EZ-213 well in Figures 6 and 7. The recently drilled EZ-301 well did not have a production test by the end of the 2005 so the production forecast for this well was based on the rates experienced for other similar nearby wells.

The drilling of the EZ-213 well lasted for approximately 19 months so like many Soviet exploration wells; it likely suffered significant formation damage. Production potential is likely much higher than the rates currently exhibited but achieving higher rates will require an acid stimulation. An acid frac is planned for 2006 however a major workover is required to fish out a wireline tool that was accidentally lost downhole in early 2005.

The total proved reserves case included an acid frac in the EZ-213 well resulting in an increase in the production rate for the well to 650 bopd. A third well was also forecast to be drilled as shown in Figure 5 in the total proved reserves case.

The proved plus probable reserves case included a fourth production well and the implementation of a water injection project with a new water injection well and the associated injection facilities. A summary of the production forecast for each of the three reserves cases is presented in Tables 2 to 4 as well as graphically in Figure 5.

RESERVES CLASSIFICATION

The crude oil and natural gas reserves estimates presented in this report were based on the Canadian reserves definitions and guidelines prepared by the Standing Committee on Reserves Definitions of the CIM (Petroleum Society) as presented in the COGE Handbook. A summary of those definitions is presented below.

Reserves Categories

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on

- analysis of drilling, geological, geophysical and engineering data;
- the use of established technology; and
- specified economic conditions, which are generally accepted as being reasonable, and shall be disclosed.

Reserves are classified according to the degree of certainty associated with the estimates

- **Proved reserves** are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.
- **Probable reserves** are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.
- **Possible reserves** are those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves.

Other criteria that must also be met for the categorization of reserves are provided in the COGE Handbook.

Development and Production Status

Each of the reserves categories (proved, probable and possible) may be divided into developed and undeveloped categories:

- **Developed reserves** are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided

into producing and non-producing.

- **Developed producing reserves** are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.
- **Developed non-producing reserves** are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.
- **Undeveloped reserves** are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable, possible) to which they are assigned.

In multi-well pools it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to subdivide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator's assessment as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status.

Levels of Certainty for Reported Reserves

The qualitative certainty levels referred to in the definitions above are applicable to individual reserves entities (which refers to the lowest level at which reserves calculations are performed) and to reported reserves (which refers to the highest-level sum of individual entity estimates for which reserves estimates are presented). Reported reserves should target the following levels of certainty under a specific set of economic conditions:

- at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves;
- at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves; and
- at least a 10 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable plus possible reserves.

Additional clarification of certainty levels associated with reserves estimates and the effect of aggregation is provided in the COGE Handbook.

REVENUE FORECASTS

The net present values of the crude oil reserves were based on future production and revenue analyses. All of the revenues and costs presented in this report were presented in US dollars and include an allowance for Kazakhstan taxes. A summary of the economic parameters and fiscal terms are presented in Table 7. It should be noted that the exploration contract specifies certain work obligations which were not included in this evaluation.

The future crude oil revenue was derived by employing the future production forecast for each reserves category and the McDaniel & Associates December 31, 2005 forecast of future crude oil prices. Crude oil production is currently sold to domestic markets however it was assumed that a full field development project would be approved for the field on January 1, 2008 and most of the crude oil production would then be sold to export markets. Future crude oil prices were based on the McDaniel & Associates Brent crude oil price forecast and our opinion of future export and domestic prices in the area. A summary of the resulting field price forecasts is presented in Table 8.

The East Zhagabulak field was indicated to be subject to a 10 percent royalty during the exploration term to the end of 2007. During the development phase commencing January 1, 2008, the royalties were forecast to be based on a sliding scale formula as described in Table 7. In addition, rent tax would also be applicable to exported volumes as described in Table 7.

The operating and capital costs were based on Caspian's 2006 operating and capital budget as described in Table 7 and 9. Well abandonment costs were included at the end of the production forecast based on \$50,000 per well.

The field net revenues are subject to a variety of taxes. A summary of the applicable taxes and tax pools are presented in Table 7.

The revenue forecasts and net present value estimates for the probable reserves were calculated by subtracting the proved producing forecasts from the total proved plus probable forecasts.

A summary of the reserve and net present value estimates were presented in Table 1 on a before and after tax basis and detailed revenue forecasts for the proved producing, total proved and the proved plus probable reserves in Tables 2, 3 and 4 respectively. Separate cash flow forecasts and net present value estimates, including the effects of Caspian's funding obligations and repayment, are also presented in Tables 1 to 4.

Caspian Energy Ltd.
East Zhagabulak Field - Kazakhstan
Summary of Reserves and Net Present Values
Forecast Price Case as of December 31, 2005

Table 1

Summary of Remaining Reserves (1)

<u>Reserve Category</u>	<u>Crude Oil Reserves - Bbls</u>			<u>Crude Oil Reserves - Tonnes</u>		
	Property	Caspian	Caspian	Property	Caspian	Caspian
	Gross	Gross	Net	Gross	Gross	Net
	Mbbl	Mbbl	Mbbl	MT	MT	MT
Proved Producing Reserves	2,318	1,159	1,090	304	152	143
Proved Undeveloped Reserves	2,567	1,283	1,224	336	168	160
Total Proved Reserves	4,885	2,442	2,314	640	320	303
Probable Reserves	6,278	3,139	3,038	822	411	398
Proved Plus Probable Reserves	11,163	5,581	5,351	1,462	731	701

Summary of Caspian Net Present Values Before Income Taxes

<u>Reserve Category</u>	<u>\$M US Dollars</u>					
	0.0%	5.0%	10.0%	15.0%	20.0%	
Proved Producing Reserves		9,079	8,156	7,389	6,745	6,197
Proved Undeveloped Reserves		16,650	13,755	11,480	9,661	8,186
Total Proved Reserves		25,729	21,911	18,869	16,406	14,384
Probable Reserves		48,041	37,506	30,077	24,680	20,655
Proved Plus Probable Reserves		73,770	59,417	48,947	41,086	35,039

Summary of Caspian Net Present Values After Income Taxes

<u>Reserve Category</u>	<u>\$M US Dollars</u>					
	0.0%	5.0%	10.0%	15.0%	20.0%	
Proved Producing Reserves		9,079	8,156	7,389	6,745	6,197
Proved Undeveloped Reserves		11,624	9,305	7,507	6,088	4,952
Total Proved Reserves		20,703	17,461	14,896	12,833	11,149
Probable Reserves		24,560	17,811	13,245	10,065	7,795
Proved Plus Probable Reserves		45,263	35,272	28,140	22,898	18,945

Summary of Caspian Net Present Values After Income Taxes and Repayment of the Caspian Funds

<u>Reserve Category</u>	<u>\$M US Dollars</u>					
	0.0%	5.0%	10.0%	15.0%	20.0%	
Proved Producing Reserves		13,619	12,234	11,084	10,117	9,296
Proved Undeveloped Reserves		16,025	12,581	9,915	7,817	6,140
Total Proved Reserves		29,644	24,815	20,999	17,934	15,436
Probable Reserves		32,452	24,069	18,287	14,189	11,216
Proved Plus Probable Reserves		62,096	48,884	39,286	32,123	26,653

(1) Gross reserves are before deducting royalties.

