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UPDATE ON OPERATIONS

CDS Oil & Gas Group plc (“CDS” or the “Company”), the AIM quoted oil and gas explorer (CDS.L), announces the completion of the interpretation and analysis of its geological and geophysical studies, soil gas geochemistry survey and seismic survey. The Company is pleased that the results of the data interpretation have confirmed the potential of certain areas within the Company’s Gabino Mendoza and Boquerón blocks. The prospective unrisks summed hydrocarbon resource estimates for CDS’s prospects include 243 MMBO and 161 BCF non-associated gas. The analysis has identified several drill prospects and the Company is currently in discussions with potential partners to fund the next stage of its exploration programme.

As announced in the interim statement, the physical exploration programme was completed in September 2008. The soil geochemistry survey was analyzed by Houston-based Exploration Technologies, Inc. The seismic data was processed by two Houston-based oil and gas service companies, Tricon Geophysics, Inc. and Texseis Inc. and interpretation was then undertaken by the Company’s in-house geosciences team in Houston.

In the Gabino Mendoza block, the moderate level of positive soil geochemistry anomalies indicates the presence of a mixed oil and gas source. The Gabino Mendoza prospect consists of an unconventional gas resource which extends over an area of a few hundred square kilometres, having a sedimentary column in excess of 1,200 metres, which would result in prospective resources on an unrisks basis of 140 BCF.

In the Boquerón block where three prospects have been identified - Picuiba Nose, East Emilia and Emilia - the Carboniferous target sands were deposited in the same proximal deep submarine fan facies as the giant San Alberto/San Antonio Field and others in southern Bolivia.

From the soil geochemistry survey, it appears that the Picuiba Nose prospect has good hydrocarbon source potential from a mixed oil and gas source. The Picuiba Nose prospect is a 1,100 hectare structural dome located on the crest of a northwest-plunging anticlinal nose. The prospect’s prospective resources have an unrisks estimated ultimate recovery (“EUR”) of 175 MMBO.

The Emilia East prospect features a low-relief structure, with top-seals in the Cretaceous and the Permian above the Carboniferous. This prospect has unrisks prospective resources of 21 BCF non-associated gas and 38 MMBO, derived from volumetric EUR calculations from prospect maps.

In the Emilia prospect, the Carboniferous target sands were deposited in a submarine fan. The targets are the same age and facies as the 22 TCF San Alberto Gas Field in Bolivia. This prospect has unrisks prospective resources of 30 MMBO, based on volumetric EUR calculations from prospect maps.

Patrice Roman, CEO of CDS stated: “The comprehensive programme, implemented by the Company for an amount of more than USD30 million, resulted in a total potential of finding up to 250 MMBOE. It represents a strong encouragement to persevere in our exploration efforts and work towards the start of a drilling programme on the Boqueron block. Discussions with prospective new strategic shareholders are taking place with a view to covering the cost of the next stage of the exploration programme.”

The standard used for this announcement is the Petroleum Resources Management System (“PRMS”) prepared by the Society of Petroleum Engineers (SPE).

Eric D. Carlson, CDS’s Chief Geologist and Head of its Technical Department who is a Licensed Professional Geologist in the State of Texas has approved the technical information contained within this announcement. Mr. Carlson has over 20 years’ prospecting experience in the hydrocarbons industry and is a member of the American Association of Professional Geologists, the West Texas Geological Society, the Houston Geological Society, and the Geophysical Society of Houston. He has co-authored a number of publications on the hydrocarbon potential of NW Paraguay.

Glossary

BCF	billion (10 ⁹) cubic feet
estimated ultimate recovery (“EUR”)	A term that may be applied to an accumulation or group of accumulations (discovered or undiscovered) to define those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from an accumulation, plus those quantities already produced there from
geological and geophysical studies	geological and geophysical studies which are conducted to understand some or all of the components of a petroleum system, e.g. source, maturation, migration, reservoir, seal, play, structure, trap
MMBO	millions of barrels of oil
MMBOE	millions of barrels of oil equivalent
prospect	a potential accumulation that is sufficiently well defined to represent a viable drilling target
prospective resources	those quantities of oil which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations according to the definitions of the PRMS
soil geochemistry survey	an analysis of hydrocarbon gases in soils, usually in very small concentrations, used to determine petroleum source rock type and availability
TCF	trillion cubic feet
unconventional resources	unconventional resources exist in petroleum accumulations that are pervasive throughout a large area and that are not significantly affected by hydrodynamic influences (also called “continuous-type deposits”). Examples include coalbed

methane (CBM), basin-centred gas, shale gas, gas hydrate, natural bitumen (tar sands) and oil shale deposits. Typically such accumulations require specialized extraction technology (e.g., dewatering of CBM, massive fracturing programs for shale gas, steam and/or solvents to mobilize bitumen for in-situ recovery, and, in some cases, mining activities). Moreover, the extracted petroleum may require significant processing prior to sale (e.g. bitumen upgraders).

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