

Caspian Realizes Continued Success at Zhagabulak- Validates Potential

TORONTO (Feb. 22/2012) — Caspian Energy Inc. and partners have encountered net pay zones aggregating 184.8 metres at a new discovery well in the West Zhagabulak field of Kazakhstan.

Following successful logging, Well 316 has been cased to a depth of 4,950 metres and an application has been filed with local authorities to test the commerciality of the find.

“On the basis of this discovery, we believe we’ve substantiated outside estimates that West Zhagabulak may contain significant quantities of recoverable oil”, said Caspian President and CEO William Ramsay. “With timely permits, testing of Well 316 could begin by the last week of March 2012”, added Ramsay.

“If successful, this well will be ranked as a significant new discovery — with the potential to more than double our reserves in Kazakhstan” , Ramsay said. Caspian and partners have previously established oil reserves of some 17 million barrels in the East Zhagabulak field and are now preparing to drill their fourth well, Well 315, to delineate the northern extent of that field.

Aral Petroleum Capital (Aral or APC), the operating entity in Kazakhstan, holds a 25-year production licence on East Zhagabulak and a three-year exploration permit for the larger North Block, an area of some 1,500 square kilometres in West-Central Kazakhstan that contains both East and West Zhagabulak. Aral is owned 40 per cent by Caspian and 60 per cent by Asia Sixth Energy Resources Limited.

“Success at Well 316 would enable us to declare a commercial discovery in the North Block. Successful testing of this well, followed by government confirmation, would qualify us to seek an extension of our exploration contract over the entire Greater Zhagabulak field by a further two or possibly three years”, commented Ramsay. The current three-year exploration contract expires Dec. 31, 2012.

West Zhagabulak – Well 316

Aral director general and chief geologist, Yerbolat Kulumbetov, said Well 316 is the first drilled by APC on the West Zhagabulak structure, which was identified by an earlier three-dimensional seismic survey. The well reached a total depth of 4,950 metres after management exercised its right to extend drilling by 250 metres below the planned 4,700-metre total depth.

“Most of our expectations were met”, Kulumbetov said. “The depth of various horizons was as expected and we confirmed that our geological model of this structure is valid and reliable.

“Having drilled and logged Well 316, we’ve encountered a considerable number of porous reservoir rocks, which may contain oil”, he said.

”KT-I and KT-II carbonate zones, similar to oil bearing formations in East Zhagabulak, were encountered within the 316 well at West Zhagabulak”, Kulumbetov said. In these zones, a total of 22 horizons have been identified, with individual thicknesses from 0.7 metres to 7.7 metres. These will be grouped into four zones for the purposes of perforation and testing. Each of the four zones, totaling 184.8 metres, will be independently perforated, acid treated and tested for oil flow.

”Potential net pay at Well 316 compares favorably with the 308 well at East Zhagabulak, which showed net pay of 118.4 metres”, Ramsay said.

Progress at East Zhagabulak

Meanwhile, at East Zhagabulak, approval has been received from the Ministry of Oil and Gas for testing of Well 308, a rig has been contracted and testing operations are expected to begin February 29, 2012.

Concurrently, Well 306, which began drilling Jan. 9, has reached a depth of 1,500 metres on its way to a projected total depth of 4,700 metres. This well is intended to delineate the southern extent of the East Zhagabulak field.

”The rig which drilled Well 316 to total depth in the West Zhagabulak field, was immediately mobilized to East Zhagabulak, where it will drill Well 315 to delineate the northern extend of the field. If successful, Well 315 will result in the material conversion of P3 (possible) reserves to P2 (probable) reserves”, Ramsay said.

“We now have two drilling rigs and one service rig working on two fields in the North Block and producing exceptional results”, he said. "We believe both 316 in West Zhagabulak and 308 in East Zhagabulak will be producers and that they have the potential to significantly increase our current productive capacity. More importantly, we are confident we've opened up a new discovery field and, with it, the potential to extend our exploration rights for 24 to 36 months. All of this puts us in a greatly improved position as we begin 2012", Ramsay said.

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