Net reserves are after deducting royalties.

Conversion from Tonnes to Barrels 7.637

Caspian Energy Ltd.
East Zhagabulak Field - Kazakhstan
Forecast of Production and Revenues
Proved Producing Reserves
Forecast Price Case as of December 31, 2005

Table 2

Property Gross Share of Production and Gross Revenues

Year	Producing Well Count	Crude Oil			Crude Oil Price US\$/bbl	Total Sales Revenue US\$M
		Daily Rate Bopd	Annual Volume Mbbl	Annual Volume MT		
2006	2	1,762	643	84	25.50	16,399
2007	2	1,389	507	66	24.30	12,321
2008	2	1,097	401	52	38.49	15,417
2009	2	868	317	41	36.03	11,418
2010	2	688	251	33	33.96	8,529
2011	2	546	199	26	34.84	6,943
2012	-	-	-	-	35.79	-
2013	-	-	-	-	36.66	-
2014	-	-	-	-	37.70	-
2015	-	-	-	-	38.65	-
2016	-	-	-	-	39.61	-
2017	-	-	-	-	40.72	-
2018	-	-	-	-	41.75	-
2019	-	-	-	-	42.79	-
2020	-	-	-	-	43.98	-
Rem.	-	-	-	-	-	-
Total			2,318	304		71,027

Property Gross Share of Royalties, Expenses and Net Revenues Before Income Tax

Year	State Royalties US\$M	State Royalties %	Export Rent Tax US\$M	Commerc. Disc. Bon. US\$M	Operating Costs US\$M	Operating Costs US\$/bbl	Aband. Costs US\$M	Capital Costs US\$M	Net Cash Flow B. Tax US\$M
2006	1,640	10.0	-	-	5,293	8.23	-	6,354	3,112
2007	1,232	10.0	-	-	5,425	10.70	-	-	5,663
2008	308	2.0	4,796	71	5,561	13.88	-	-	4,680
2009	228	2.0	3,238	-	5,152	16.26	-	-	2,800
2010	171	2.0	2,263	-	4,718	18.79	-	-	1,377
2011	139	2.0	1,906	-	4,260	21.37	113	-	525
2012	-	-	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-	-	-
2014	-	-	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-	-	-
2020	-	-	-	-	-	-	-	-	-
Rem.	-	-	-	-	-	-	-	-	-
Total	3,718	5.2	12,203	71	30,409	13.12	113	6,354	18,159

Caspian Share of Production and Revenues Before and After Tax

Year	Gross Annual Oil Production Mbbl	Net Annual Oil Production Mbbl	Net Cash Flow B. Tax US\$M	Cum Rev. B.T. US\$M	NPV B.T. at 10.0% US\$M	Corporate Tax US\$M	Excess Profits Tax US\$M	Net Cash Flow A.T. US\$M	Cum Rev. A.T. US\$M	NPV A.T. at 10.0% US\$M	Net Cash Flow A.T. & Funds Repayment US\$M	Cum Rev. A.T. & Funds Repayment US\$M	NPV AT & Funds Repaym. @ 10.0% US\$M
2006	322	289	1,556	1,556	1,484	-	-	1,556	1,556	1,484	2,334	2,334	2,226
2007	254	228	2,832	4,388	2,454	-	-	2,832	4,388	2,454	4,247	6,582	3,682
2008	200	196	2,340	6,728	1,844	-	-	2,340	6,728	1,844	3,510	10,092	2,766
2009	158	155	1,400	8,128	1,003	-	-	1,400	8,128	1,003	2,100	12,192	1,504
2010	126	123	689	8,817	448	-	-	689	8,817	448	1,033	13,225	673
2011	100	98	263	9,079	155	-	-	263	9,079	155	394	13,619	233
2012	-	-	-	9,079	-	-	-	-	9,079	-	-	13,619	-
2013	-	-	-	9,079	-	-	-	-	9,079	-	-	13,619	-
2014	-	-	-	9,079	-	-	-	-	9,079	-	-	13,619	-
2015	-	-	-	9,079	-	-	-	-	9,079	-	-	13,619	-
2016	-	-	-	9,079	-	-	-	-	9,079	-	-	13,619	-
2017	-	-	-	9,079	-	-	-	-	9,079	-	-	13,619	-
2018	-	-	-	9,079	-	-	-	-	9,079	-	-	13,619	-
2019	-	-	-	9,079	-	-	-	-	9,079	-	-	13,619	-
2020	-	-	-	9,079	-	-	-	-	9,079	-	-	13,619	-
Rem.	-	-	-	9,079	-	-	-	-	9,079	-	-	13,619	-
Total	1,159	1,090	9,079		7,389	-	-	9,079		7,389	13,619		11,084

McDaniel & Associates
Consultants Ltd.

Caspian Energy Ltd.
East Zhagabulak Field - Kazakhstan
Forecast of Production and Revenues
Total Proved Reserves
Forecast Price Case as of December 31, 2005

Table 3

Property Gross Share of Production and Gross Revenues

Year	Producing Well Count	Crude Oil			Crude Oil Price US\$/bbl	Total Sales Revenue US\$M
		Daily Rate Bopd	Annual Volume Mbbl	Annual Volume MT		
2006	3	2,563	935	122	25.50	23,850
2007	3	2,918	1,065	139	24.30	25,885
2008	3	2,265	827	108	38.49	31,819
2009	3	1,757	641	84	36.03	23,110
2010	3	1,364	498	65	33.96	16,905
2011	3	1,058	386	51	34.84	13,456
2012	3	821	300	39	35.79	10,728
2013	3	637	233	30	36.66	8,528
2014	-	-	-	-	37.70	-
2015	-	-	-	-	38.65	-
2016	-	-	-	-	39.61	-
2017	-	-	-	-	40.72	-
2018	-	-	-	-	41.75	-
2019	-	-	-	-	42.79	-
2020	-	-	-	-	43.98	-
Rem.	-	-	-	-	-	-
Total			4,885	640		154,281

