

**CASPIAN SPUDS NEW WELL  
2011 COMPLETED WITH GOOD RESULTS**

TORONTO, Jan. 16/2012 — Following on previous successes, Caspian Energy Inc. and partners have initiated drilling of a fourth well in the East Zhagabulak field of west-central Kazakhstan.

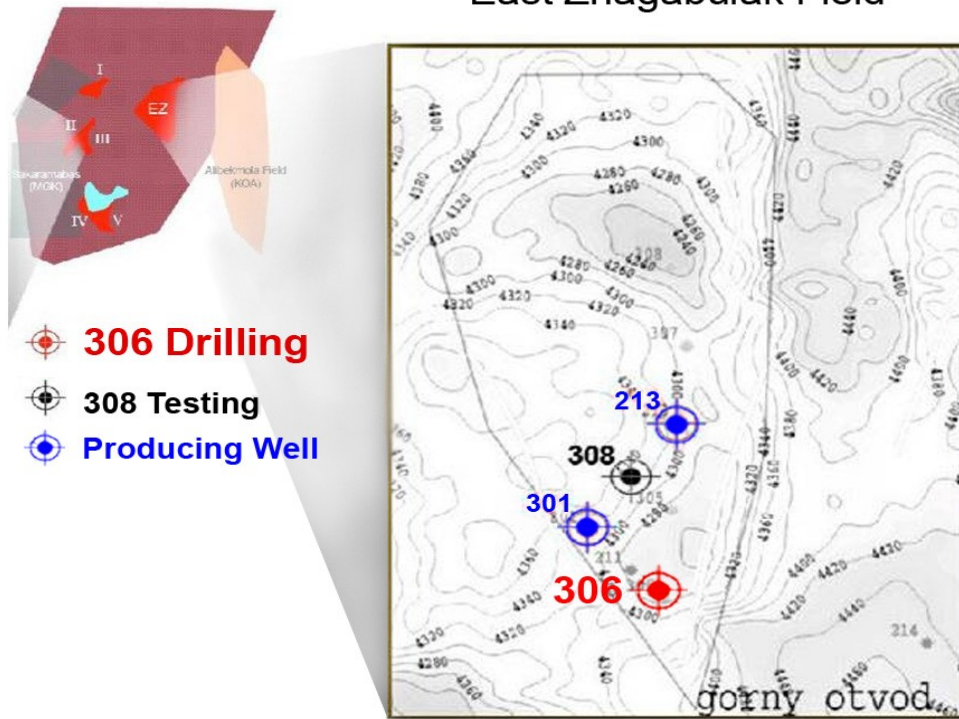
Well 306 was spud Jan. 9 with a target depth of some 4,700 metres. The well is about 1 km due south of well 308, which was completed late in 2011 and has been cased to a depth of 4,775 metres on the strength of electronic logging results. Well 308 lies midway between the partners' two producing wells and is to be tested in February, when a testing permit is expected from the Government of Kazakhstan.

“This latest well, well 306, is intended to delineate the southern extent of our discovery and further confirm the considerable value of the East Zhagabulak field,” said Caspian President and CEO William Ramsay.

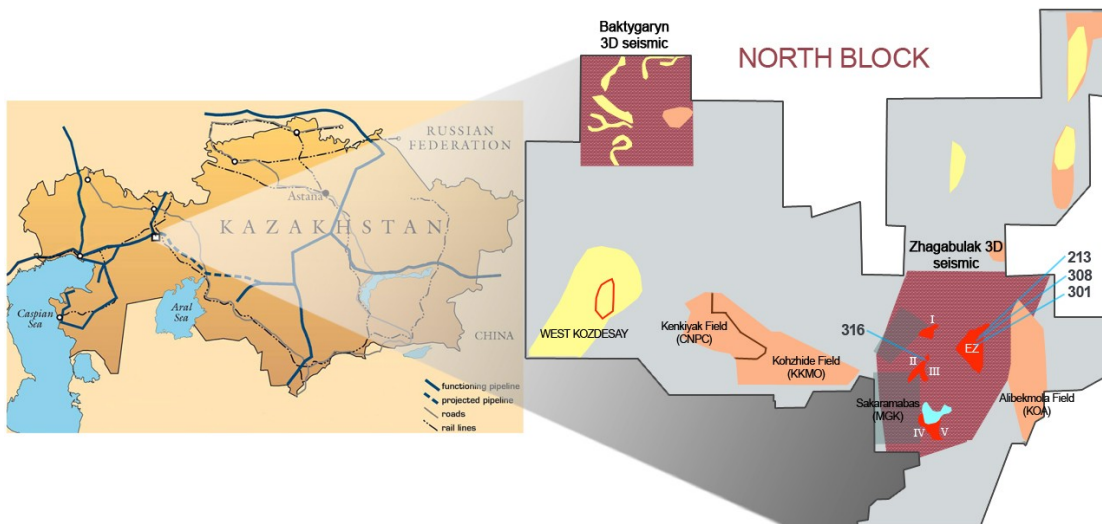
“The current rapid pace of drilling shows the strategic benefit of our new partner, Asia Sixth Energy. This new partnership is proving to be a major breakthrough, both in terms of financing and technical skills needed to advance the development of this field and our wider exploration program,” Ramsay said.

