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Paraguayan oil and gas company debuts on AIM

LONDON: 27 September – A UK company with major interests in Paraguayan-based oil and gas exploration and development made its debut on AIM today, with its shares opening at a 15% premium to the Placing price.

Shares in CDS Oil & Gas Group plc (“CDS” or “the Company”) (CDS.L) opened this morning at 11.5p, above the 10p price at which the Company placed 24,250,000 new Ordinary Shares with UK and European institutional investors to raise £2.42 million before expenses. The price rose again to 12.25p during the afternoon. The new Ordinary Shares represent 12% of the Company’s ordinary share capital, giving the Company a market capitalisation at the opening price of £24.1 million. Certain existing shareholders also exercised warrants in the Company raising approximately a further £500,000 for the Company.

CDS was formed in March 2004 to pursue the exploration and development potential for oil and gas in the Chaco Basin located in Paraguay. CDS Energy, a 98.1% owned subsidiary of CDS, holds prospecting Permits or prospecting, exploration and exploitation Concession Laws in respect of three blocks of property covering 2.9 million hectares within the Central Chaco High region of the Paraguayan Chaco Basin.

The proceeds of the Placing will provide the funds to drill the Company’s first appraisal well planned during the current year exploration programme and to provide additional working capital.

During the period 1947 – 1993, exploration programmes conducted by several US and local oil companies drilled 26 wells on CDS’ properties of which 22 had hydrocarbon shows. The first new well to be drilled, with a planned total depth of 3,200m, is to be located in CDS’s Gabino Mendoza Block. It will be a 200m step out twin to the Independencia 1 well which was drilled to a depth of 600m in 1993. The well flowed gas at a rate of 960,000scfd from a gas zone at 600m during a production test conducted by CDS in March 2004. 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 2600m 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.

Jim Wade, President and Chief Executive Officer of CDS, said today: “We believe that the historical third party exploration programmes were not successful because of mud systems that may have caused formation damage. Modern drilling techniques, mud systems and logging tools which have been developed during the past 30 years should permit us to mitigate these problems. We expect to start drilling our first well in about three weeks.”

In addition to its 40,000 hectare Gabino Mendoza Block in which CDS has a 100% working interest net of a 3.5% 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. CDS intends to follow a similar drilling strategy of 200 meter 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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The admission document is available as a pdf file on the company’s website www.cdsogg.com

Notes to Editors

The Board of CDS consists of:

- James Wade, President, Chief Executive and co-founder of CDS, has over 34 years in the natural resources industries, including seven years as President and Chief Executive Officer of Bitech Corporation at a time when that company took a majority interest in a Russian joint stock company with producible reserves of 160m bbls of oil and 40 billion cubic feet of natural gas.
- Daniel Morrison, Executive Director and co-founder of CDS, has over 22 years experience in international resources. He studied geology at the University of Washington, has been active in exploration in South America since 1993 and has been resident in Paraguay since 1998. He is also a Director of Morrison Mining Company which holds minerals concessions in Paraguay.

- John Bentley, appointed non-executive Chairman earlier this month, has over 30 years experience in natural resources. He held senior management positions for Gencor, including CEO of Gencor's Brazilian gold mining subsidiary, Sao Bento Mineracao SA, during the period from 1988 through 1992. He was appointed CEO Exploration & Production for Engen Ltd, the South African oil company in 1993, and was subsequently responsible for the formation of Energy Africa Ltd and its listing on the Johannesburg and Luxembourg stock exchanges in 1996. Mr Bentley became Energy Africa's CEO and guided the company through its first five years during which time its production grew fourfold and it expanded its operations into 12 countries in Africa. Mr Bentley is currently Vice Chairman of Vanco Energy Company, the Houston based deepwater company.
- The Non-Executive Directors are; Jeremy Eng, who has 21 years sector experience with companies such as Schlumberger and Petro-Engineering (Overseas) Limited and is managing director of Ascent Resources Plc.; Keith Irons, who during 30 years in natural resources held senior corporate roles with Amax, Rio Tinto, Blue Circle, Charter Consolidated and Minorco and was the founder and Chairman of Bankside Consultants Limited until 2005; Ed McMaster, who after a 30 year career retired in 1996 from Shell Canada Limited as Vice President of Operations; and Guillermo Peroni, the founder and senior partner of the Paraguayan law firm Peroni Sosa Tellechea Burt & Narvaja and is also Honorary Consul of the United Kingdom in Asunción, Paraguay.