Property Gross Share of Royalties, Expenses and Net Revenues Before Income Tax

Year	State Royalties US\$M	State Royalties %	Export Rent Tax US\$M	Commerc. Disc. Bon. US\$M	Operating Costs US\$M	Operating Costs US\$/bbl	Aband. Costs US\$M	Capital Costs US\$M	Net Cash Flow B. Tax US\$M
2006	2,385	10.0	-	-	5,393	5.77	-	21,714	(5,642)
2007	2,588	10.0	-	-	5,528	5.19	-	-	17,768
2008	636	2.0	9,899	154	5,666	6.85	-	-	15,463
2009	462	2.0	6,554	-	5,808	9.05	-	-	10,287
2010	338	2.0	4,486	-	5,953	11.96	-	-	6,128
2011	269	2.0	3,694	-	5,525	14.30	-	-	3,967
2012	215	2.0	3,043	-	5,073	16.92	-	-	2,397
2013	171	2.0	2,497	-	4,594	19.75	178	-	1,088
2014	-	-	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-	-	-
2020	-	-	-	-	-	-	-	-	-
Rem.	-	-	-	-	-	-	-	-	-
Total	7,064	4.6	30,172	154	43,540	8.91	178	21,714	51,458

Caspian Share of Production and Revenues Before and After Tax

Year	Gross Annual Oil Production Mbbl	Net Annual Oil Production Mbbl	Net Cash Flow B. Tax US\$M	Cum Rev. B.T. US\$M	NPV B.T. at 10.0% US\$M	Corporate Tax US\$M	Excess Profits Tax US\$M	Net Cash Flow A.T. US\$M	Cum Rev. A.T. US\$M	NPV A.T. at 10.0% US\$M	Net Cash Flow A.T. & Funds Repayment US\$M	Cum Rev. A.T. & Funds Repayment US\$M	NPV AT & Funds Repaym. @ 10.0% US\$M
2006	468	421	(2,821)	(2,821)	(2,690)	-	-	(2,821)	(2,821)	(2,690)	(5,642)	(5,642)	(5,379)
2007	533	479	8,884	6,063	7,701	1,295	734	6,855	4,035	5,942	10,283	4,642	8,913
2008	413	405	7,732	13,795	6,092	1,356	271	6,104	10,139	4,810	9,157	13,798	7,215
2009	321	314	5,143	18,939	3,685	806	16	4,321	14,460	3,096	6,482	20,280	4,643
2010	249	244	3,064	22,003	1,995	355	-	2,709	17,169	1,764	4,063	24,344	2,646
2011	193	189	1,984	23,986	1,174	163	-	1,820	18,990	1,078	2,730	27,074	1,616
2012	150	147	1,199	25,185	645	29	-	1,169	20,159	629	1,754	28,828	944
2013	116	114	544	25,729	266	-	-	544	20,703	266	816	29,644	399
2014	-	-	-	25,729	-	-	-	-	20,703	-	-	29,644	-
2015	-	-	-	25,729	-	-	-	-	20,703	-	-	29,644	-
2016	-	-	-	25,729	-	-	-	-	20,703	-	-	29,644	-
2017	-	-	-	25,729	-	-	-	-	20,703	-	-	29,644	-
2018	-	-	-	25,729	-	-	-	-	20,703	-	-	29,644	-
2019	-	-	-	25,729	-	-	-	-	20,703	-	-	29,644	-
2020	-	-	-	25,729	-	-	-	-	20,703	-	-	29,644	-
Rem.	-	-	-	25,729	-	-	-	-	20,703	-	-	29,644	-
Total	2,442	2,314	25,729		18,869	4,005	1,021	20,703		14,896	29,644		20,999

McDaniel & Associates
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Caspian Energy Ltd.
East Zhagabulak Field - Kazakhstan
Forecast of Production and Revenues
Total Proved + Probable Reserves
Forecast Price Case as of December 31, 2005

Table 4

Property Gross Share of Production and Gross Revenues

Year	Producing Well Count	Crude Oil			Crude Oil Price US\$/bbl	Total Sales Revenue US\$M
		Daily Rate Bopd	Annual Volume Mbbl	Annual Volume MT		
2006	3	3,146	1,148	150	25.50	29,277
2007	4	4,980	1,818	238	24.30	44,170
2008	4	4,516	1,648	216	38.49	63,446
2009	4	3,708	1,354	177	36.03	48,767
2010	4	3,047	1,112	146	33.96	37,774
2011	4	2,505	914	120	34.84	31,857
2012	4	2,061	752	99	35.79	26,924
2013	4	1,696	619	81	36.66	22,702
2014	4	1,397	510	67	37.70	19,221
2015	4	1,151	420	55	38.65	16,236
2016	4	949	346	45	39.61	13,713
2017	4	782	285	37	40.72	11,625
2018	4	645	235	31	41.75	9,832
2019	-	-	-	-	42.79	-
2020	-	-	-	-	43.98	-
Rem.	-	-	-	-	-	-
Total			11,163	1,462		375,545

Property Gross Share of Royalties, Expenses and Net Revenues Before Income Tax

Year	State Royalties US\$M	State Royalties %	Export Rent Tax US\$M	Commerc. Disc. Bon. US\$M	Operating Costs US\$M	Operating Costs US\$/bbl	Aband. Costs US\$M	Capital Costs US\$M	Net Cash Flow B. Tax US\$M
2006	2,928	10.0	-	-	5,393	4.70	-	21,714	(758)
2007	4,417	10.0	-	-	5,630	3.10	-	10,250	23,873
2008	1,269	2.0	19,738	376	5,771	3.50	-	14,709	21,584
2009	975	2.0	13,829	-	5,915	4.37	-	-	28,048
2010	755	2.0	10,023	-	6,063	5.45	-	-	20,932
2011	637	2.0	8,745	-	6,215	6.80	-	-	16,260
2012	538	2.0	7,637	-	6,370	8.47	-	-	12,379
2013	454	2.0	6,647	-	6,529	10.55	-	-	9,071
2014	384	2.0	5,622	-	6,693	13.13	-	-	6,522
2015	325	2.0	5,050	-	6,860	16.33	-	-	4,001
2016	274	2.0	4,261	-	6,380	18.43	-	-	2,798
2017	232	2.0	3,609	-	5,871	20.56	-	-	1,913
2018	197	2.0	3,049	-	5,333	22.64	336	-	917
2019	-	-	-	-	-	-	-	-	-
2020	-	-	-	-	-	-	-	-	-
Rem.	-	-	-	-	-	-	-	-	-
Total	13,387	3.6	88,212	376	79,023	7.08	336	46,673	147,539

