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## **CDS Oil & Gas Group plc**

### **CDS SPUDS FIRST WELL IN PARAGUAY**

LONDON, England: November 29, 2005 - CDS Oil & Gas Group plc ("CDS"), the AIM-listed oil explorer (CDS.L), is pleased to report that it has spudded its first well (CDS-GM-05-5001) in the Chaco region of Paraguay.

The well is located 200m southeast of the Independencia 1 well drilled in 1993 on the Gabino Mendoza block which was in turn a re-entry of the Mendoza 1-R well drilled by Pure Oil in 1959. The well was spudded on November 25, 2005 and CDS expects to reach a planned depth of around 1,600 metres in about 20 days of drilling. The primary objective is an oil-bearing zone between 1,500 metres and 1,600 metres, identified by CDS through its interpretation of seismic reports and the logs of previous drilling operations.

A production test on the Independencia 1 well was performed by CDS in March 2004 and flowed natural gas at rates up to 960 thousand cubic feet per day ("mcf/d") through a 22/64" choke from a Carboniferous sand (the "Independencia Pay") at 600 m depth. The gas was dry with 94% methane and no sulphur.

The new well will evaluate Carboniferous and Devonian sediments to the initial planned depth of 1,600 metres. Below this level there may be a potentially large gas play which CDS may seek to drill at a later date after reviewing the results from this first well.

Ends

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[Photographs of the drill rig and drill camp site are available from Bankside Consultants]

## **Background and technical note**

In addition to the 40,000 hectare Gabino Mendoza Block in which CDS has a 100% working interest net of a 3.5% gross over-riding royalty (GORR), CDS has a 100% interest in the Boqueron block (2.3m hectares) and 100% Working Interest in the PG & E block (491,077 hectares) net of a 0.6% GORR. Between 1947 and 1993, exploration programmes conducted by several US and local oil companies drilled 26 wells on CDS' properties of which 22 had hydrocarbon shows. CDS has identified several prospects and leads and intends to follow a drilling strategy of 200-300 metre stepout twins of old wells with hydrocarbon shows.

### *Oil Targets*

Devonian sandstones from 721m to 1600m depth in the original Mendoza 1-R (Independencia 1) included several oil shows. A zone that "sweated" spots of 'live" oil from a whole core at 1534m is the same age as the Huamampampa Formation, Bolivia's best Devonian producer. Other oil shows in the 1-R well are in the same sands which yielded 6 oil-bearing sidewall cores in Placid's 1967 Mendoza 2 well, 14 km to the northwest. Some of these oil-bearing zones are age-equivalent to the Devonian Los Monos 1, 2, and 3 sands at the Montecristo Field, NE of Santa Cruz, Bolivia which have been producing since 1983.

### *Gas Targets*

In 1959, the original Pure Oil well flowed natural gas at a rate of 2.6 mcf/d from 2600m on a drill stem test. This Devonian gas play features reservoir storage in laminated sandstone beds and permeability pathways through open vertical fractures which intersect multiple sands. The deep fractures are probably related to extensional faults in the immediate area, and current gas generation in shale beds at depths below 1700m. The prospect area is large with the updip closure above the Mendoza 1-R well being 207 km<sup>2</sup> in the Gabino Mendoza Block. Carboniferous sands in the Mendoza 1-R well immediately below the Independencia Pay at 675m yielded gas in two other drill stem tests and a whole core at 689m contained bubbles of natural gas.

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