

27 October 2011

## SEPTEMBER 2011 QUARTERLY ACTIVITIES REPORT

### Highlights

#### Kyrgyz Republic

- West Mailisu #2 well spudded 13 June 2011
- Good oil shows encountered over 1691m-1697m
- Oil recovered from well
- Well to be put on trial production to determine further plans

#### Romania

- Awaiting ministerial signature on Parta Licence Agreement - expected in 4th quarter 2011

#### December quarter plans

- Commence production testing on West Mailisu # 2 and Mailisu III #6
- Record 20km of 2D seismic to high-grade up to four prospects and leads in the East Mailisu and Charvak licences



Caspian Oil & Gas Limited ABN 44 065 212 679

30 Ledger Road, Balcatta, Western Australia 6021 PO Box 717, Balcatta, Western Australia 6914

phone: [+618] 9240 2405 fax: [+618] 9240 2406 email: info@caspianogl.com web: www.caspianogl.com

## **Figure 1 - Caspian's own drill rig on site at West Mailisu #2**

### **Kyrgyz Republic Projects**

#### **Background**

Caspian Oil & Gas, through its subsidiaries, holds a number of licences in the Fergana Basin, giving it a significant exploration position in the Kyrgyz Republic in Central Asia.

#### **West Mailisu #2**

Caspian's 100%-owned West Mailisu licence is adjacent to the Mailisu IV oil and gas field, which has produced 42 million barrels (mmbbls) of oil to date. The West Mailisu #2 well was drilled at the crest of a four-way dip-closure (see Figure 2). The targeted feature is defined by a NW-SE trending reverse fault on the northern flank. Seismic sections across the structure indicate a robust closure (see figures 3 and 4).

Caspian spudded the West Mailisu #2 well on 13 June 2011. Good oil shows were encountered in the sandstone Bed III over the interval of 1691-1697m. Fluorescence and gas shows were encountered from the top of carbonate Bed V with continued higher gas reading throughout the carbonate interval (1805-1825m) including Bed VII. No further gas or oil shows were observed in the deeper Cretaceous-aged sands and drilling ceased at a total depth of 2050m.

While attempting to place a cement plug prior to conducting an open-hole flow test over Beds V & VII, mechanical difficulties caused the cement string to get stuck in the hole. It was therefore decided not to test these lower beds at this stage, but to concentrate on Bed III, which was perforated over the interval 1685-1695.5m. Oil was recovered from the well using a low-volume mechanical pump. The pumping confirmed the presence of water-free moveable oil with an API of around 30.5° (see Figure 5).

Caspian had planned to put the well into trial production by early October but the unavailability of a suitable pump has seen this delayed. Based on results of the trial production, Caspian will determine its next step, which could include appraisal/development drilling, in-well-bore radial drilling or fracture stimulation. In addition further drilling could allow the testing of the oil and gas potential in the deeper Cretaceous and Jurassic-age sands.

Initial estimates suggest that there is a potential mean recoverable resource of 1.0 million barrels, with an upside case of 2.2 million barrels of oil within Bed III of the West Mailisu structure.