Caspian Share of Production and Revenues Before and After Tax

Year	Gross Annual Oil Production Mbbl	Net Annual Oil Production Mbbl	Net Cash Flow B. Tax US\$M	Cum Rev. B.T. US\$M	NPV B.T. at 10.0% US\$M	Corporate Tax US\$M	Excess Profits Tax US\$M	Net Cash Flow A.T. US\$M	Cum Rev. A.T. US\$M	NPV A.T. at 10.0% US\$M	Net Cash Flow A.T. & Funds Repayment US\$M	Cum Rev. A.T. & Funds Repayment US\$M	NPV AT & Funds Repaym. @ 10.0% US\$M
2006	574	517	(379)	(379)	(361)	621	705	(1,705)	(1,705)	(1,625)	(3,409)	(3,409)	(3,251)
2007	909	818	11,936	11,557	10,346	3,506	3,661	4,770	3,065	4,134	7,155	3,745	6,202
2008	824	808	10,792	22,349	8,504	3,701	2,158	4,933	7,998	3,887	7,399	11,144	5,830
2009	677	663	14,024	36,373	10,046	2,870	1,680	9,474	17,472	6,787	14,212	25,356	10,180
2010	556	545	10,466	46,839	6,816	2,114	1,153	7,199	24,671	4,688	10,799	36,155	7,032
2011	457	448	8,130	54,969	4,813	1,651	796	5,683	30,354	3,364	8,524	44,679	5,047
2012	376	369	6,189	61,158	3,331	1,252	319	4,618	34,972	2,485	6,927	51,606	3,728
2013	310	303	4,536	65,694	2,219	897	126	3,513	38,485	1,719	3,712	55,318	1,816
2014	255	250	3,261	68,955	1,451	622	-	2,639	41,124	1,174	2,639	57,957	1,174
2015	210	206	2,001	70,956	809	327	-	1,674	42,798	677	1,674	59,631	677
2016	173	170	1,399	72,354	514	210	-	1,189	43,987	437	1,189	60,820	437
2017	143	140	956	73,311	320	126	-	831	44,818	278	831	61,651	278
2018	118	115	459	73,770	139	14	-	445	45,263	135	445	62,096	135
2019	-	-	-	73,770	-	-	-	-	45,263	-	-	62,096	-
2020	-	-	-	73,770	-	-	-	-	45,263	-	-	62,096	-
Rem.	-	-	-	73,770	-	-	-	-	45,263	-	-	62,096	-
Total	5,581	5,351	73,770		48,947	17,909	10,598	45,263		28,140	62,096		39,286

McDaniel & Associates
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Caspian Energy Ltd.
East Zhagabulak Field - Kazakhstan
Crude Oil Reserves Summary
 Effective December 31, 2005

Table 5

Reservoir Parameters

Porosity, %	7.7
Oil Saturation, %	68.0
Formation Volume Factor, frac.	1.680
Oil Shrinkage, frac	0.595
Original Oil-In Place, bbl/ac-ft	242
Average Net Pay, ft.	236
Proved Producing Area, acres	300
Total Proved Area, acres	600
Proved Plus Probable Area, acres	800
Proved Plus Probable Plus Possible Area, acres	1,600

Proved Developed Producing Reserves

Original Oil in Place, Mbbl	17,119
Recovery Factor, %	15.0
Original Recoverable, Mbbl	2,568
Cumulative Recovery, Mbbl	250
Cumulative Recovery, %	1.5
Remaining Recoverable, Mbbl	2,318

Proved Undeveloped Reserves, Mbbl

Total Proved Reserves

Original Oil in Place, Mbbl	34,238
Recovery Factor, %	15.0
Original Recoverable, Mbbl	5,136
Cumulative Recovery, Mbbl	250
Remaining Recoverable, Mbbl	4,886

Probable Reserves, Mbbl

Proved + Probable Reserves

Original Oil in Place, Mbbl	45,650
Recovery Factor, %	25.0
Original Recoverable, Mbbl	11,413
Cumulative Recovery, Mbbl	250
Remaining Recoverable, Mbbl	11,163

Caspian Energy Ltd.
East Zhagabulak Field - Kazakhstan
Reservoir and Fluid Properties

Table 6

Effective December 31, 2005

Imperial Units

Lithology	Carbonate
Gross Oil Pay Thickness, ft	622
Net Oil Pay Thickness, ft	236
Net to Gross Pay Ratio, %	38
Oil Water Contact Depth, ft md.	15,338
Average Oil Permeability From Core, md	?
Range of Permeability, md	?
Initial Reservoir Pressure, atm	455
Initial Reservoir Pressure, psia	6,702
Bubble Point Pressure, atm	260
Bubble Point Pressure, psia	3,830
Reservoir Temperature, F	189
Stock Tank Oil Density, g/cc	0.824
Stock Tank Oil Gravity, degrees API	40.2
Oil Viscosity, cp	0.28
Solution GOR, scf/bbl (from PVT)	1,387
Oil Sulphur Content, %	0.77
Oil Paraffin Content, %	3.46
Oil Resin Content, %	10.00
Ashphaltenes	1.70
Solution Gas Sulfur Content, %	0.64
Mercaptans	Present

KT-II

SI Units

Lithology	Carbonate
Gross Oil Pay Thickness, m	189
Net Oil Pay Thickness, m	72
Net to Gross Pay Ratio, %	38
Oil Water Contact Depth, m md.	4,675
Average Oil Permeability From Core, md	?
Range of Permeability, md	?
Initial Reservoir Pressure, atm	455
Initial Reservoir Pressure, kpa	46,103
Bubble Point Pressure, atm	260
Bubble Point Pressure, kpa	26,345
Reservoir Temperature, C	87
Stock Tank Oil Density, g/cc	0.824
Stock Tank Oil Gravity, degrees API	40.2
Oil Viscosity, cp	0.28
Solution GOR, m3/m3	248
Oil Sulphur Content, %	0.77
Oil Paraffin Content, %	3.46
Oil Resin Content, %	10.00
Ashphaltenes	1.70
Solution Gas Sulfur Content, %	0.64
Mercaptans	Present

KT-II

Caspian Energy Ltd.
East Zhagabulak Field - Kazakhstan
Summary of Economic Parameters
Forecast Price Case as of December 31, 2005

Table 7
Page 2

Interests and Fiscal Terms (continued)

Rent Tax on Exported Crude Oil (Starting with Production Phase in 2008)

