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## **CDS REPORTS ON RESULTS FROM FIRST WELL IN PARAGUAY**

LONDON, England: 28 February 2006 - CDS Oil & Gas Group plc ("CDS"), the AIM-listed oil explorer (CDS.L), reports that it has received results from sidewall core and fluids analyses from its first well, CDS-GM-05-5001, drilled in the Chaco Basin in western Paraguay. The well, which reached a planned depth of 1,635 meters on 23 December 2005, was cased and suspended for testing or deepening at a later date.

The initial objective of the well was a potential oil-bearing zone between 705 metres and 1,600 metres, identified by CDS through its interpretation of seismic data and well logs of previous drilling operations between 1947 and 1996. The drilling of this well fulfilled the Company's work obligation on the Gabino Mendoza Block. Special core analysis was conducted by Geosystems LLP in Kingwood, Texas on Devonian sidewall cores. Geochemical and hydrocarbon identification analysis were performed on sidewall cores and drill cuttings at Humble Geochemistry, Inc., in Humble, Texas.

Analyses to date by CDS of the technical information derived from the well, confirms that liquid hydrocarbons were found within several zones of the well. However, reservoir qualities are lower than required to be able to flow oil unassisted.

CDS believes that the results from this well have improved the level of confidence of the gas potential at depth on the Gabino Mendoza Block and merits a deepening of the well to a depth of 3,240m. The original Mendoza 1-R well drilled by Pure Oil in 1959, 200m to the north-west, flowed gas at a rate of 2.6 million cubic feet per day during a 48 minute drill stem test from a gas zone at a depth of 2,600m.

Cost over runs, estimated at approximately \$1.4 million, have been incurred, due principally to delays in equipment mobilisation and demobilisation due to poor weather conditions. Demobilisation is ongoing and is expected to be completed this week.

The Company is actively pursuing the farm-out of both the Gabino Mendoza and Boqueron blocks and has had discussions with a number of companies which have expressed an interest. CDS will also consider the raising of additional equity finance in order to strengthen the Company's current working capital position to the extent that farm-out revenues fall short of expectations.

For the remainder of 2006, subject to securing additional finance or farm-in arrangements, CDS plans to focus its efforts on shallow oil exploration around the Emilia well in the Boqueron Block, and continued exploration for deep Devonian gas in the Gabino Mendoza Block. The Emilia prospect located on the Boqueron Block to the south, remains the most prospective of CDS's properties and, although no hydrocarbon reserves have yet been proven, independent studies have estimated a risked recoverable resource of 40MMBO net to CDS.

James Wade, President and CEO of CDS, said: "We are disappointed that the Devonian formation appears to be too tight to flow the liquid hydrocarbons encountered. The results, however, do improve our understanding of the geological model. Whilst it is always difficult to extrapolate from a shallow to a deeper horizon, the results do provide encouragement for the prospectivity of gas at depth."

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