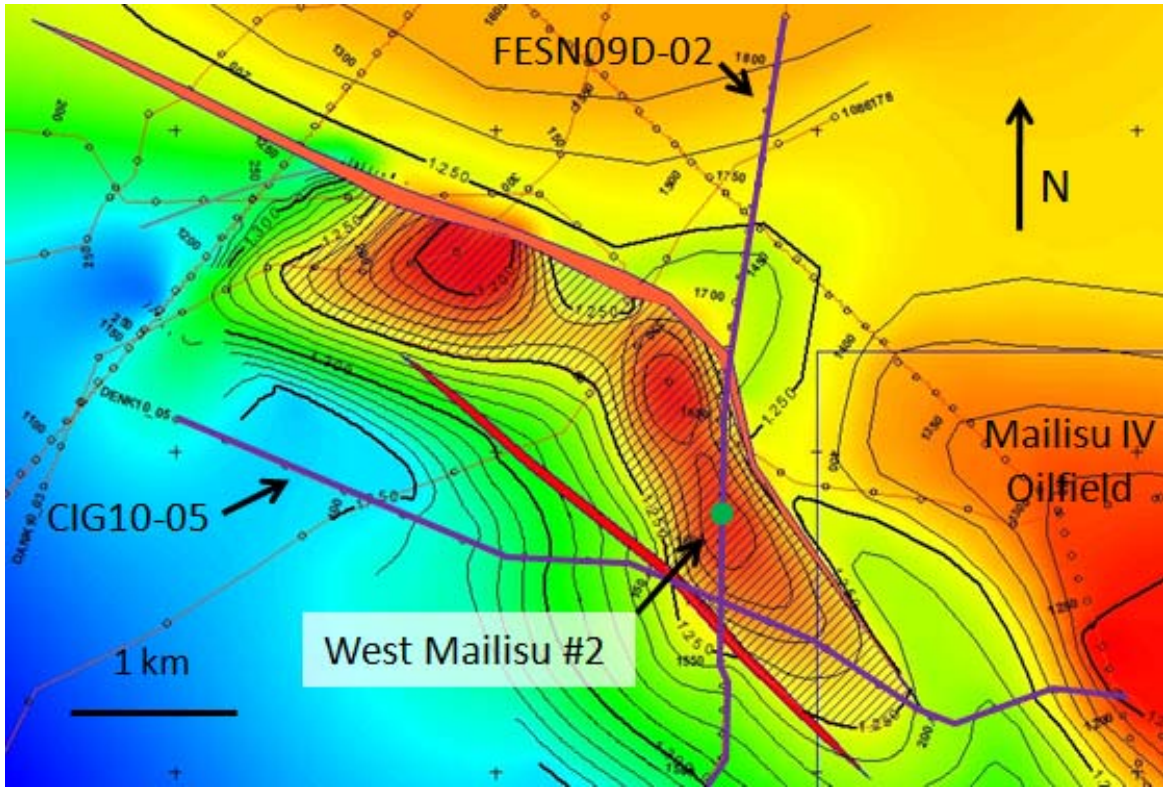


Figure 2 - Time structure map - top Eocene Carbonates

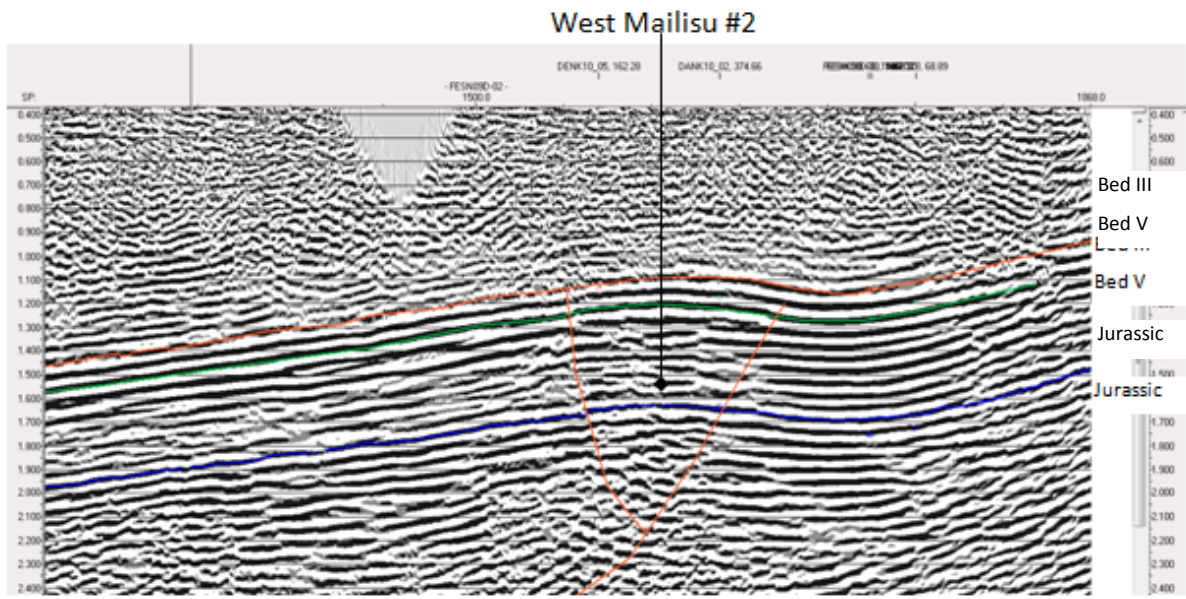


Figure 3 - Seismic Line FESN09-02

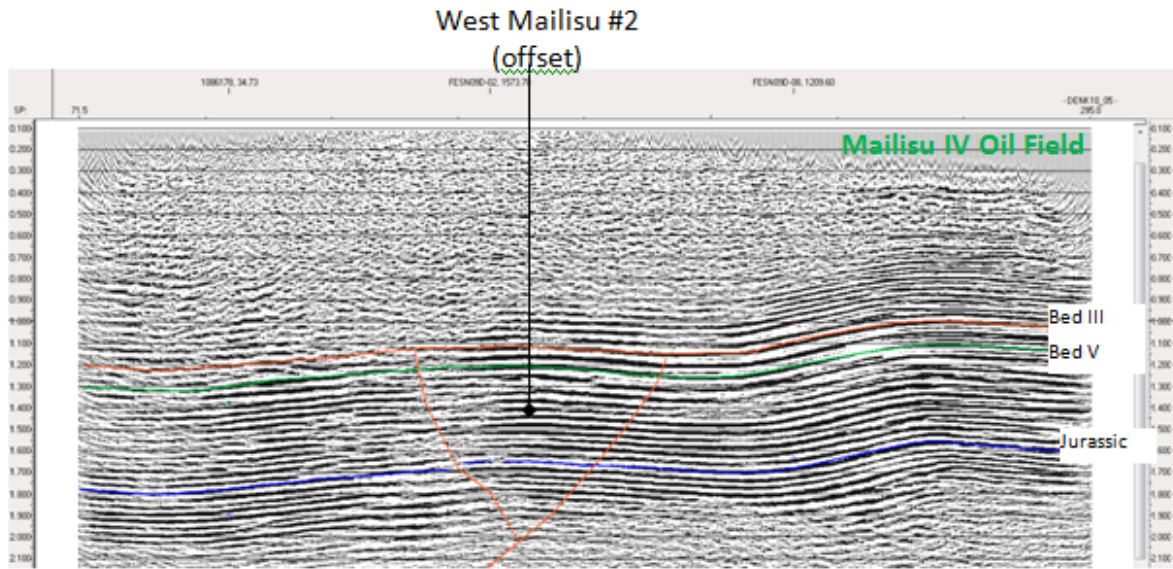


Figure 4 - Seismic Line CAS10-05



Figure 5 – Oil from West Mailisu #2

## **Seismic**

A 20km 2D seismic programme commenced mid October 2011. The acquisition is being undertaken by Kyrgyzgeophysika. The purpose of the acquisition is to delineate up to four prospects & leads in the East Mailisu and Charvak blocks.

## **Kyrgyz Production Activity**

A total of 197m3 (1238 bbls) of oil was produced during the three-month period ending September 30.

## **Other Assets and Mineral Projects**

Caspian retains mineral assets where, in most cases, exploration is funded by other companies.

These include:

- Shares in listed mineral entities currently valued at approximately \$3.1 million;
- 0.5% royalties on Perseus Mining Ltd's Tengrela Gold Project in Ivory Coast and Grumesa Gold Project in Ghana, both of which are moving towards possible development over the next two years;
- A joint venture with Burey Gold Limited (ASX: BYR) in the Mansounia Gold Project in Guinea; and
- A diamond joint venture in the Democratic Republic of Congo.

Burey Gold has reported an initial million-ounce inferred gold resource estimate for the Mansounia project in Guinea and recently completed drilling of higher grade targets and infill drilling on the project. Results are expected in the December quarter.

The Osenase, Pramkese and Asamankese licences in Ghana are prospective for alluvial and hard rock diamonds and gold. The Company is seeking potential farm-in partners for these projects.

## **For further information please contact:**

**Graeme Parsons**

**Telephone: +61 448187149**

**Email: parsonsg@caspiantogl.com**

**Colin Carson**

**Telephone: +61 8 9240 2405**

**Email: carsonc@caspiantogl.com**

## **Background**

Caspian Oil & Gas, through its subsidiaries JSC Textonic (Caspian equity 100%) and South Derrick LLC (70% equity), holds a number of licences in the Fergana Basin, giving it a significant exploration position within the Kyrgyz Republic (see location map below).

Caspian operates its own 650hp drilling rig in its Kyrgyz operations.



**Location Map of Caspian Licences in the Kyrgyz Republic**

**More information is available on the Company's website [www.caspianogl.com](http://www.caspianogl.com)**

The information in this report that relates to oil and gas exploration results and hydrocarbon reserves is based on information compiled by Mr Graeme Parsons, who is a petroleum geoscientist. Mr Parsons is a Director and full-time employee of the Company. Mr Parsons has more than 30 years' experience in this discipline and he consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.