<u>Export Price, \$/bbl</u>	<u>Tax Rate</u>
19	1%
20	4%
21	7%
22	10%
23	12%
24	14%
25	16%
26	17%
27	19%
28	21%
29	22%
30	23%
31	25%
33	26%
35	28%
36	29%
37	30%
39	31%
40+	33%
Capital Depreciation Rate – Exploration Costs	25 Percent Declining Balance
Exploration Capital Cost Balance at January 1, 2006	\$10.498 million
Capital Depreciation Rate – Development Costs	23 Percent Declining Balance
Development Capital Cost Balance at January 1, 2006	\$14.080 million
Tax Loss Carryforward Balance at January 1, 2006	\$5.847 million
Profit Tax	30 Percent
Excess Profits Tax - Based on amount in excess of 20 percent of ratio of net income to deductions:	
Up to 5 percent	15 percent
Above 5 to 15 percent	30 percent
Above 15 to 30 percent	45 percent
Above 30 percent	60 percent
VAT	Not Included

Caspian Funding Obligations - Caspian is obligated to fund 100 percent of all exploration costs and negative cash flows after all taxes up to a maximum of \$84 million upon which 50 percent of the after tax cash flow will go to repay the funded amounts then the remainder is split 50 percent Caspian and 50 percent Azden. The full \$84 million obligation is not reached in this evaluation so the repayment is assumed to commence on the first year that positive cash flows occur.

Caspian Funds Opening Balance at January 1, 2006 \$33.666 million

Note – Additional expenditures are required under the terms of the exploration contract which have not been included in this evaluation since they relate to exploration activities.

McDaniel & Associates Consultants Ltd.

Table 8

Summary of Price Forecasts

Effective December 31, 2005

Year	WTI Crude Oil Price \$/BBL	Brent Crude Oil Price \$/BBL	Export Field Price \$/BBL	Domestic Field Price \$/BBL	Inflation Forecast %
2006	57.50	55.00	44.00	25.50	2.5
2007	55.40	53.40	42.72	24.30	2.5
2008	52.50	50.40	40.32	22.05	2.5
2009	49.50	47.30	37.84	19.73	2.5
2010	46.90	44.70	35.76	17.78	2.5
2011	48.10	45.80	36.64	18.60	2.5
2012	49.30	47.00	37.60	19.50	2.5
2013	50.50	48.10	38.48	20.33	2.5
2014	51.80	49.40	39.52	21.30	2.5
2015	53.10	50.60	40.48	22.20	2.5
2016	54.40	51.80	41.44	23.10	2.5
2017	55.80	53.20	42.56	24.15	2.5
2018	57.20	54.50	43.60	25.13	2.5
2019	58.60	55.80	44.64	26.10	2.5
2020	60.10	57.30	45.84	27.23	2.5
2021	61.30	58.45	46.76	28.08	2.5
2022	62.53	59.61	47.69	28.96	2.5
2023	63.78	60.81	48.65	29.86	2.5
2024	65.05	62.02	49.62	30.77	2.5
2025	66.36	63.26	50.61	31.70	2.5

Pricing Assumptions :

WTI and Brent price forecast based on the McDaniel & Associates December 31, 2005 price forecast

The East Zhagabulak price is referenced at the field gate net of all transportation costs

All of the crude oil production was forecast to be sold to domestic markets until 2007 then 90% exported

Caspian Energy Ltd.
East Zhagabulak Field - Kazakhstan
Forecast of Capital Costs - 2006\$
Forecast Price Case as of December 31, 2005

Table 9

Proved Producing Reserves

Year	Production Wells #	Injection Wells #	Total Wells #	Production Wells 2006 US\$M	Injection Wells 2006 US\$M	Workovers 2006 US\$M	Equipment & Facilities 2006 US\$M	Total 2006 US\$M
2006	-	-	-	-	-	-	6,354	6,354
2007	-	-	-	-	-	-	-	-
2008	-	-	-	-	-	-	-	-
2009	-	-	-	-	-	-	-	-
2010	-	-	-	-	-	-	-	-
2011	-	-	-	-	-	-	-	-
2012	-	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-	-
2014	-	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	6,354	6,354

Total Proved Reserves

Year	Production Wells #	Injection Wells #	Total Wells #	Production Wells 2006 US\$M	Injection Wells 2006 US\$M	Workovers 2006 US\$M	Equipment & Facilities 2006 US\$M	Total 2006 US\$M
2006	1	-	1	11,000	-	4,360	6,354	21,714
2007	-	-	-	-	-	-	-	-
2008	-	-	-	-	-	-	-	-
2009	-	-	-	-	-	-	-	-
2010	-	-	-	-	-	-	-	-
2011	-	-	-	-	-	-	-	-
2012	-	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-	-
2014	-	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-	-
2020	-	-	-	-	-	-	-	-
2021	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-
Total	1	-	1	11,000	-	4,360	6,354	21,714

Total Proved + Probable Reserves

Year	Production Wells #	Injection Wells #	Total Wells #	Production Wells 2006 US\$M	Injection Wells 2006 US\$M	Workovers 2006 US\$M	Equipment & Facilities 2006 US\$M	Total 2006 US\$M
2006	1	-	1	11,000	-	4,360	6,354	21,714
2007	1	-	1	10,000	-	-	-	10,000
2008	-	1	1	-	9,000	-	5,000	14,000
2009	-	-	-	-	-	-	-	-
2010	-	-	-	-	-	-	-	-
2011	-	-	-	-	-	-	-	-
2012	-	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-	-
2014	-	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-	-
2020	-	-	-	-	-	-	-	-
2021	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-
Total	2	1	3	21,000	9,000	4,360	11,354	45,714

