

## **PRODUCTION REINSTATED CASPIAN/JUNE/2011**

### **Production resumes in Kazakhstan, Caspian reports**

CALGARY, Alberta, Canada (June 21/2011) — As of 11 a.m. June 15, oil production has been reinstated at the East Zhagabulak field in Kazakhstan, Caspian Energy Chairman and CEO William Ramsay said.

#### **Production wells**

On June 15, oil flowed from East Zhagabulak (EZ) #301 at a rate of some 370 barrels per day under natural pressure. Over the course of the subsequent six days, performance improved due to formation pressure that built up during shut-in, peaking at 571 barrels for one 24-hour period. So far, the water content remains low. The performance of this well will be closely monitored, to determine the appropriate time to conduct an acidization and when to install a submersible pump. Following a workover of this nature, 301 has the potential to flow at a rate equivalent to 700 barrels per day.

East Zhagabulak well 213 was opened June 16 and flowed for 15 hours. It produced 53 barrels of oil, but also a meaningful quantity of water, as expected.

“Well 213 was not able to sustain flow under natural pressure. A workover rig is currently being mobilized and a new submersible pump will be installed,” Ramsay said. “Further work will be undertaken to determine the location of the water intrusion, and to perform remedial work. Following this workover it’s conceivable that 213 could produce some 300 barrels a day.”

Ramsay said total production from the two wells could exceed 800 barrels per day within the next month. Oil continues to be trucked to CaspieNefit TME’s nearby facility for processing.

“For a company of our relative size, the return to production, more important, to these levels of production, is significant and ensures a healthy cash flow,” Ramsay said.

Production at East Zhagabulak has been shut in since January 1, 2011 due to a combination of regulatory and technical issues. The pump at EZ #213 had failed and EZ #301 was shut in due to newly proclaimed gas flaring limits. Production was re-established upon receipt of new permits.

#### **Exploration wells**

“This is the latest of several important steps that Caspian has taken in recent weeks that add up to a transformation of the company’s fortunes,” Ramsay said. “We have a new partner with cash to fund exploration. We’re returning our two discovery wells to full production. And we have an exploration program under way with two rigs moving to drilling targets in East Zhagabulak and Sakramabas areas of the North

Block.” He said these rigs are expected to reach drilling sites by the mid-July.

Ramsay said the new East Zhagabulak #308 target is a stepout on the same trend as the two producing wells. He said the Sakramabas #316 target has been identified from seismic data indicating potential for a high-porosity carbonate reef structure that is on trend with discoveries by near neighbors in the region. The partners believe that the prospect has significant potential.

Calgary-based Caspian currently owns 50 per cent of Aral Petroleum, the operating entity in Kazakhstan. Aral holds a 25-year production contract for East Zhagabulak and an exploration contract for the wider North Block property, an area of some 1,549 square kilometers that includes East Zhagabulak, portions of the Sakramabas trend and several other prospective sites. Under terms of a new partnership arrangement, Asia Sixth Energy of China has purchased 50 per cent of Aral from Caspian’s original partner, Azden Management, and will soon acquire 10 per cent of Aral from Caspian. Aral will then be owned 60 per cent by Asia Sixth and 40 per cent by Caspian.

## **Background**

Caspian is an oil and gas exploration and development company, operating in Kazakhstan where it has a number of targets in the highly prospective Aktobe Oblast of Western Kazakhstan. The Company holds an exclusive licence, which entitles it to explore and develop certain oil and gas properties known as the “North Block,” an area of 1,549 square km, and a production contract for the area known as “East Zhagabulak,” through its interest in Aral.

### *Cautionary Note:*

*Forward Looking Statements – Certain information set forth in this news release may contain forward-looking statements that involve substantial known and unknown risks and uncertainties. These forward-looking statements are subject to numerous risks and uncertainties, certain of which are beyond the control of Caspian, including, but not limited to the satisfaction of all conditions precedent to the sale by Caspian of a 10% interest in Aral, including the ability of the Purchaser to meet its obligations under the foundation agreement to secure US\$80 million in debt financing for Aral, and the limited remedies available to the Company in the event of any such failure of the Purchaser, the impact of general economic conditions, industry conditions, currency fluctuations, and dependence upon regulatory approvals. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements.*

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