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## DRILLING RIG AND SERVICE COMPANIES MOBILISING TO DRILL SITE

LONDON, England: October 5, 2005 - CDS Oil & Gas Group plc is pleased to announce that Nabors International has commenced mobilizing drilling rig 426 from Santa Cruz, Bolivia to the drilling site on CDS's Gabino Mendoza Block in the Paraguayan Chaco where the first appraisal well will be drilled.

It is anticipated that drilling will start in about two weeks with the first well to be drilled 200m from the Independencia 1 well drilled in 1993. A production test on the Independencia 1 well was performed by CDS in March 2004 at which time it flowed at rates at up to 960 mcf/d through a 22/64" choke. The gas was dry with 94% methane and no sulphur. The Independencia 1 is a re-entry of the Mendoza-1R drilled in 1959 by Pure Oil. A brief 48 minute drill stem test (DST) was performed in Mendoza 1-R on a 13m gas zone at a depth of 2,600m and the estimated flow rate was 2,600,000 scfd. The new well will test these gas zones as well as an oil play between 721m and 1800m depth and another gas play at approximately 689m depth.

In addition to its 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 – 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 metre step out twins of old wells with hydrocarbon shows, and is planning to drill at least one well on each Block, subject to available funds.

Ends.

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