Figure 1

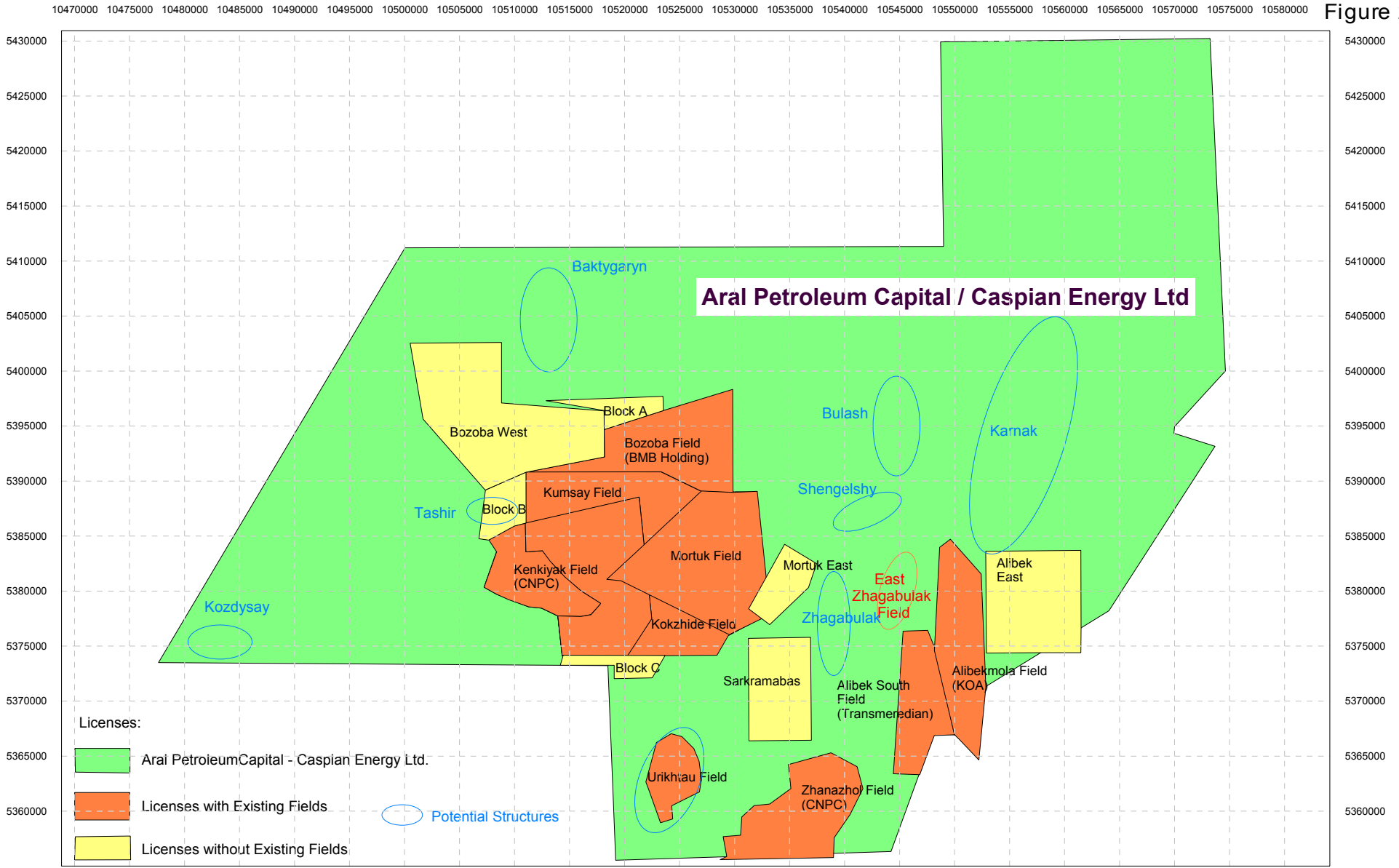


Base 802515AI (C00217) 12-01

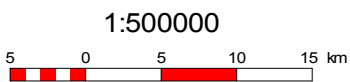


Caspian Energy Ltd.
 Kazakhstan
 North Block Location Map

Figure 2



10470000 10475000 10480000 10485000 10490000 10495000 10500000 10505000 10510000 10515000 10520000 10525000 10530000 10535000 10540000 10545000 10550000 10555000 10560000 10565000 10570000 10575000 10580000



Caspian Energy Ltd.		
North Block Contract Area Kazakhstan		
Author: AT		Date: 25 June, 2004
	Scale:	

