



11 January 2012

**NEWS RELEASE**  
**West Mailisu #2 Update**

**Perth, Western Australia:** Caspian Oil & Gas Limited (ASX: CIG) has suspended operations on its West Mailisu #2 well on the Company's 100%-owned West Mailisu licence in the Kyrgyz Republic, Central Asia, after pump testing recovered only a small amount of oil.

Caspian previously reported on 25 October, 2011 that it was sourcing appropriate equipment to bring the West Mailisu #2 well into production. A new beam pump was sourced in November but heavy snow and rain led to the deterioration of the access road, requiring a rebuild over a steep section. While snow and sub-zero temperatures continued to impact operations, by late December the pump was installed.

Some 10m<sup>3</sup> of completion fluid and 3.2m<sup>3</sup> (~20bbls) of oil were recovered before the pump ran dry and a decision was made to pull the completion (tubing and pump) from the hole to check seals for sand or other blockages. Subsequent measurement of the fluid level in the hole confirmed that there was little further influx into the wellbore from the formation. It can be concluded that the formation is either tight or damaged and without further in-wellbore activity (reperforation, radial drilling or fracking) the well will not be commercial.

Given ongoing poor weather and ground conditions, a decision has been made to demobilise the completion crew pending an assessment of the next course of action and safer rig access conditions (probably April/May). The crew will now move to complete and test the previously drilled Mailisu III #6 well. This 1,501 metre well intercepted oil within the carbonates of Beds V and VII. Drilled in November 2009, it has not been tested to date due to stuck perforation guns and restrictions on acid sales throughout 2010.

An attempt will be made to remove the stuck perforation guns using a recently acquired fishing tool to enable the pump and tubing to be set at the optimum level. Well #6 will then be pump tested before attempting an acid treatment.

Graeme Parsons  
Chief Executive Officer

**For further information please contact;**

<b>Graeme Parsons</b>	<b>Colin Carson</b>
<b>Telephone: +61 448187149</b>	<b>Telephone: +61 8 9240 2405</b>
<b>Email: parsonsg@caspianogl.com</b>	<b>Email: carsonc@caspianogl.com</b>

**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

## 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.*