

Caspian spuds second well in seven days

CALGARY, Alberta, Canada (Aug. 4/2011) — Caspian Energy and partners initiated drilling July 22 on an exploration well in the Sakramabas trend of West Central Kazakhstan, Company Chairman and CEO William Ramsay said today (see map).

At the time of this release, the drilling crew had set casing to a depth of 680 metres, Ramsay reported.

The new well is part of an ambitious plan to expand the area of a 25-year production licence the partners have secured from the Government of Kazakhstan, he said.

“Our seismic analysis indicates the potential for a high-porosity carbonate reef at the Sakramabas #316 site,” he said. “Neighbours have drilled successful wells on surrounding leases and our 3-D seismic indicates our well is on the same trend line, but with more advantageous geological conditions for oil and gas accumulation.”

“This is a deep well, targeting the carboniferous structure of the Bashkirian horizon at some 4,500 metres,” he said. “We expect drilling to take about 120 days to reach total depth, with testing to follow.” The area around the well is locally known as Sakramabas, but officially designated Greater Zhagabulak II and III (see map).

“Strategically, this is a big well for us,” Ramsay said. “Success at Sakramabas #316 would cause significant upward re-evaluation of total reserves estimates in the area between Sakramabas and our producing wells in East Zhagabulak (see map).

It’s the second exploration well initiated by Caspian and partners in July in the Greater Zhagabulak area and one of six drilling targets approved July 8 by the Central Development Committee (CDC) of the Republic of Kazakhstan.

All wells are to be drilled under the direction of Aral Petroleum Capital, the operating entity in Kazakhstan, currently owned 50 per cent by Calgary-based Caspian and 50 per cent by Azden Management (Aral ownership will shift to 40 per cent Caspian and 60 per cent Asia Sixth Energy upon completion of certain conditions precedent in their new partnership agreement). Aral holds a three-year exploration licence on the North Block, an area of some 1,500 square km in West Central Kazakhstan, including a 25-year production licence on the East Zhagabulak field.

The first well in the new drilling program, EZ #308, was initiated July 15 in the East Zhagabulak field. It’s also targeting the Bashkirian horizon, at about 4,700 metres, and is also expected to take 120 days to complete. The EZ #308 site lies roughly midway

between Aral's two producing wells in the East Zhagabulak field, some 15 kilometres northeast of the Sakramabas location.

“By drilling two separate exploration plays — one at Sakramabas and one at East Zhagabulak — we're offsetting risk and enhancing potential for a new discovery,” Ramsay said. “We have good confidence in both prospects, but these are exploration wells and they entail some level of risk.”

Next steps

Next steps in Aral's drilling plans will be governed by results at Sakramabas, Ramsay said. Success there would suggest the presence of a number of separate oil and gas formations, from East Zhagabulak to Sakramabas. In the event of a good result at Sakramabas #316, the partners will complete the EZ #308 well and move that rig to a location northeast of Sakramabas, where it would test for oil between Sakramabas and East Zhagabulak. An additional drilling rig would then be contracted in October to pursue identified targets within East Zhagabulak.

Assembling new geological data could prove regional distribution of oil and gas productive layers across the central part of the Greater Zhagabulak field and enable Aral to apply for a production licence on a greatly expanded area, Ramsay said.

“In that event, we would enter the new year with three rigs working full time to prove up the potential of Greater Zhagabulak,” he said. Aral has previously conducted a three-dimensional seismic program over the entire Greater Zhagabulak area.

Production

Meanwhile, a workover is under way on producing well EZ #213 in the East Zhagabulak field. The workover will install a new deep well pump, with the objective of lifting production from that well to near 400 barrels per day.

Currently, well EZ #301 is producing an average 360 barrels per day by natural pressure, after being permitted by regulators to return to production June 15 on the promise that both wells will begin capturing solution gas by year end. EZ #301 produced 11,339 barrels of oil in July.

Ramsay said the workover on EZ #213 is expected to be completed within a week and could push total field production close to 800 barrels per day. He added that Aral has another deep well pump on site for installation at EZ #301 if natural pressure declines.

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 Petroleum.

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 per cent interest in Aral Petroleum Capital LLP (“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, dependence upon regulatory approvals and the risks inherent in oil and gas exploration and production. 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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Drilling in Kazakhstan