Figure 3

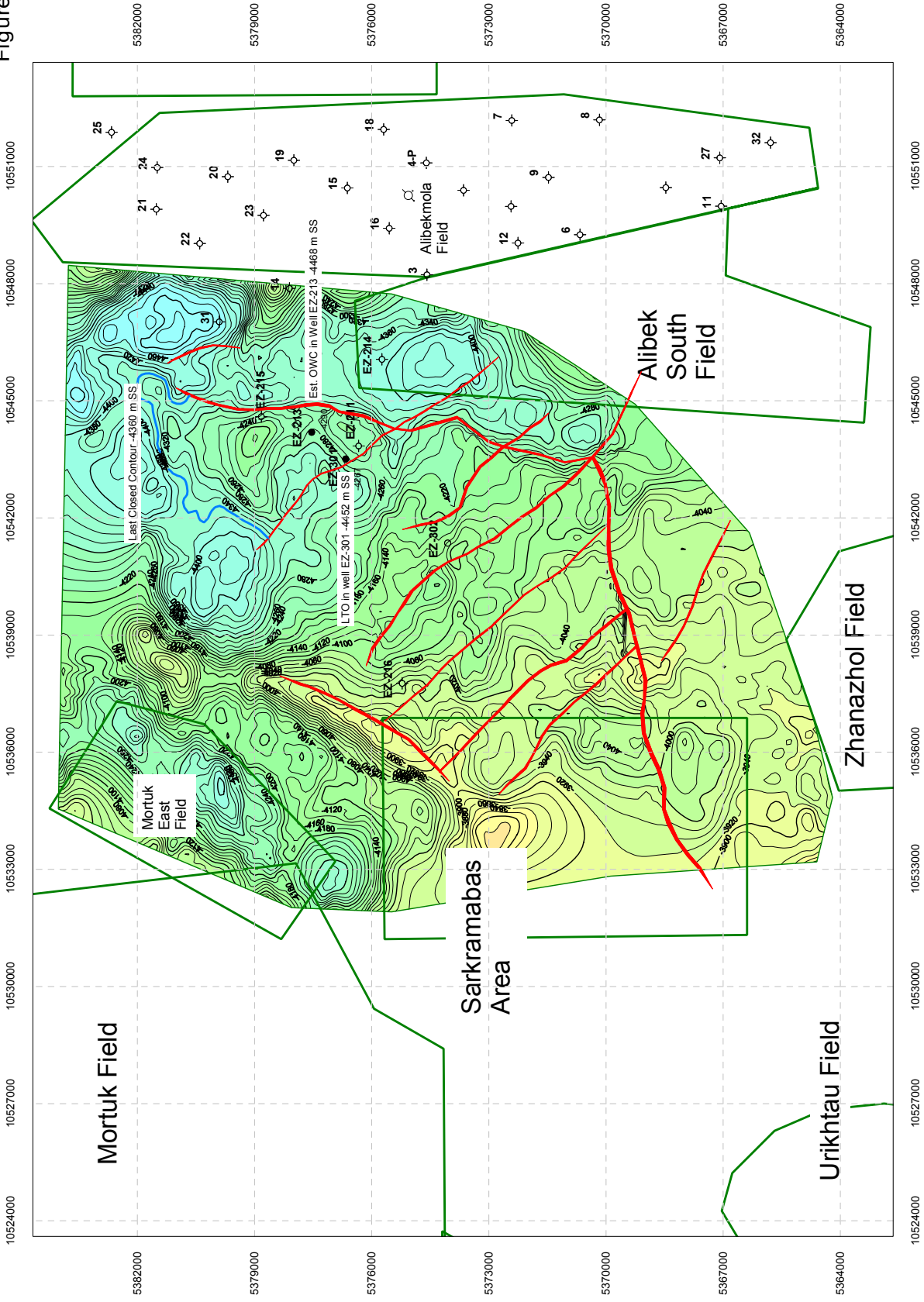
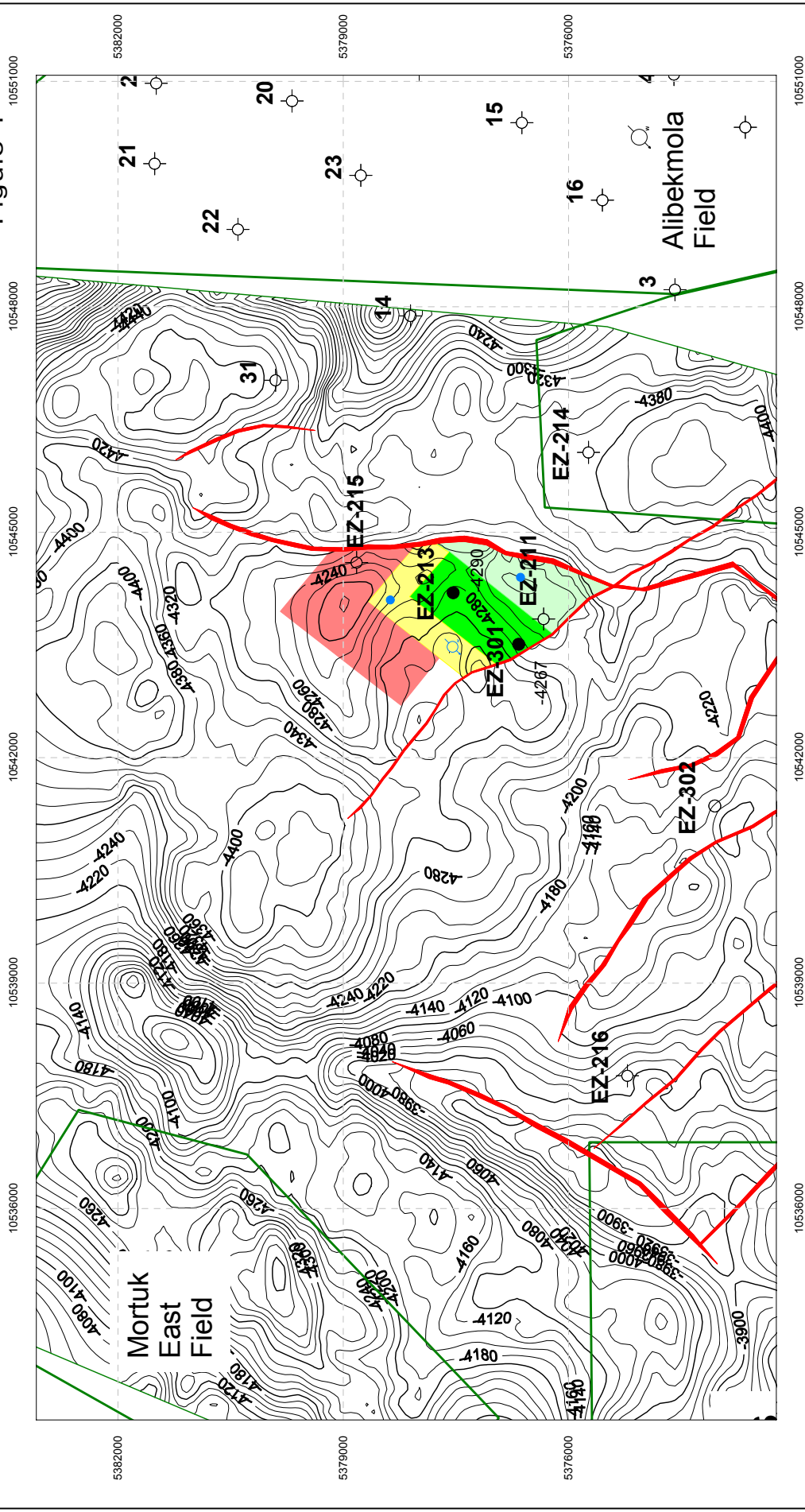


Figure 4

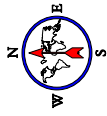
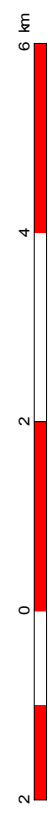


Reserves Classification:

