

Caspian Seeks to Expand Licence Area

CALGARY, Alberta, Canada (July 21/2011) — Caspian Energy and partners today announce spudding of an exploration well between the two producing wells in the East Zhagabulak field of Kazakhstan (see map).

The new well is the first step in a plan aimed at expanding the area held by the partners under a 25-year production licence, said Caspian Chairman and CEO William Ramsay. Ramsay said the well is one of six drilling targets approved July 8 by the Central Development Committee (CDC) of the Republic of Kazakhstan.

Well EZ #308 spud on July 16 and will take about 100 days to complete to about 4,700 metres, Ramsay said. It is targeting the same carboniferous structure of the Bashkirian layer from which the two earlier successful wells are currently producing about 400 barrels of oil per day.

All wells will be drilled under the direction of Aral Petroleum Capital, the operating entity in Kazakhstan, which is owned 40 per cent by Calgary-based Caspian and 60 per cent by Asia Sixth Energy of China.

Second target

At the same time that EZ #308 began drilling, a second rig was en route to a location southwest of the East Zhagabulak field, an area officially designated Zhagabulak II and III (see map) and locally known as Sakramabas. This rig is expected to commence drilling the CDC-approved Sakramabas #316 well before the end of July.

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

“It’s a new direction for us and a potential new resource base, arising out of the success of our neighbours and a consequent re-examination of our seismic data.

“This is a deep well, targeting the same well know carboniferous structure of the Bashkirian layer at some 4,500 metres,” he said. “Again we expect drilling to take about 100 days to reach total depth, with testing to follow.

“By drilling two separate exploration plays, we’re offsetting risk and enhancing

potential,” Ramsay said. “We have good confidence in both prospects, but they 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 may indicate the presence of a number of separate new 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 will test for oil between Sakramabas and East Zhagabulak. An additional drilling rig would then be contracted in October to pursue targets within East Zhagabulak.

Obtaining new geological data could prove regional distribution of oil and gas productive layers through all central parts of the Zhagabulak field and will enable Aral to apply for a production licence on a greatly expanded area, Ramsay said.

“We would cross over into the new year with three rigs working full time to prove up the potential of the Zhagabulak field,” he said.

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 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