Caspian and Asia Sixth Energy respectively own 40 and 60 per cent of Aral Petroleum Capital LLP (Aral), the operating company in Kazakhstan. Aral holds a 25-year production licence on the East Zhagabulak field, based on some 400 barrels of daily oil production from wells 213 and 301 (see map).

## East Zhagabulak Field



Aral is also drilling well 316 in the West Zhagabulak field, with the aim of extending its production licence over a larger area. Aral holds a three-year exploration permit for the North Block, which contains several prospective areas, including East and West Zhagabulak. (See map below.)



## **Well 306**

Ramsay said the geological conditions for the new well (306) are the same as for the recently completed well 308, targeting the same hydrocarbon bearing horizons; KT-I at a depth of 3,360 to 3,879 metres and KT-II at 4,070 to 4,700 metres.

“This is the third successive well undertaken in recent months by the same contractor and, based on their experience, we anticipate well 306 will take about 120 days to complete,” he said.

New rules issued by the Ministry of Oil and Gas require filing of a technology scheme to support each production licence. Information obtained from the drilling of well 306 is one of the final components of the technology scheme for East Zhagabulak, which, when approved, will validate the full 25-year production period.

## **Testing of Well 308**

Meanwhile, well 308 has been drilled to a depth of 4,780 metres. Electronic logging operations have reported multiple intervals of pay in carboniferous KT-I and KT-II sections. The company has received the necessary permit from the Ministry of Environment and is awaiting a second permit from the Ministry of Oil and Gas, which it expects to receive on or before Jan. 31. Accordingly, Aral has instructed the drilling contractor to mobilize a suitable rig to the 308 location for earliest testing of the well, which is expected to commence during the second week of February.

The KT-I section, logged over the interval 3,518 to 3,850 metres, identified 31.1 metres of net pay. A pay section, totalling 30 metres exhibited oil saturation of between 50 per cent and 89 per cent. By comparison, well 301 had 36 metres of net pay in this interval.

The KT-II section, logged over the interval 4,505 to 4,780 metres, identified 87.3 metres of net pay. Seventy-seven (77) metres of net pay exhibit oil saturation of between 65 per cent and 82 per cent. This compares with well 301, which had 65 metres of net pay in this interval.

East Zhagabulak well 301, the company’s first exploration well, which spud during July 2005 and was flow-tested during February 2006, reached a total depth of 4,846 metres and encountered approximately 101 metres of net oil pay. Both carboniferous sections were tested. The lower interval (KT-II), the primary target in the well, tested at rates of 2,532 barrels of oil per day (b/d) with 39° API gravity oil. The upper zone (KT-I), a secondary target, was acidized and commingled with the lower zone.

“Comparison with well 301, gives grounds for optimism as to the commercial future of well 308, which cannot be reliably or fully quantified until the results of well 308’s tests are received,” Ramsay said.

## 2011 Work Program Fulfilled

The various requirements of the work program agreed with the Ministry of Oil and Gas for 2011, both in terms of functions and expenses, have been carried out by Aral. In 2011, Aral was obliged to make expenditures of US \$25.84 million. In fact, Aral's total expenditures for the year exceeded this figure, reaching a total of **\$ 34.31** million.

### CAUTIONARY NOTE

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