- Proved Producing
- Proved Undeveloped
- Probable
- Possible

- Producing Well
- Proposed Location

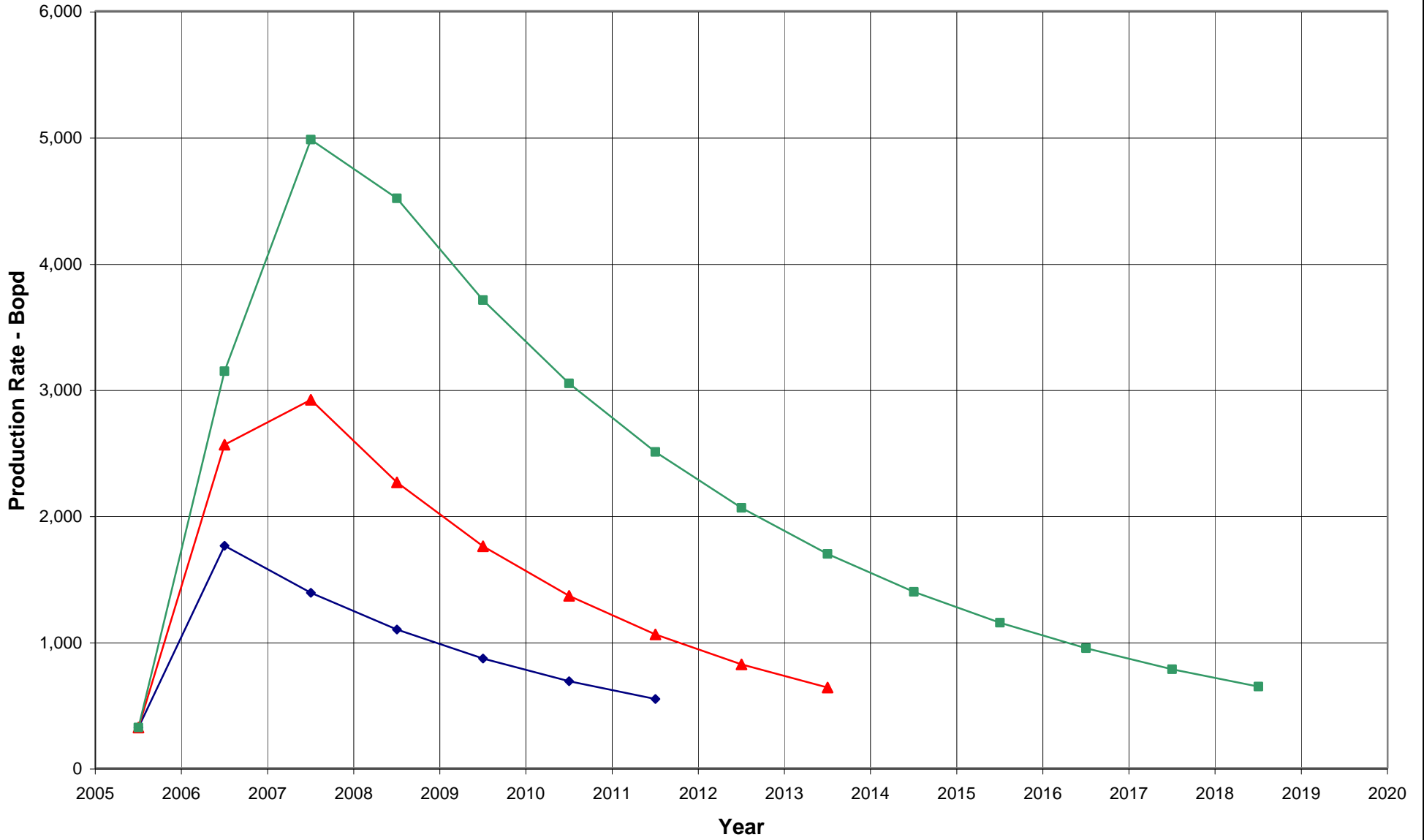
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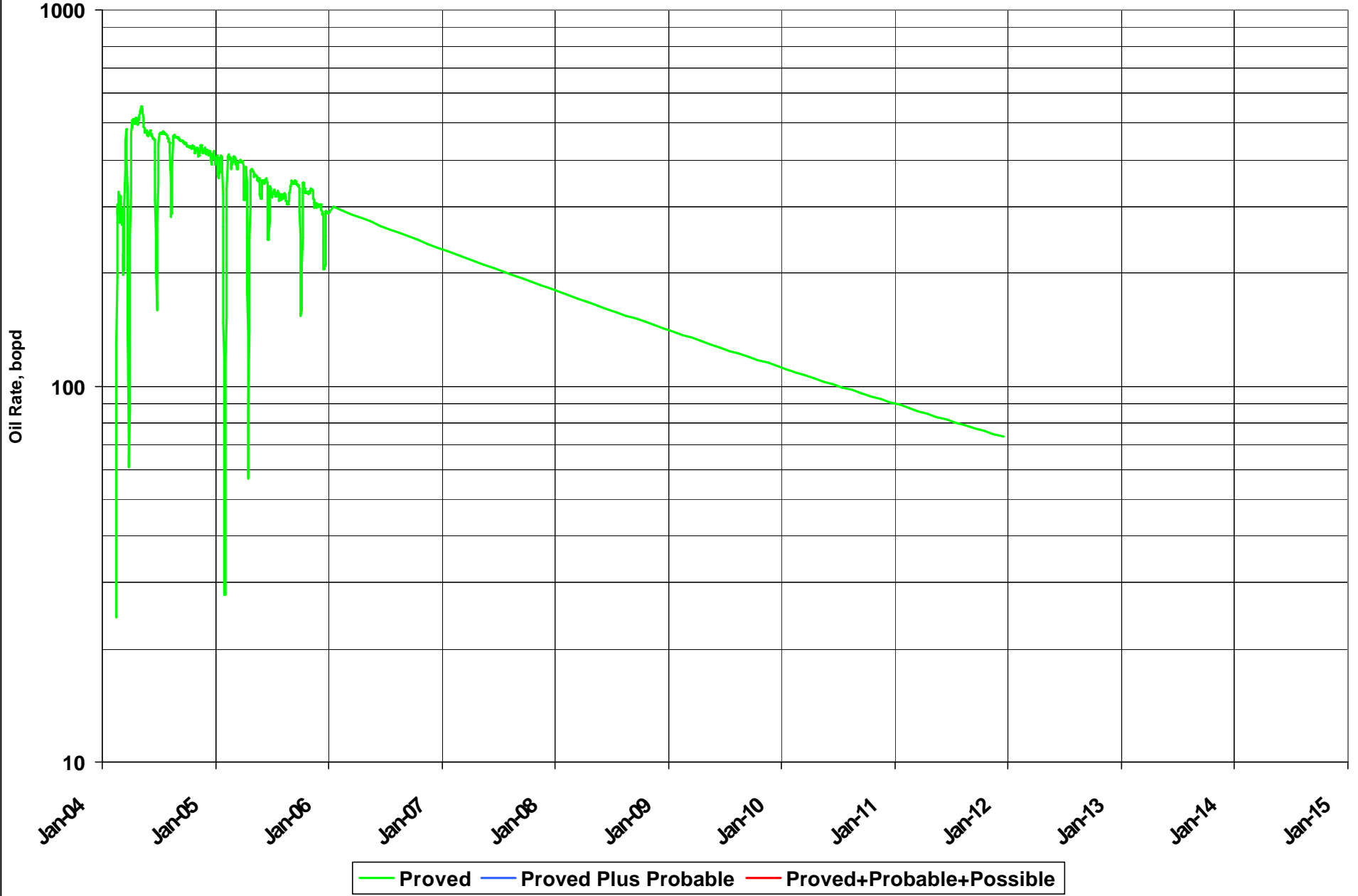
Caspian Energy Ltd.	
East Zhagabulak Field Reserves Classification Map Structure Map Top of KT-2.2 zone	
DATE:	SCALE:
DRAWN BY:	CHECKED BY:

Figure 5

East Zhagabulak Field Production History / Forecast Plot



Caspian Energy Ltd.
Zhagabulak Field - Well EZ-213
Production History/Forecast Plot - Oil Rate vs. Time



Caspian Energy Ltd.
Zhagabulak Field - Well EZ-213
Production History/Forecast Plot - Oil Rate vs. Cum Prod.

